

FLOW OF FUNDS REPORT

TUYID Q3 2014

December, 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.

Turkey saw the largest outflows over the past quarter (-\$1.1bn), below that of Russia (-\$588.0m), Hungary (-\$177.0m) and Poland which saw inflows of \$317.5m. The net selling in Turkey followed four quarters of inflows into the region, and was driven by selling from North American investors, the largest being Lazard Asset Management who sold \$525.4m over the quarter. While North American investors withdrew in Q3, the head of international affairs at the US Chamber of Commerce has said "We are still very bullish on Turkey", and that the business group regards Turkey as "an incredibly lucrative market for American Companies". Western European investors were the only region to post real inflows to Turkish equities over the quarter, with investors such as Carmignac Gestion and Raiffeisen KAG among the top buyers this quarter.

Outside of the North American outflows, Scandinavian investors were the second largest net sellers of the quarter with outflows of \$182.0M. Swedish investors Swedbank Robur and East Capital were among the largest sellers, with disposals of \$128.0m and \$39.7m, respectively.

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

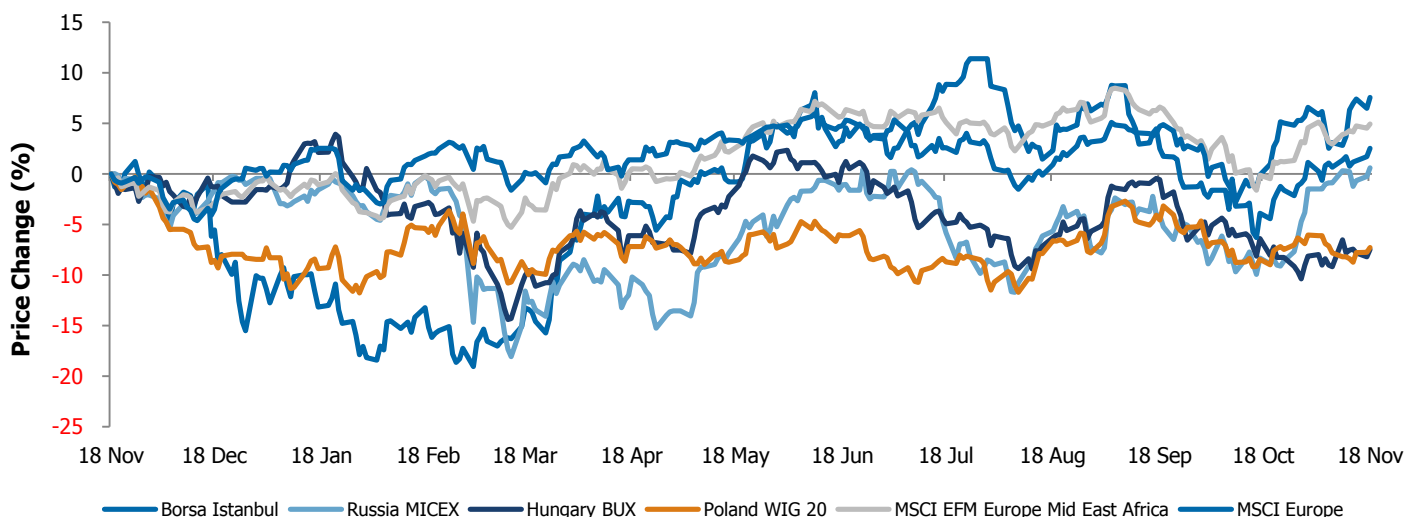
TÜYİD Turkish IR Society
Chairman
Abdullah Orkun Kaya

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Price performance:

The Borsa Istanbul has outperformed all comparable indices over the past 12 months, posting gains of 7.6% since the 18 November 2013. Russia has recovered after a tough year to reach gains of 0.6%, divorcing itself from the performance of Brent Crude Oil which has fallen dramatically over the past year. This falling oil price is aiding Turkey's performance owing to the country being a major importer of oil. Poland and Hungary were the worst performing indices over the year, both falling 7.8%.



Q3 Inflows and Outflows:

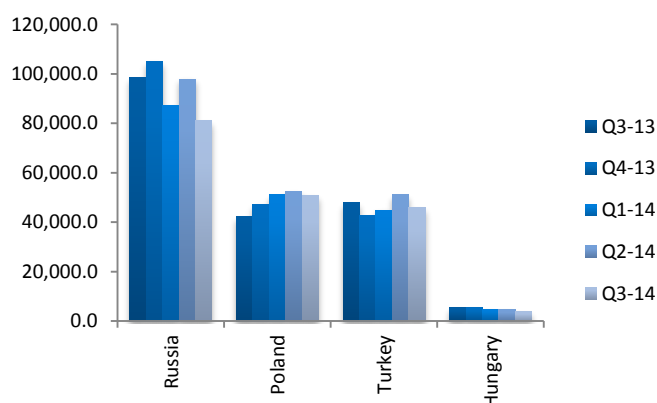
Despite being the top performing index, Turkey saw the largest outflows over the past quarter (-\$1.1bn). The net selling followed four quarters of inflows into the region, and was driven by selling from North American investors, the largest being Lazard Asset Management who sold \$525.4m over the quarter. Western European investors were the only region to post real inflows to Turkish equities over the quarter, with investors such as Carmignac Gestion and Raiffeisen KAG among the top buyers this quarter.

Growth prospects in Turkey look strong coming into 2015, despite the threat of recession looming over several emerging market economies owing to the deflation of credit driven bubbles. BBVA recently proclaimed that Turkey *"offers one of the most attractive growth outlooks in the world"*, which is supported by exports rising 5.5% in the first three quarters of the year, helping to roll back the current account deficit which has long been a concern for international investors and which is anyway seeing a sizeable reduction with lower oil prices.

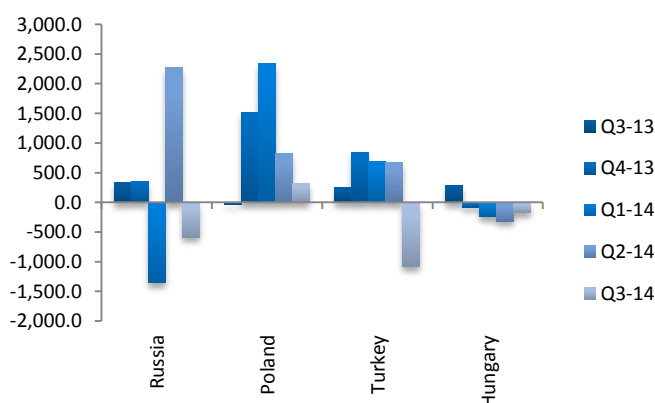
While North American investors withdrew in Q3, the head of international affairs at the US Chamber of Commerce has said *"We are still very bullish on Turkey"*, and that the business group regards Turkey as *"an incredibly lucrative market for American Companies"*.

BBVA and US Chamber of Commerce source: <http://www.ft.com/cms/s/0/9987e064-7499-11e4-b30b-00144feabdc0.html>

Institutional Investment in Region (\$M Value)



Institutional Investment in Region (\$M Change)



Q3 – Investment by Investor Region:

Outside of the North American outflows discussed, Scandinavian investors were the second largest net sellers of the quarter with outflows of \$182.0M. Swedish investors Swedbank Robur and East Capital were among the largest sellers, with disposals of \$128.0m and \$39.7m, respectively.

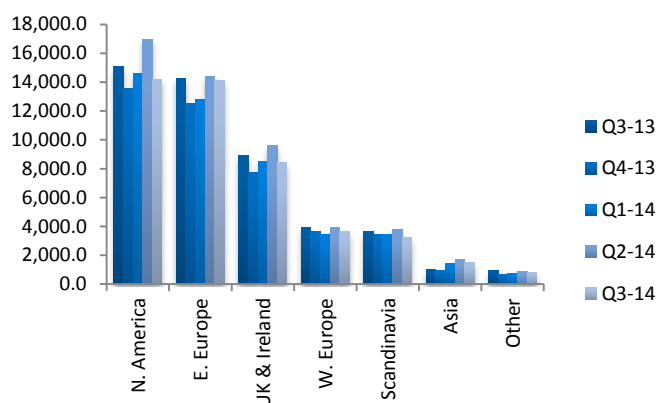
Swedbank recently cited “A stronger dollar is mainly hurting currencies with large funding needs in dollar. This includes Turkey, South Africa, Brazil and Indonesia. We expect the weak trend for emerging market currencies to continue this fall despite that several currencies are significantly oversold. The biggest risk for our negative outlook is if the pressure on emerging market currencies is met with substantial rate hikes, as happened in January.”

Source: <http://newsroom.swedbank.com/en/Publications/2014/Emerging-markets-outlook-October/>

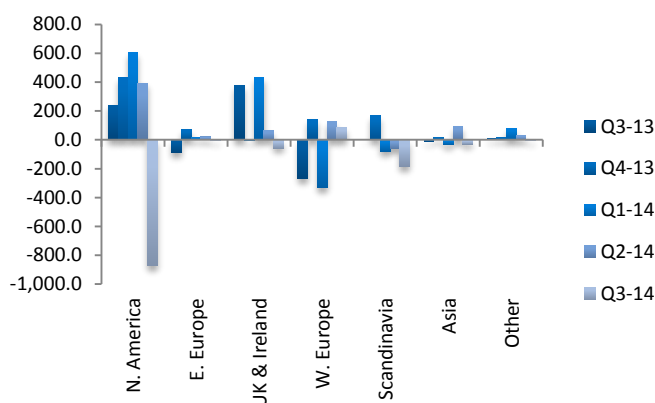
Aberdeen Asset Managers, the largest investor in Turkish equities, withdrew slightly this quarter by \$16.4m. Writing in their October Emerging Markets update they note “Brazil, Turkey, South Africa and Russia, the main laggards, were hampered by domestic factors. Turkey’s decline was partly due to fears of Fed tightening and lacklustre second-quarter GDP growth.” In light of these comments, it will be interesting to see how Aberdeen trades as we close out 2014.

Source: <http://www.aberdeen-asset.co.uk/doc.nsf/Lit/MarketReviewEuropeGroupGEMUpdateUK>

Institutional Investment by Region (\$M Value)



Institutional Investment by Region (\$M Change)



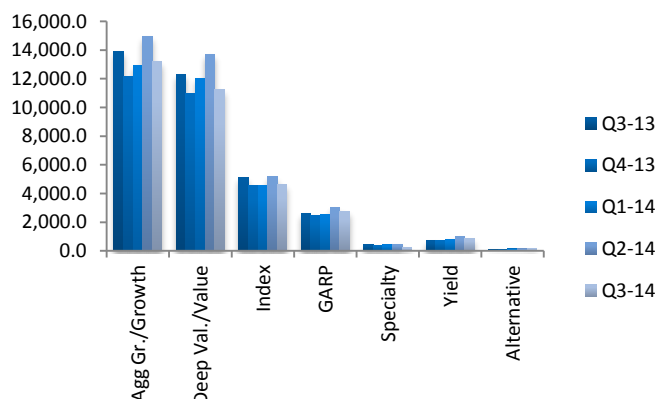
Q3 – Investment by Style:

Turkey has been one of the top performing global emerging markets in 2014, which goes a long way to explaining the large selling by value oriented investors this quarter as portfolio managers look to book gains. The same thing happened in Czech Republic, Poland and Egypt, strong markets which then saw inevitable profit-taking.

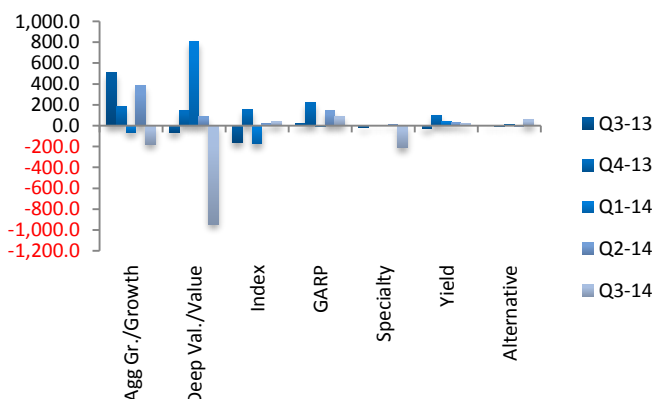
The rise of the Borsa Istanbul this year has also contributed to inflows from index investors as the weighting of Turkish stocks has increased further than comparable markets in the MSCI Emerging Markets index, which fell over 1.0%. Total passive investment, including index funds, ETF's and quant investors, increased in Q3 with net buying of \$115.1m.

Of the top ten buyers, seven investors follow a growth or GARP strategy, while the top ten sellers are dominated by low turnover investors. Seven of the top sellers have a usual holding period of over four years, supporting the notion that profit taking, rather than negative sentiment, is behind this activity.

Institutional Investment by Style (\$M Value)



Institutional Investment by Style (\$M Change)



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	119,026.7	1,766.6	-16.4	1.5	-0.9
OppenheimerFunds, Inc.	United States	Growth	Medium	143,660.2	1,321.4	-63.5	0.9	-4.6
Norges Bank Investment Management (Norway)	Norway	Value	Low	511,226.3	1,289.6	0.4	0.3	0.0
Dodge & Cox	United States	Deep Value	Low	163,153.9	1,229.2	100.7	0.8	8.9
Lazard Asset Management, LLC (U.S.)	United States	Value	Low	80,300.9	1,063.0	-525.4	1.3	-33.1
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	109,060.8	969.8	7.8	0.9	0.8
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	312,916.7	774.5	12.5	0.2	1.6
APG Asset Management N.V.	Netherlands	Yield	Low	157,195.5	692.7	0.0	0.4	0.0
Genesis Investment Management, LLP	United Kingdom	Growth	Low	22,840.9	570.9	0.6	2.5	0.1
BNP Paribas (Suisse) S.A.	Switzerland	Deep Value	High	n/a	531.9	0.0	n/a	0.0

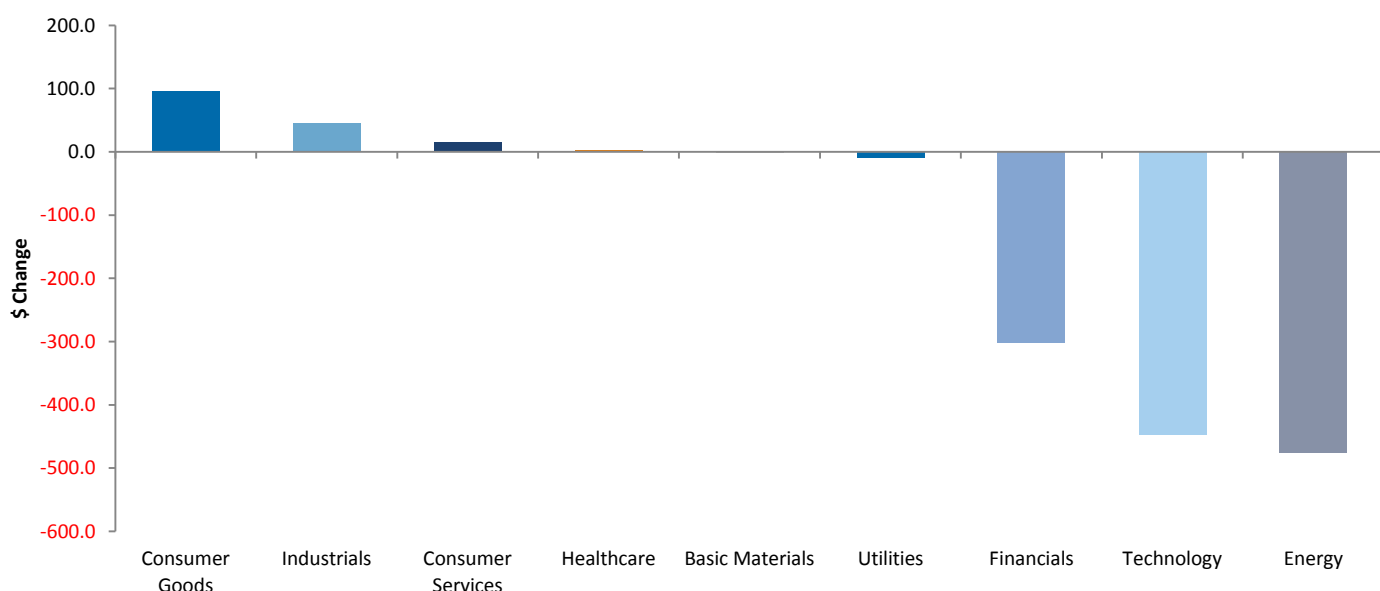
TOP BUYERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Dodge & Cox	United States	Deep Value	Low	163,153.9	1,229.2	100.7	0.8	8.9
Schroder Investment Management, LTD	United Kingdom	GARP	Medium	115,294.7	395.9	98.7	0.3	33.2
Carmignac Gestion	France	Growth	Medium	24,438.2	88.1	46.4	0.4	111.2
Raiffeisen Kapitalanlagegesellschaft mbH	Austria	GARP	Medium	4,086.2	188.6	45.7	4.6	32.0
Trilogy Global Advisors, L.P.	United States	Growth	Medium	7,077.3	69.4	37.6	1.0	117.9
Robeco Institutional Asset Management B.V.	Netherlands	Value	Medium	35,210.6	206.2	33.8	0.6	19.6
William Blair & Company, LLC (Asset Management)	United States	Aggressive G	Medium	58,311.0	130.8	31.5	0.2	31.7
Pine River Capital Management, L.P.	United States	Alternative	Very High	5,684.4	56.6	28.6	1.0	102.1
Thornburg Investment Management, Inc.	United States	GARP	Medium	50,013.2	122.4	26.9	0.2	28.2
Fidelity International Limited - FIL Investment Services (L	United Kingdom	Growth	Medium	85,435.5	193.2	23.5	0.2	13.9

TOP SELLERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Lazard Asset Management, LLC (U.S.)	United States	Value	Low	80,300.9	1,063.0	-525.4	1.3	-33.1
Mondrian Investment Partners, LTD	United Kingdom	Value	Low	20,330.7	56.8	-221.9	0.3	-79.6
IFC Asset Management, LLC	United States	Specialty	Low	3,147.4	44.5	-209.5	1.4	-82.5
Grantham Mayo Van Otterloo & Co., LLC	United States	Value	Medium	78,857.9	483.9	-144.5	0.6	-23.0
Swedbank Robur Fonder AB	Sweden	Growth	Low	60,312.2	195.3	-128.0	0.3	-39.6
MFS Investment Management	United States	Value	Low	243,537.7	151.2	-101.9	0.1	-40.3
OppenheimerFunds, Inc.	United States	Growth	Medium	143,660.2	1,321.4	-63.5	0.9	-4.6
Capital World Investors (U.S.)	United States	Value	Low	548,590.6	61.1	-53.0	0.0	-46.4
East Capital Asset Management AB	Sweden	GARP	Medium	3,165.9	351.2	-39.7	11.1	-10.2
Capital Research Global Investors (U.S.)	United States	GARP	Low	397,846.1	134.5	-29.4	0.0	-17.9

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

3,863.0 -1,516.8

Sector Inflows/Outflows:



Roadshow:

The top fifteen invested cities withdrew almost \$1.0bn over the past quarter, but increased in number from 204 firms in Q2 to now represent 211 active institutional investors. London and New York remain the key cities for any roadshow planning. San Francisco was the top buying city of the quarter with inflows of \$98.4m, driven by support from Dodge & Cox who bought \$100.7m over the period.

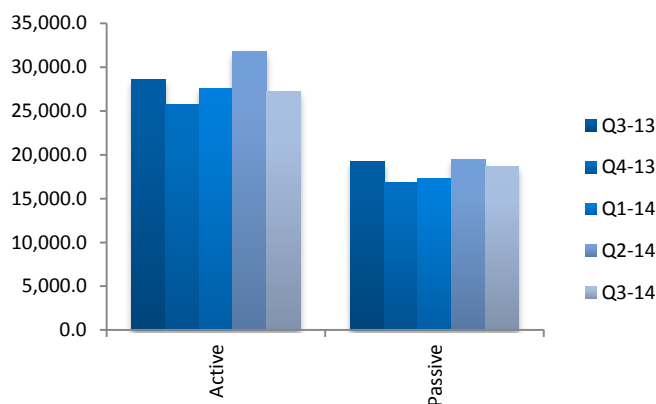
Most Invested				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,573,326.8	5,584.8	-89.1	74
United States (New York)	2,023,829.7	2,923.4	-516.6	35
United Kingdom (Aberdeen)	119,026.7	1,766.6	-16.4	1
United States (San Francisco)	323,343.7	1,323.8	98.4	6
Norway (Oslo)	536,935.6	1,303.6	1.3	4
United States (Boston)	1,821,358.7	1,157.9	-290.4	12
Sweden (Stockholm)	191,569.8	837.8	-169.1	12
Switzerland (Geneva)	75,381.5	750.4	1.6	10
Netherlands (Amsterdam)	164,098.9	695.4	0.0	2
Japan (Tokyo)	341,927.7	685.2	-2.6	20
Singapore (Singapore)	130,048.4	469.1	-12.2	10
Norway (Stavanger)	16,124.2	454.7	-12.4	2
Turkey (Istanbul)	450.8	446.3	-13.7	8
France (Paris)	208,649.9	436.7	15.4	13
United States (Atlanta)	197,029.1	422.2	8.8	2
Excludes Passive/Index Investors		19,257.9	-997.1	211

Most Investors				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,573,326.8	5,584.8	-89.1	74
United States (New York)	2,023,829.7	2,923.4	-516.6	35
Japan (Tokyo)	341,927.7	685.2	-2.6	20
Canada (Toronto)	489,840.8	216.6	0.1	18
Poland (Warsaw)	15,204.9	353.6	0.0	18
South Korea (Seoul)	52,803.9	27.4	0.0	16
France (Paris)	208,649.9	436.7	15.4	13
Austria (Vienna)	11,329.2	316.1	35.4	12
Sweden (Stockholm)	191,569.8	837.8	-169.1	12
United States (Boston)	1,821,358.7	1,157.9	-290.4	12
United States (Chicago)	210,152.8	203.8	15.2	10
Switzerland (Geneva)	75,381.5	750.4	1.6	10
Taiwan (Taipei)	23,660.3	24.1	0.0	10
Singapore (Singapore)	130,048.4	469.1	-12.2	10
Germany (Frankfurt)	186,531.5	387.8	-41.2	9
Excludes Passive/Index Investors		14,374.6	-1,053.5	280

Active vs. Passive investors:

Active investors withdrew sharply this quarter after four quarters of inflows, with the top ten active sellers disposing of \$1.5bn versus the top ten buyers who registered inflows of \$473.4m. Passive investment has been relatively stable over the past five quarters, and rose \$115.1m this quarter on the back of an increase in weighting compared to the other countries in the MSCI Emerging Markets index.

Active vs Passive (\$M Value)



Active vs Passive (\$M Change)

