

# FLOW OF FUNDS REPORT

## TUYID Q1 2015

May 22, 2015

Dear Readers,

This volume of the Flow of Funds Report covers the first quarter of 2015 and provides insight about the inflow and outflow of funds, investment types, regions and top sellers/buyers and other important information related to the Turkish market and international investments as well as key cities for roadshows.

We, as TÜYİD and IPREO, believe that the report will be an important guide and shed light on trends in international flows, which is important for investor relations professionals' analysis and planning.

In Q1, Russia saw slight inflows as both the price of oil and the ruble began to stabilize, however, there is still a lot of ground to recover on the back of the previous two quarters of net outflows. Turkey saw the largest outflows, followed by Poland, while investment in Hungary was relatively flat. Growth and value investors switched from being net sellers in Turkey in Q3 to net buyers in Q4. Value investors continued to buy in Q1 where growth investors retreated heavily - it is worth noting that growth investors have been selling EEU for the last three quarters. North American investors switched to being net sellers as did Western European and Scandinavian investors while UK investors continued to be negative for the third consecutive quarter.

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

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*Acknowledgements: We express our gratitude to Nick Arbuthnott and Dominic Mattiucci from IPREO Global Markets Intelligence and TÜYİD member Işıl Bük for their contributions.*

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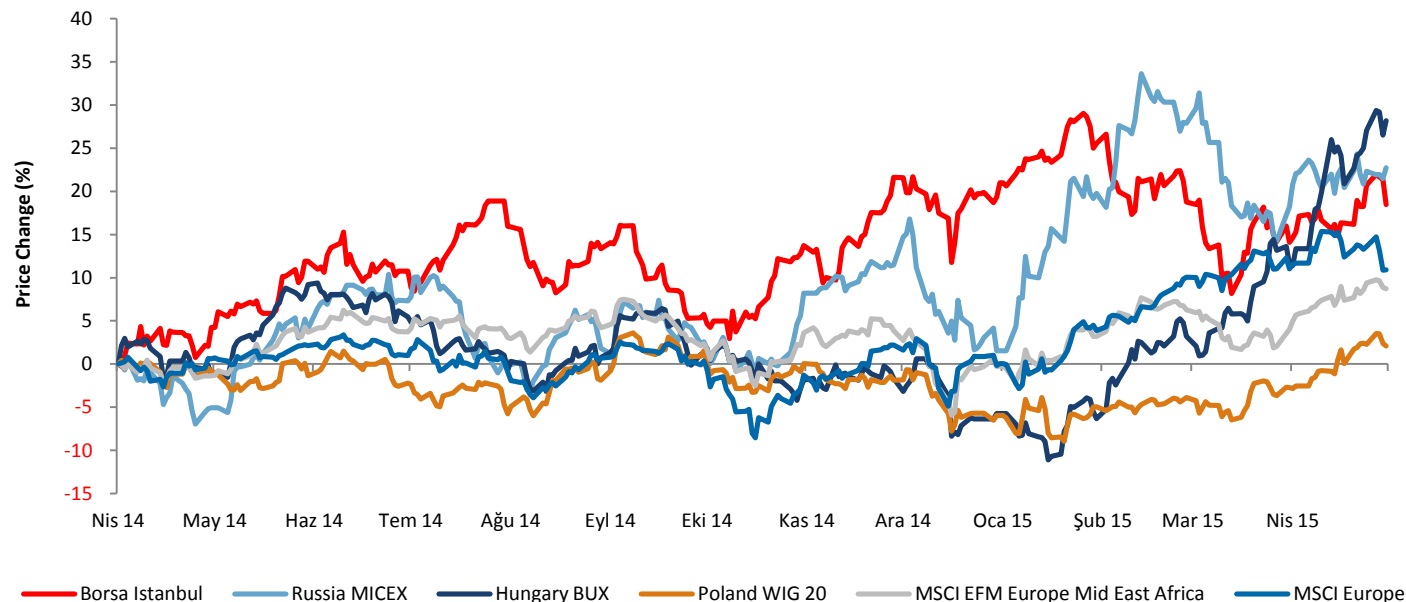
## Price performance:

The BIST 100 index posted a return of 18.5% over twelve months behind Hungary's BUX (28.2%) and Russia's MICEX (22.7%). The worst performer in the basket was Poland's WIG 20 index with a return of 2.1%.

"Turkey's recent slide reflects flows to oil--dependent markets, but also concern about the direction of policy in the country. Questions about the independence of the central bank and the coordination of policy within the government have dampened sentiment, with the president openly criticizing the central bank over the speed of rate cuts. Nevertheless, we remain confident in the in the Turkish market and view Turkey as a primary beneficiary of the significant efforts to restore growth in Europe."

JPMorgan Funds - Turkey Equity Fund - 30th April 2015

<http://www.jpmorganassetmanagement.lu/en/showpage.aspx?pageid=44&FundID=14&ShareclassID=6293>



## Q1 Inflows and Outflows:

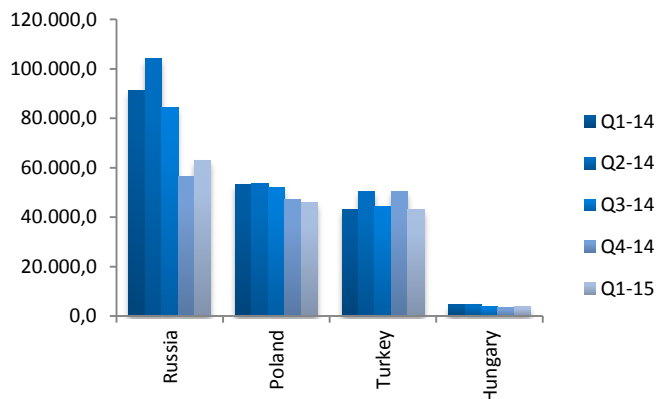
The positive swing in investment into Turkish equities in Q4-14 was short lived as investors withdrew \$521.2M in Q1. The driving force behind this divestment was growth investors based in the UK and North America which reduced their respective exposures by \$582.0M and \$420.9M – this played a significant part in the overall reduction of growth investors by \$1.1B.

"Central European emerging markets and Turkey could benefit from economic recovery in the Eurozone area, which could also ease economic pressures on Greece."

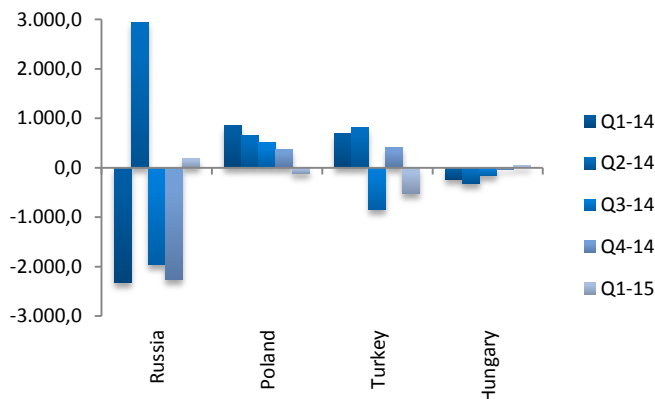
Templeton Emerging Markets Investment Trust (TEMIT) - 31st March 2015

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

Institutional Investment in Region (\$M Value)



Institutional Investment in Region (\$M Change)



## Q1 – Investment by Investor Region:

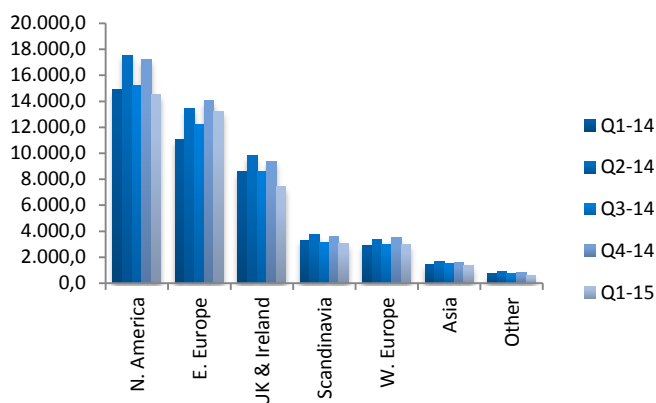
Investment in Turkey turned negative in Q1 which was largely driven by the continued divestment of UK based investors which made net sales of \$415.7M – significantly larger than the sales of \$77.3M and \$88.7M in Q4-14 and Q3-14 respectively. Aberdeen Asset Managers, LTD (U.K.), sold \$313.0M on the back of major client redemptions (Aberdeen is being heavily shorted at present) but was not the biggest seller, that position being taken by US growth investor Oppenheimer Funds. North American investors reduced their aggregate portfolio by \$63.4M on the back of a positive swing in the previous quarter. Lazard Asset Management, LLC (U.S.) bucked this regional trend to become the largest buyer in the market (and remain the largest holder).

"We see a mixed but generally positive picture in Turkey, where investors have questioned the independence of the central bank as Turkish President Recep Tayyip Erdogan has publicly pressed for more aggressive rate cuts. The bank's focus on deleveraging conflicts with the prime minister's growth agenda, which is a priority for the ruling AK Party ahead of general elections on 7 June. So far the central bank has been doing all the right things to reduce the country's debt and stabilize the lira, and Turkey's current account deficit narrowed significantly in March."

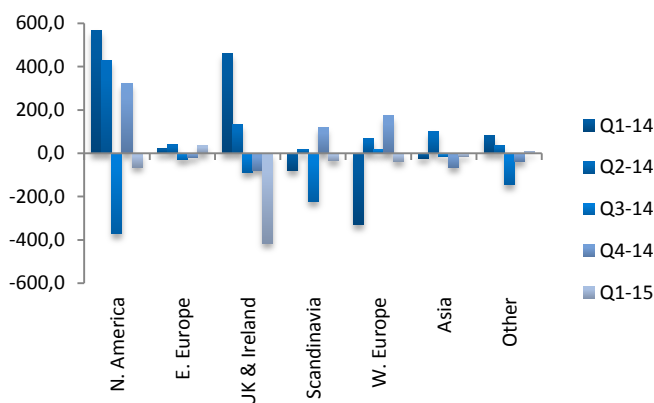
Lazard - Outlook on Emerging Markets - 30th April 2015

[http://www.lazardnet.com/us/docs/sp0/145/LazardOutlook\\_EmergingMarkets\\_2015Q2.pdf?pagename=Outlook](http://www.lazardnet.com/us/docs/sp0/145/LazardOutlook_EmergingMarkets_2015Q2.pdf?pagename=Outlook)

Institutional Investment by Region (\$M Value)



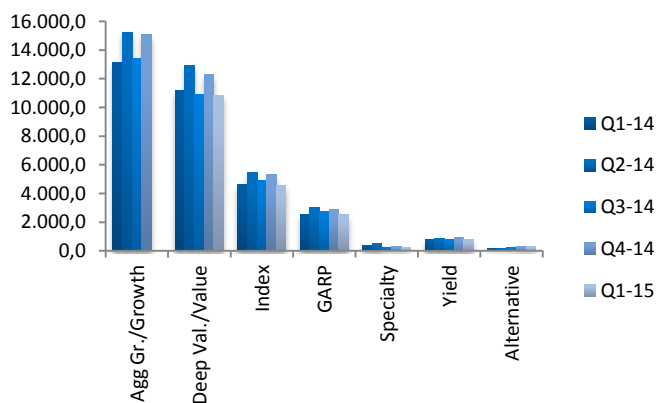
Institutional Investment by Region (\$M Change)



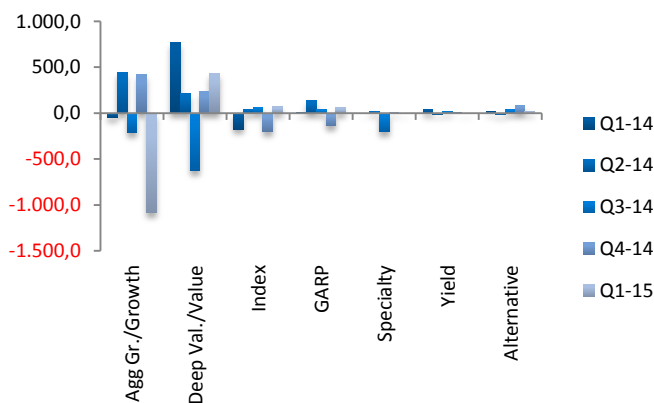
## Q1 – Investment by Style:

The main support for the market came from value (including deep value) investors which continued to purchase Turkish equities for the second consecutive quarter with net investments of \$430.2M. However, this was heavily outweighed by the net sales by growth (and aggressive growth) investors with reductions of \$1.1B – for every \$1 bought by value investors, growth investors sold over \$2.5, a scale of selling not seen since before 2014. Index and GARP investors returned to the market with small investments. After sales of \$136.6M in Q4-14 GARP investors returned to net buyers with UK's Schroder Investment Management, LTD increasing its stake in the market by \$89.4M or 22.0%, and North America's Thornburg Investment Management, Inc. adding a further \$57.6M (45.0%) – both of these two institutions have been net buyers for the last four consecutive quarters. But the scale of this buying was dwarfed by the stampede selling by growth investors who made up all the top 6 sellers.

Institutional Investment by Style (\$M Value)



Institutional Investment by Style (\$M Change)

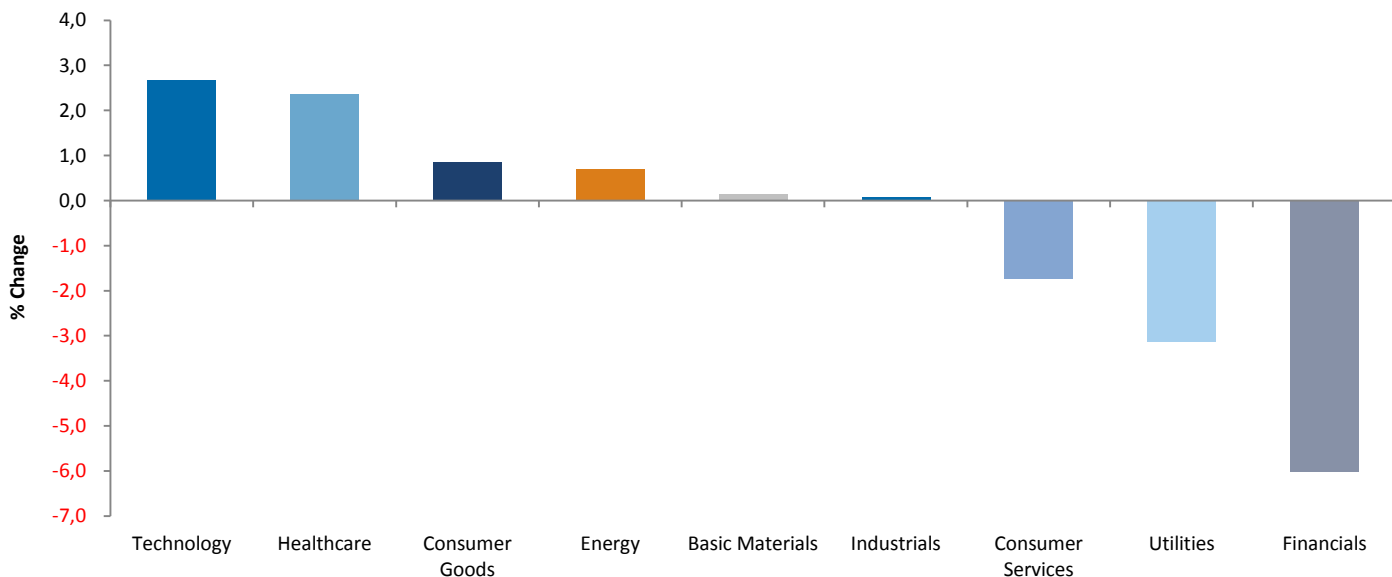


## Top Holders, Buyers & Sellers: Q1-15

TOP HOLDERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Lazard Asset Management, LLC (U.S.)	United States	Value	Medium	96,187.1	1,868.0	219.4	1.9	13.3
Norges Bank Investment Management (Norway)	Norway	Value	Low	550,853.7	1,432.0	0.0	0.3	0.0
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	121,471.7	1,350.7	-313.0	1.1	-18.8
Dodge & Cox	United States	Deep Value	Low	171,035.0	929.2	-32.2	0.5	-3.4
OppenheimerFunds, Inc	United States	Growth	Medium	147,669.2	813.3	-376.6	0.6	-31.7
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	105,313.5	767.2	-200.4	0.7	-20.7
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	337,514.7	672.4	-28.7	0.2	-4.1
APG Asset Management N.V.	Netherlands	Yield	Low	154,865.1	656.7	0.0	0.4	0.0
Genesis Investment Management, LLP	United Kingdom	Growth	Low	23,045.2	603.5	-0.2	2.6	-0.0
Schroder Investment Management, LTD	United Kingdom	GARP	Medium	120,405.0	495.4	89.4	0.4	22.0
					<b>9,588.5</b>	<b>-642.2</b>		
TOP BUYERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Lazard Asset Management, LLC (U.S.)	United States	Value	Medium	96,187.1	1,868.0	219.4	1.9	13.3
Grantham Mayo Van Otterloo & Co., LLC	United States	Value	Medium	70,875.5	479.3	93.1	0.7	24.1
Schroder Investment Management, LTD	United Kingdom	GARP	Medium	120,405.0	495.4	89.4	0.4	22.0
Thornburg Investment Management, Inc.	United States	GARP	Medium	41,740.9	185.7	57.6	0.4	45.0
Lazard Asset Management, LTD (U.K.)	United Kingdom	Value	Medium	8,564.8	92.0	56.7	1.1	160.4
Carmignac Gestion Luxembourg S.A. (UK)	United Kingdom	Growth	Very High	1,548.8	109.3	40.2	7.1	58.2
RAM Active Investments S.A.	Switzerland	Value	Very High	3,046.2	143.1	34.3	4.7	31.5
Delaware Investments	United States	Growth	Medium	48,536.7	103.0	31.0	0.2	43.1
Deutsche Asset & Wealth Management Investment Gmb	Germany	Value	Medium	60,981.3	226.1	27.1	0.4	13.6
NFJ Investment Group, LLC	United States	Deep Value	Medium	26,410.5	51.5	24.6	0.2	91.6
					<b>3,753.4</b>	<b>673.4</b>		
TOP SELLERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
OppenheimerFunds, Inc	United States	Growth	Medium	147,669.2	813.3	-376.6	0.6	-31.7
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	121,471.7	1,350.7	-313.0	1.1	-18.8
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	105,313.5	767.2	-200.4	0.7	-20.7
Fidelity International Limited - FIL Investment Services (L	United Kingdom	Growth	Medium	90,030.1	149.3	-75.9	0.2	-33.7
J.P. Morgan Investment Management, Inc.	United States	Growth	Medium	263,424.2	112.8	-64.1	0.0	-36.2
Fidelity Management & Research Company	United States	Growth	Low	850,018.6	364.7	-59.1	0.0	-14.0
MFS Investment Management	United States	Value	Low	256,422.0	106.5	-44.2	0.0	-29.3
East Capital Asset Management AB	Sweden	GARP	Medium	1,150.0	186.5	-37.3	16.2	-16.7
William Blair & Company, LLC (Investment Management)	United States	Aggressive G	Medium	64,804.1	259.5	-32.5	0.4	-11.1
Dodge & Cox	United States	Deep Value	Low	171,035.0	929.2	-32.2	0.5	-3.4
					<b>5,039.8</b>	<b>-1,235.3</b>		

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

## Sector Inflows/Outflows:



## Roadshow:

London and New York remain the key destinations for roadshow activities – each having the most investors and largest investments in Turkish equities with \$5.3B and \$3.3B respectively. Boston based investors increased their exposure by \$38.4M with the bulk of this support coming from Grantham Mayo Van Otterloo & Co., LLC, the second largest buyer of Turkey in the quarter, increasing its exposure to the market by \$93.1M.

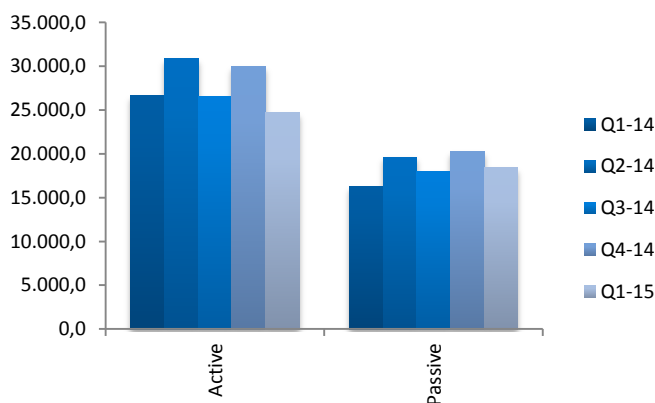
Most Invested				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,615,751.8	5,276.6	-76.6	73
United States (New York)	2,202,250.9	3,263.9	-209.0	39
Norway (Oslo)	575,637.4	1,452.9	2.8	4
United Kingdom (Aberdeen)	121,471.7	1,350.7	-313.0	1
United States (Boston)	2,028,847.1	1,141.6	38.4	16
United States (San Francisco)	337,735.8	1,005.9	-34.9	6
Netherlands (Amsterdam)	161,627.3	658.7	0.0	2
Japan (Tokyo)	359,481.4	631.1	0.5	18
Sweden (Stockholm)	204,885.7	614.1	-24.8	12
France (Paris)	224,188.5	434.6	-41.6	16
United States (Atlanta)	202,578.7	425.2	23.0	4
Turkey (Istanbul)	444.4	411.9	7.4	7
Germany (Frankfurt)	196,972.3	396.9	30.1	9
Singapore (Singapore)	111,894.9	384.4	-4.4	10
Bahamas (Nassau)	50,869.2	370.9	-15.8	1
Norway (Stavanger)	12,477.9	355.4	11.7	1
United States (Chicago)	163,251.4	354.0	-36.0	11
Hong Kong (HK)	96,361.9	301.7	-9.0	6
Qatar (Doha)	1,532.9	288.2	2.4	1
Poland (Warsaw)	20,387.6	288.2	0.0	20
<b>Excludes Passive/Index Investors</b>	<b>19,406.9</b>	<b>-648.8</b>	<b>258</b>	

Most Investors				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,615,751.8	5,276.6	-76.6	73
United States (New York)	2,202,250.9	3,263.9	-209.0	39
Poland (Warsaw)	20,387.6	288.2	0.0	20
Japan (Tokyo)	359,481.4	631.1	0.5	18
United States (Boston)	2,028,847.1	1,141.6	38.4	16
France (Paris)	224,188.5	434.6	-41.6	16
Canada (Toronto)	455,093.5	235.4	14.3	16
South Korea (Seoul)	42,518.0	23.3	0.0	14
Sweden (Stockholm)	204,885.7	614.1	-24.8	12
United States (Chicago)	163,251.4	354.0	-36.0	11
Singapore (Singapore)	111,894.9	384.4	-4.4	10
Austria (Vienna)	10,021.4	257.0	-28.7	10
Taiwan (Taipei)	14,803.1	17.7	-0.5	10
Germany (Frankfurt)	196,972.3	396.9	30.1	9
Denmark (Copenhagen)	81,519.8	236.8	-5.2	9
Switzerland (Zürich)	227,603.3	196.0	8.1	8
United States (Los Angeles)	1,067,069.2	163.9	9.3	8
Finland (Helsinki)	12,454.7	81.3	6.0	8
Turkey (Istanbul)	444.4	411.9	7.4	7
United Kingdom (Edinburgh)	221,098.3	165.4	-38.0	7
<b>Excludes Passive/Index Investors</b>	<b>14,574.1</b>	<b>-350.9</b>	<b>322</b>	

## Active vs. Passive investors:

Active investors rebounded back to negative territory with outflows of \$577.2M largely offsetting the investment of \$683.0M in the previous quarter. Passive investors were relatively flat in their investments registering a slight increase of \$56.0M (on the back of net reductions in Q4-14 of \$268.3M) which was mainly led by The Vanguard Group, Inc. increasing its position in Turkey by \$91.3M.

Active vs Passive (\$M Value)



Active vs Passive (\$M Change)

