

FLOW OF FUNDS REPORT

TUYID Q2 2014

August, 2014

Dear Readers,

This volume of the Flow of Funds Report, which provides important insight about the inflow and outflow of funds, as well as investment types, regions and top sellers and buyers and other important information related to Turkish market and international investments as well as key cities for road shows, is prepared for your attention.

We, as TÜYİD and IPREO, believe that the report will be an important guide to shed light on trends with regard to international flows, which will facilitate the investor relations professional's operations.

Net selling of Turkish equities by institutional investors saw outflows of \$207.9M in Q2 2014, a far lower level than selling seen in Russian equities (-\$2.1BN), and Hungarian equities (-\$617.5M). Investment in Poland was relatively flat at -\$92.6M. Selling in Turkey was driven by the UK & Ireland, where Aberdeen Asset Managers sold \$433.7M after losing a £4BN mandate in the quarter. North American investors continue to support Turkey, registering inflows of \$273.6M in the quarter, resulting in 12 months of inflows totalling \$1.1BN. Western European investors were also keen supporters over the quarter with net buying of \$63.4M. The Basic Materials sector was the most bought of the quarter, with net buying of \$82.9M, while the Financials sector was the most sold after \$227.8M of equities from the sector were divested in Q2.

The overall market sentiment towards Turkey is very positive at the second quarter, with the net selling being driven by Aberdeen Asset Managers – where removing this sale would have resulted in inflows of over \$200M. Continued price performance of the index will only encourage further inflows as we look forward to a strong second half of the year.

This Report is prepared by IPREO, in cooperation with TÜYİD, using IPREO's database. We trust it will continue to provide an important insight for the market players and will be published quarterly for your attention.

IPREO
MD for Corporate/Data & Analytics for EMENA
Nick Arbuthnott

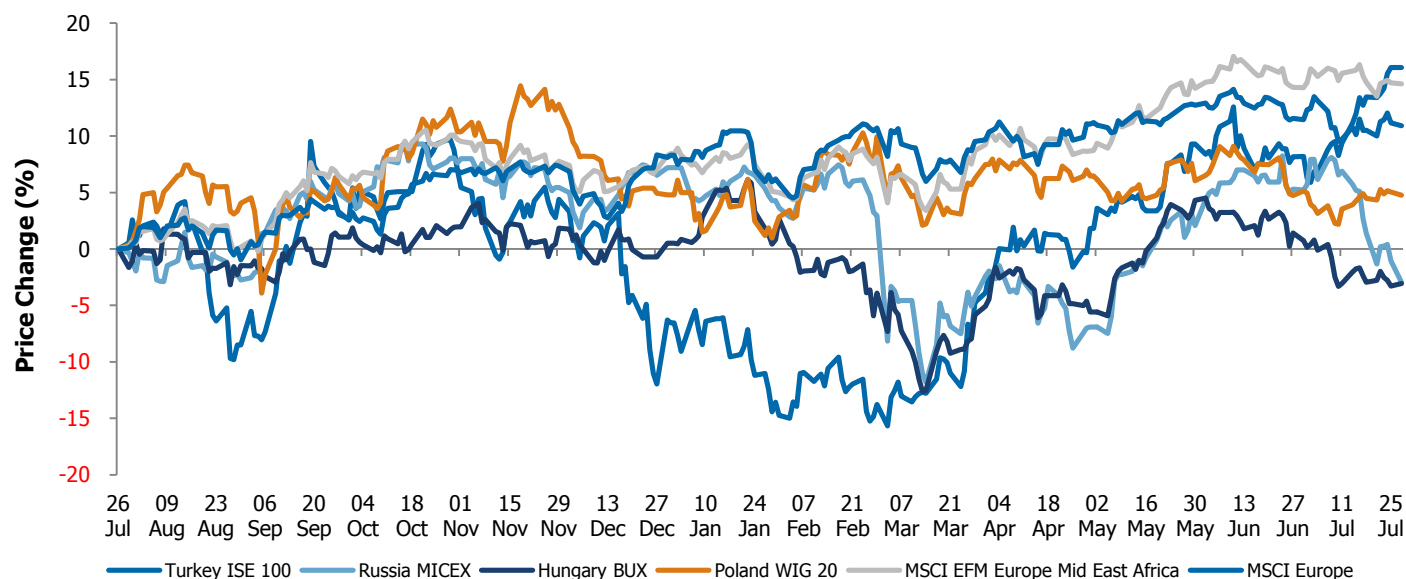
TÜYİD Turkish IR Society
Chairman
Abdullah Orkun Kaya

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Price performance:

The BIST National 100 has outperformed all comparable indices over the past 12 months, posting gains of 16.07% since 26 July 2013 – boosted by a very strong July 2014 performance. While the BIST National 100 outperformed in July, the Hungary BUX and Russia MICEX both fell into negative territory in July to post losses of 3.05% and 2.84% over the past 12 months, respectively.



Q2 Inflows and Outflows:

Institutional investment in Turkey rose in Q2 2014 on the back of the index price performance, although net selling was seen after three quarters of inflows. North American and Western European investors were supporters of Turkish equities, while all other regions sold. UK & Ireland investors were the largest net sellers in Q2 2014, with a sale of \$433.7M by Aberdeen Asset Managers driving the overall institutional outflow seen this quarter.

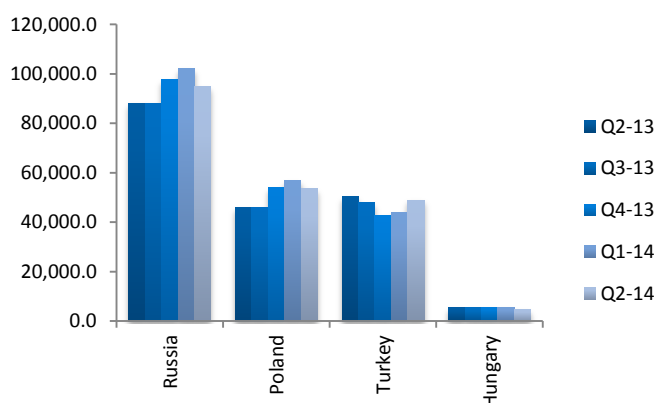
Investment in Poland was relatively flat, and Hungary saw outflows of \$617.5M over the quarter. Russian equities were the hardest hit as instability in the region resulted in outflows exceeding \$2.0BN.

“Several emerging markets have experienced quite volatile performance during 2014, however the overall trend has been positive. Russia and Turkey have seen sharp market falls followed by dramatic recoveries, while India has seen a strong rally from late 2013 lows. Taking a long-term perspective, such short-term price movements can open up attractive opportunities to take positions in what we regard as strong businesses at favourable prices, or to exit from positions where short-term enthusiasm has left stocks trading at above our assessment of their intrinsic value. In our opinion, valuations of emerging markets in general, and select individual stocks even more so, remain below the levels suggested by our assessment of their longer-term potential.”

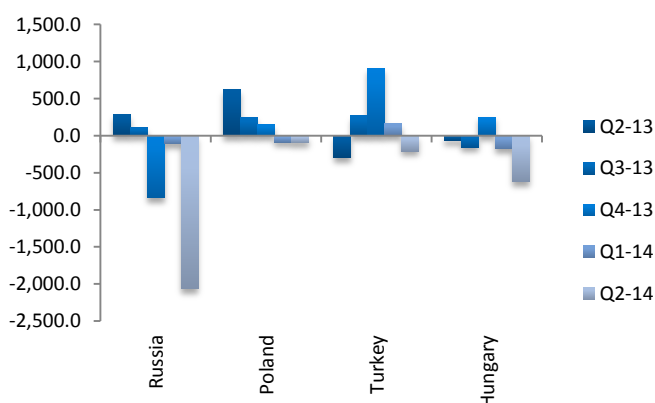
Templeton Emerging Markets Investment Trust PLC - June 2014

<http://www.franklintempleton.co.uk/downloadsServlet?docid=h0iay8id>

Institutional Investment in Region (\$M Value)



Institutional Investment in Region - Net Change (\$M Value)



Q2 – Investment by Investor Region:

Investment in Turkey was particularly hit by Aberdeen Asset Managers who sold a net \$433.7M over the quarter. This sale was not due to any negative sentiment towards the region, as Aberdeen was hit by a £4BN mandate withdrawal – resulting in a 0.6% decrease in assets under management through Q2 2014.

<http://www.efinancialnews.com/story/2014-07-28/aberdeen-asset-management-results-q-2-2014?ea9c8a2de0ee111045601ab04d673622>

North American investors were the largest buyers over the quarter, led by Scout Investments (+\$88.1M). Scout had previously had a very low exposure to the Turkish market, holding just \$1.0M in Q1 2014. Scout feels the outlook for emerging markets is volatile, but opportunities exist with strong companies;

"We fully expect stock prices in the developing world to go through periods of intense volatility from currency fluctuations, geopolitical crises, and other shocks to the system. We do not believe, however, that the underlying competitive position or earnings power of most businesses is similarly volatile. We strive to look past the ups and downs of a firm's stock price and focus instead on trying to assess the ability of a business to succeed over the long term. To that end, we continue to sift through emerging markets, looking for strong, competitively advantaged companies."

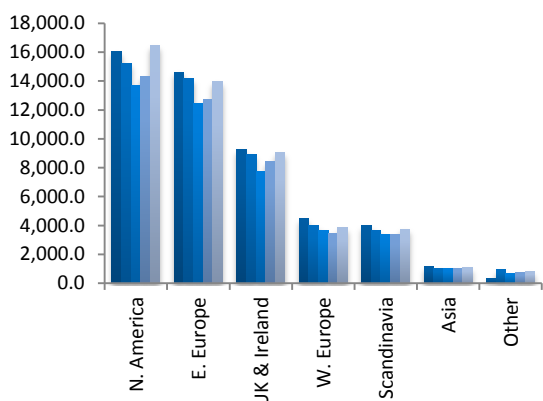
http://scoutinv.com/individual_investors/mutual_funds/individual/f_5/sc_i_class/emerging_markets_fund/commentary.fs

In Western Europe inflows were also seen. East Capital, who sold \$61M and \$99M in Q4 2013 and Q1 2014, respectively, returned to Turkish equities with inflows of \$52.3M in Q2. East Capital portfolio manager, Emre Akcakkak, recently noted;

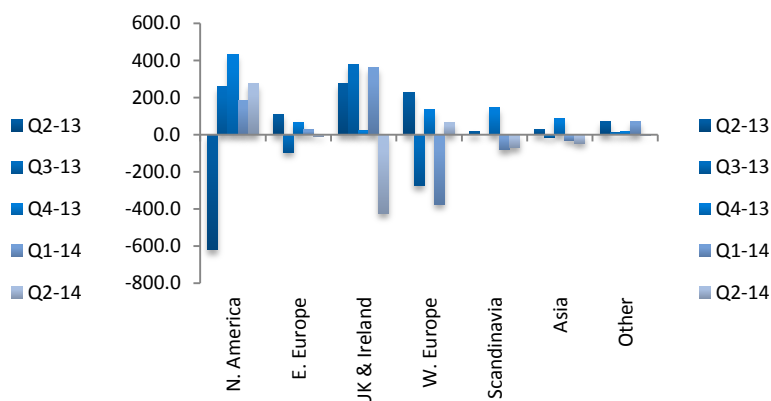
"Accordingly, we see a lot of opportunities in Turkey's growing sectors such as banking, real estate, autos and white goods. Besides, we think that Turkey's newly emerging high growth sectors such as private pension and aviation also offer good opportunities."

<http://www.investmenteurope.net/regions/cee/turkey-remains-on-track-despite-recent-political-issues-says-east-capital-manager/>

Institutional Investment by Region (\$M Value)



Institutional Investment by Region (\$M Change)



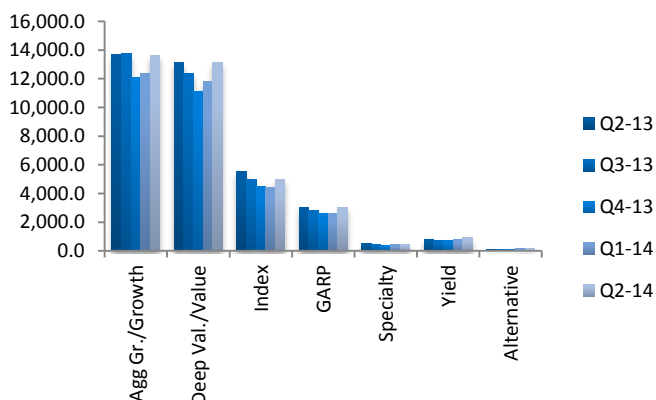
Q2 – Investment by Style:

Growth investment fell this quarter by \$258.2M as all investment styles bar GARP and Yield turned negative. GARP oriented investors turned from negative to positive in Q2, with inflows of \$110.7M seen. Buying activity was led by East Capital and Thornburg Investment Management, who both feature in the top ten buyers this quarter.

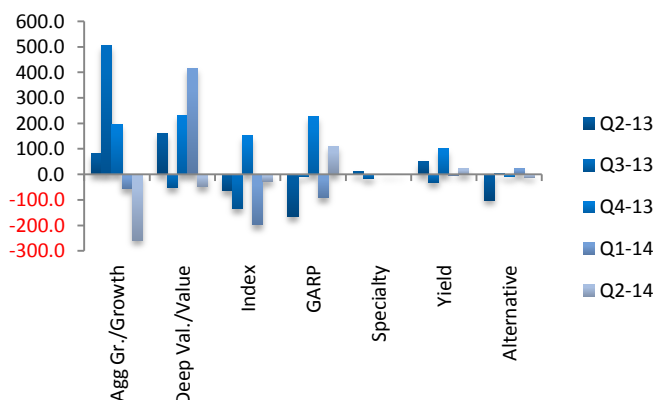
"Russia's pain is somebody else's gain. Emerging market currencies from South Africa's rand to Turkey's lira and Indonesia's rupiah are benefiting from the crisis in Ukraine as investors move funds out of Russia and into other high-yielding currencies. The buying has been particularly positive for the Turkish lira, and Turkey as a whole. Investors are betting on Turkish central bank governor Erdem Basci to continue with interest rate cuts aimed at boosting the local economy. Year-to-date, the Turkish market is the best performing index among major countries, led by exporters and a rebound in banking stocks."

<http://www.usfunds.com/investor-library/investor-alert/#.U9eWIPldVPM>

Institutional Investment by Style - (\$M Value)



Institutional Investment by Style - Net Change (\$M Value)

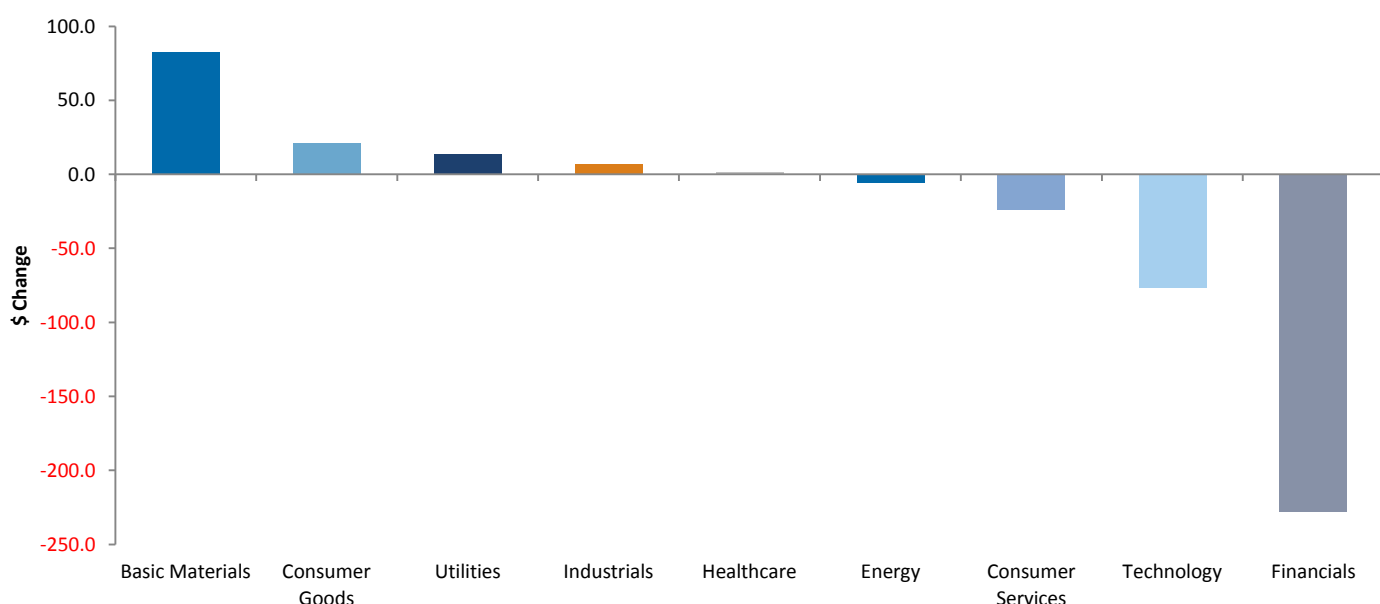


Top Holders, Buyers & Sellers:

TOP HOLDERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	125,432.6	1,658.8	-433.7	1.3	-20.7
OppenheimerFunds, Inc.	United States	Growth	Medium	144,726.6	1,531.0	39.0	1.1	2.6
Norges Bank Investment Management (Norway)	Norway	Value	Low	537,632.3	1,440.6	-0.5	0.3	-0.0
Lazard Asset Management, LLC (U.S.)	United States	Value	Low	80,947.1	1,393.6	8.0	1.7	0.6
Dodge & Cox	United States	Deep Value	Low	152,743.8	1,236.9	-53.1	0.8	-4.1
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	116,789.9	1,021.8	120.3	0.9	13.3
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	331,861.9	917.7	13.6	0.3	1.5
APG Asset Management N.V.	Netherlands	Yield	Low	145,828.4	706.9	0.0	0.5	0.0
Genesis Investment Management, LLP	United Kingdom	Growth	Low	23,404.9	605.0	0.0	2.6	0.0
BNP Paribas (Suisse) S.A.	Switzerland	Deep Value	Medium	n/a	531.9	0.0	n/a	0.0
				11,044.3	-306.4			
TOP BUYERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	116,789.9	1,021.8	120.3	0.9	13.3
Scout Investments, Inc.	United States	Growth	Medium	14,011.7	89.1	88.1	0.6	8,624.3
East Capital Asset Management AB	Sweden	GARP	Medium	3,769.7	422.8	52.3	11.2	14.1
Templeton Asset Management, LTD	Hong Kong	Growth	Low	26,375.0	280.8	47.1	1.1	20.2
J.P. Morgan Investment Management, Inc.	United States	Growth	Medium	220,296.4	122.8	42.4	0.1	52.8
OppenheimerFunds, Inc.	United States	Growth	Medium	144,726.6	1,531.0	39.0	1.1	2.6
Deutsche Asset & Wealth Management Investment Gmb	Germany	Value	Medium	61,458.9	274.7	35.5	0.4	14.8
Thornburg Investment Management, Inc.	United States	GARP	Medium	57,056.9	138.8	29.8	0.2	27.3
HSBC Portföy Yönetimi A.S.	Turkey	Growth	Medium	213.0	213.0	28.3	100.0	15.3
Brandes Investment Partners, L.P.	United States	Deep Value	Medium	15,048.2	127.9	27.4	0.8	27.3
				4,222.7	510.1			
TOP SELLERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	125,432.6	1,658.8	-433.7	1.3	-20.7
Swedbank Robur Fonder AB	Sweden	Growth	Low	65,491.6	362.1	-126.7	0.6	-25.9
Arisaig Partners (Asia) Pte., LTD	Singapore	Value	Low	4,427.7	112.6	-89.9	2.5	-44.4
Fidelity International Limited - FIL Investment Services (L	United Kingdom	Growth	Medium	91,261.4	347.1	-82.8	0.4	-19.3
Dodge & Cox	United States	Deep Value	Low	152,743.8	1,236.9	-53.1	0.8	-4.1
SKAGEN AS	Norway	Value	Low	17,652.0	504.4	-46.9	2.9	-8.5
Capital World Investors (U.S.)	United States	Value	Low	554,750.4	126.9	-45.7	0.0	-26.5
SEB Varahaldus AS	Estonia	Growth	High	694.3	57.5	-35.5	8.3	-38.1
Pictet Asset Management S.A.	Switzerland	GARP	Low	52,735.5	105.2	-24.4	0.2	-18.8
Fideuram Asset Management (Ireland), LTD	Ireland	Growth	High	7,351.0	23.0	-16.3	0.3	-41.4
				4,534.5	-955.0			

Includes Investors with EUM greater than \$100M; Excludes Passive/Index Investors

Sector Inflows/Outflows:



Road show:

London and New York remain the two key cities for road show activities, both by number of investors and total value of investment in Turkish equities. Investment from Asian investors is relatively low, but there are opportunities for significant investor outreach in Tokyo, Seoul, Taipei and Singapore, with a combined 54 investors in these cities who hold Turkish equities.

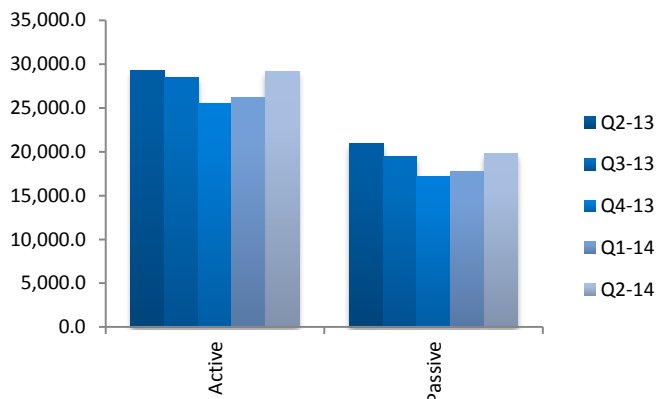
Most Invested				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,656,101.3	6,259.2	104.2	72
United States (New York)	2,262,995.3	3,627.0	86.1	40
United Kingdom (Aberdeen)	125,432.6	1,658.8	-433.7	1
Norway (Oslo)	564,516.2	1,455.1	-0.9	4
United States (San Francisco)	298,005.8	1,337.9	-54.6	6
Sweden (Stockholm)	207,112.1	1,112.7	-43.6	13
United States (Boston)	1,810,025.3	919.5	29.8	14
Switzerland (Geneva)	75,181.2	730.3	-17.5	9
Netherlands (Amsterdam)	153,583.1	710.4	0.0	2
Turkey (Istanbul)	522.7	519.3	29.6	8
Singapore (Singapore)	130,852.9	511.5	-91.7	9
Norway (Stavanger)	17,652.0	504.4	-46.9	1
Germany (Frankfurt)	202,450.3	491.1	38.8	10
United States (Houston)	178,808.4	461.6	-1.7	1
France (Paris)	214,851.8	457.7	-1.2	13
Excludes Passive/Index Investors		20,756.6	-403.3	204

Most Investors				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,656,101.3	6,259.2	104.2	72
United States (New York)	2,262,995.3	3,627.0	86.1	40
Japan (Tokyo)	331,056.5	201.5	-3.8	18
Poland (Warsaw)	11,829.1	224.9	0.0	16
South Korea (Seoul)	56,924.3	29.0	0.0	16
United States (Boston)	1,810,025.3	919.5	29.8	14
Canada (Toronto)	367,283.1	150.9	-1.5	14
Sweden (Stockholm)	207,112.1	1,112.7	-43.6	13
France (Paris)	214,851.8	457.7	-1.2	13
Austria (Vienna)	12,022.6	304.0	2.4	12
Taiwan (Taipei)	26,806.4	20.0	3.9	11
Germany (Frankfurt)	202,450.3	491.1	38.8	10
United States (Chicago)	165,261.6	131.9	28.6	10
Switzerland (Geneva)	75,181.2	730.3	-17.5	9
Singapore (Singapore)	130,852.9	511.5	-91.7	9
Excludes Passive/Index Investors		15,171.2	134.5	278

Active vs. Passive investors:

Active investment into the Turkish market withdrew at a higher rate in Q2 2014 than in Q1, largely driven by the loss of a £4BN mandate from Aberdeen Asset Managers. Sentiment from North American and Western European investors suggests a return to inflows from active investors in Q3. Passive investment was relatively flat after two quarters of inflows.

Active vs Passive (\$M Value)



Active vs Passive (\$M Change)

