

FLOW OF FUNDS REPORT

TUYID Q2 2013

July 28, 2013

Dear Readers,

We proudly present the first volume of the Flow of Funds Report, which provides important insight about the inflow and out flow of funds, as well as investment types, regions and top sellers and buyers and other important information related to Turkish market and international investments.

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

In this first report, one of the important consequence is, Turkey is 44% above its January 2012 level where comparable emerging markets are at best 15% up. Furthermore, the market performance is still generating strong demand for Turkish equities in an environment where other Emerging market equities, notable Russia, are seeing outflows. Demand is coming from Western European and Domestic investors, with recent changes to the pension system driving what should be increasing long term domestic demand. In addition to that, index investment showed the first fall for 12 months in Q2, meaning IR activities should focus more on the Active investment styles to maintain the institutional appetite. In addition to this, both growth and value investors were net buyers in Q2. In terms of regions, where Western Europe was the largest buying region, Paris is the key contributing city behind this with an increase of 30% of Turkish equities under management, driven by BNP Paribas Asset Management (whose biggest investments were in the banking and transport sectors).

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

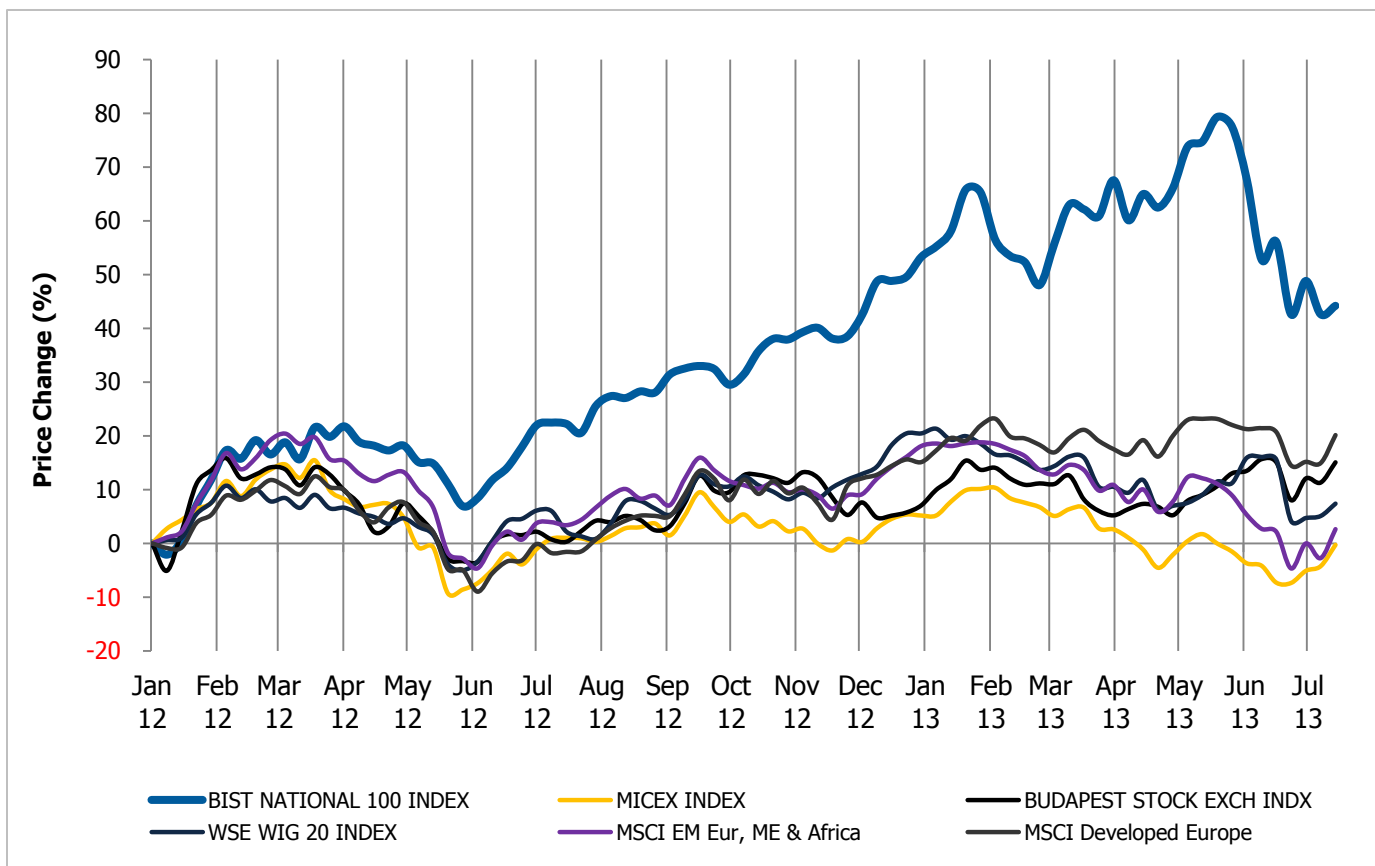
TÜYİD Turkish IR Society
Chairman
Abdullah Orkun Kaya

Acknowledgements: We express our gratitude to Mark Robinson and Adam Knight from IPREO Global Markets Intelligence and TÜYİD member Işıl Bük for their contributions.

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Price performance:

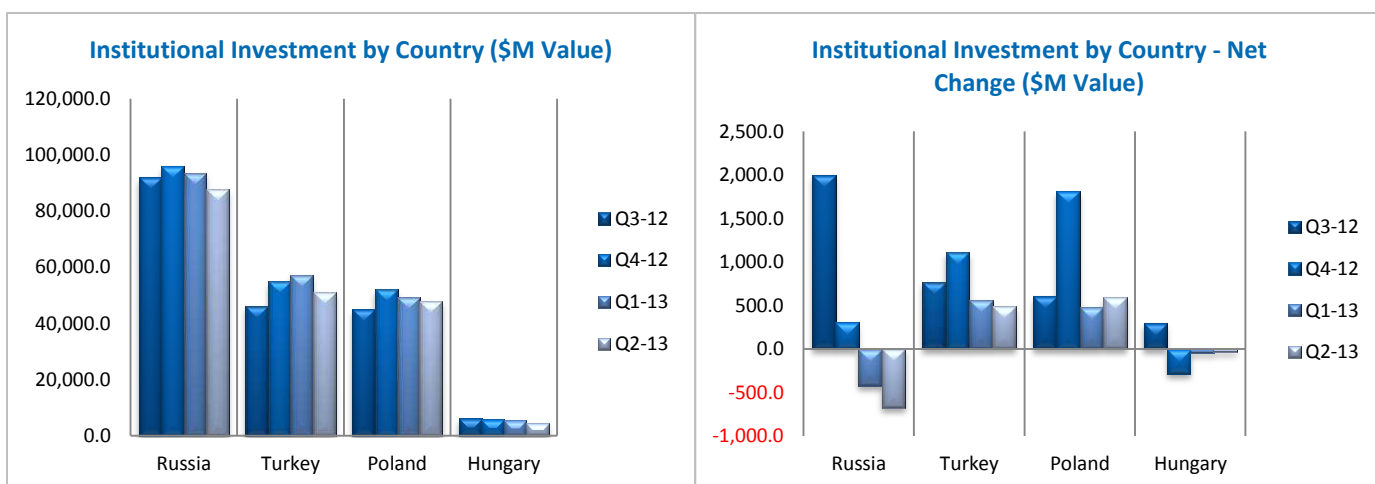
Turkey fell in line with global equity markets in Q2 2013, taking the BIST National 100 price back to the level last seen in December 2012. Notwithstanding the fall this index remains at substantially higher levels than other EMEU markets – the index remains 44% above its January 2012 level where the next highest index (MSCI EMEU / MENA index) is up only 15%.



Q2 Inflows and Outflows:

Turkey and Poland remain the two EMEU markets continuing to see inflows. Where Hungary has seen outflows every quarter since Q4 2012, and Russia went into negative mode in Q1 2013, Turkey (like Poland) has seen net inflows every quarter in the past 4 quarters / 12 months.

The rate of inflows has declined from \$1.1B in Q4 2012 to \$487M in Q2 2013 and has fallen behind inflows into the Polish market but remains strong.



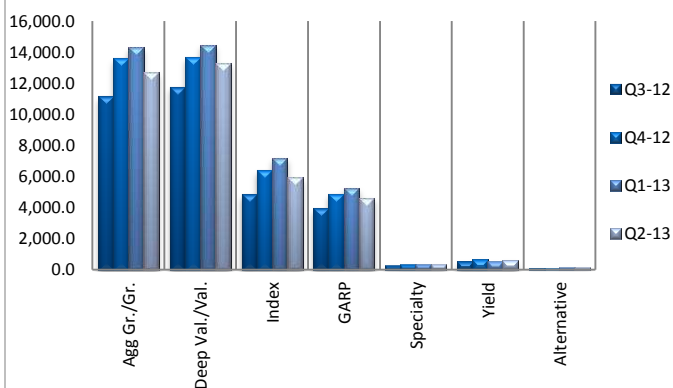
Q2 – investment by style:

Value investors outstripped growth investors for the second successive quarter. Value investors were led by Lazard Asset Management (US) and RARE Infrastructure of Australia.

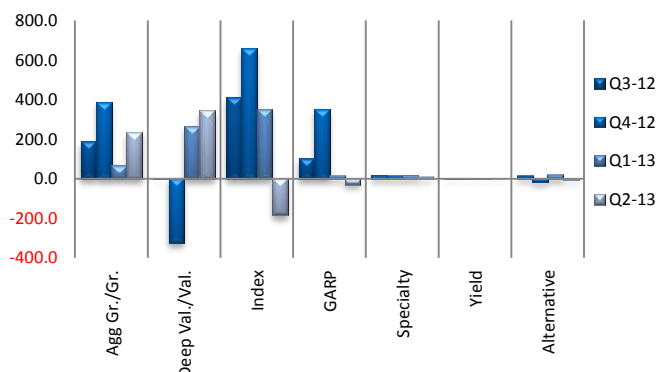
Growth investors were principally European and domestic, being headed by BNP Paribas, Swedbank Robur, HSBC Portföy and Fidelity UK; they invested a net \$234M in Q2.

Investment across the board by active investment styles was offset by index fund outflows : in Turkey index funds withdrew \$184M, small compared to Russia which saw index outflows of \$1.28B in Q2 2013.

Institutional Investment by Style (\$M Value)



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



Q2 – investment by investor region:

Support for the Turkish market in Q2 is coming principally from Western European investors (net +\$345M) followed by domestic (+\$177M) and Rest of World (+\$104M)

BNP Paribas Asset Management (France) was the top buyer from any region, investing a net \$290M. BNP Paribas was also the largest buyer of Russian equities in Q2 2013 (+\$925M) and a major buyer of Poland, showing more appetite for EMEU equities than any other firm

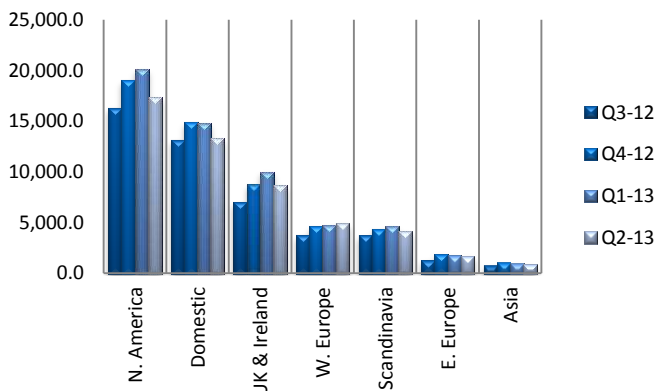
Other sizeable European buys into the Turkish market came from Swedbank Robur and DWS Investment GmbH.

Domestic investment made up a sizeable proportion of inflows in Q2 (at \$177M, second only to Western European inflows). The strength of the domestic demand (three times higher in Q2 than in previous quarters which saw net domestic investment, Q3 and Q4 2012) reflects government contributions to the BES or individual retirement system from this year. Biggest domestic buyer was HSBC Portföy Yönetimi A.S., currently managing over \$2B in assets, a quarter of it from pension funds. “We want to be among the top four asset managing companies in Turkey and pension funds will be a driving force in attaining our target,” HSBC Portföy CEO Namik Aksel said this month. “We expect a 20 percent increase in the size of total pension fund savings in Turkey in the next five years.”

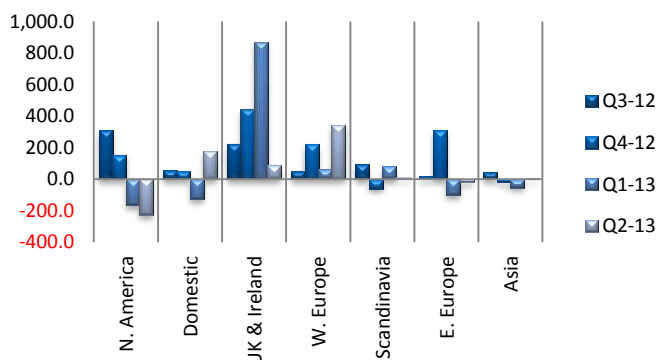
American investors were net sellers as in Q1 but sold at a higher rate (Q1 -\$161M, Q2 -\$224M); biggest buyers were Lazard Asset Management and Thornburg Investment Management. US institutions were net sellers in the other emerging markets covered, with the exception of Russia (bought \$289M) where they have bought every quarter in the past year.

Top seller of Turkey in Q2 was OppenheimerFunds, Inc. selling \$242M after being top seller in Q1 with sales of \$234M. Oppenheimer was also 3rd largest seller of Russian equities in Q2, selling \$146M.

Institutional Investment by Region (\$M Value)



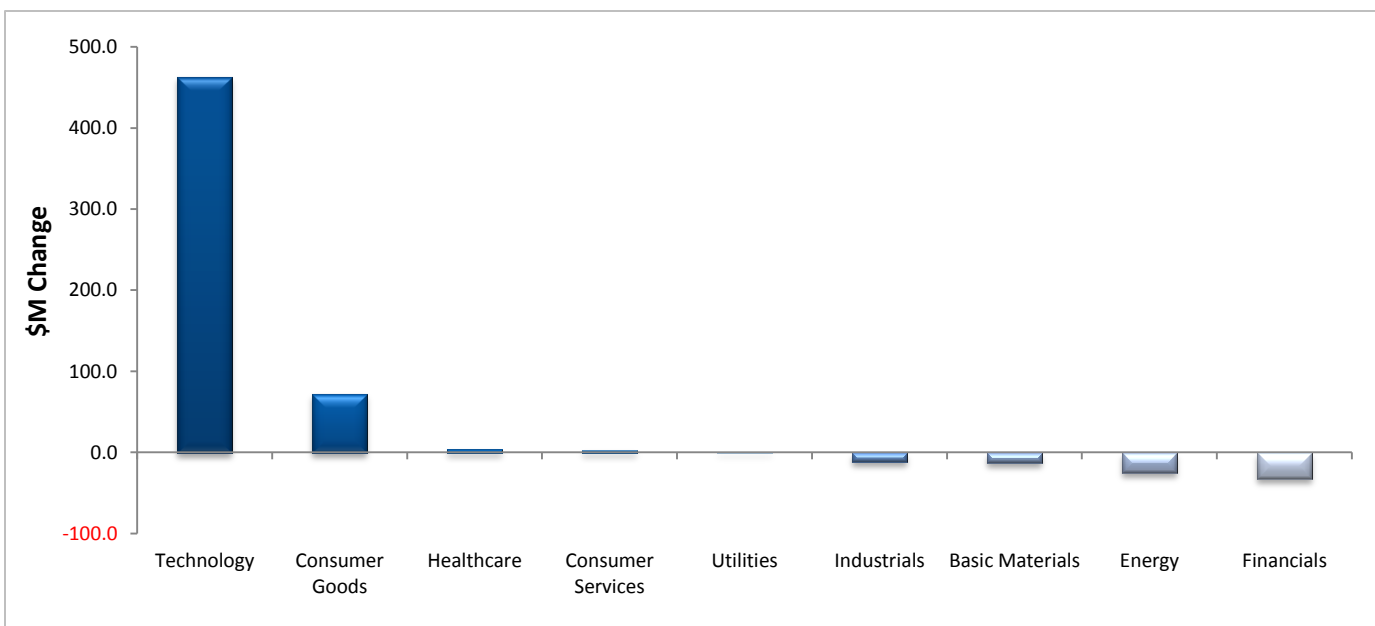
Institutional Investment by Region - Net Change (\$M Value)



Top Holders, Buyers & Sellers:

Excludes Passive/Index Investors										
TOP HOLDERS					Equity Assets		Change	%	% Portfolio	
	Country	Style	Turnover	(\$M)	Value (\$M)	(\$M)	Portfolio	Chg		
H1	Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	100,314.3	1,872.9	23.6	1.9	1.3	
H2	Norges Bank Investment Management (Norway)	Norway	Value	Low	426,137.3	1,709.0	0.5	0.4	0.0	
H3	Lazard Asset Management, LLC (U.S.)	United States	Value	Low	72,269.9	1,485.0	236.5	2.1	18.9	
H4	Capital Research Global Investors (U.S.)	United States	GARP	Low	336,535.3	1,390.5	0.0	0.4	0.0	
H5	Dodge & Cox	United States	Deep Value	Low	120,370.3	1,029.0	0.0	0.9	0.0	
H6	OppenheimerFunds, Inc.	United States	Growth	Medium	112,476.1	942.4	-242.4	0.8	-20.5	
H7	SKAGEN AS	Norway	Value	Low	14,999.4	739.8	-106.4	4.9	-12.6	
H8	Fidelity Management & Research Company	United States	Growth	Medium	640,900.9	695.2	11.2	0.1	1.6	
H9	Schroder Investment Management, LTD	United Kingdom	GARP	Medium	84,389.2	600.1	-4.3	0.7	-0.7	
H10	J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	82,939.7	570.6	28.2	0.7	5.2	
					11,034.5		-53.0			
TOP BUYERS					Equity Assets		Change	%	% Portfolio	
	Country	Style	Turnover	(\$M)	Value (\$M)	(\$M)	Portfolio	Chg		
B1	BNP Paribas Asset Management (France)	France	Growth	High	34,789.5	394.9	290.0	1.1	276.5	
B2	Lazard Asset Management, LLC (U.S.)	United States	Value	Low	72,269.9	1,485.0	236.5	2.1	18.9	
B3	Swedbank Robur Fonder AB	Sweden	Growth	Medium	57,594.6	471.0	112.9	0.8	31.5	
B4	RARE Infrastructure, LTD	Australia	Value	Medium	2,396.5	106.6	103.8	4.4	3,741.7	
B5	Thornburg Investment Management, Inc.	United States	GARP	Medium	55,401.2	116.7	52.6	0.2	82.2	
B6	HSBC Portföy Yönetimi A.S.	Turkey	Growth	Medium	336.5	335.5	50.5	99.7	17.7	
B7	MFS Investment Management	United States	Value	Low	182,072.2	146.5	41.5	0.1	39.5	
B8	Fidelity International Limited - FIL Investment Services (L	United Kingdom	Growth	Medium	65,420.1	271.7	36.9	0.4	15.7	
B9	DWS Investment GmbH	Germany	Value	Medium	64,267.5	428.5	32.2	0.7	8.1	
B10	J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	82,939.7	570.6	28.2	0.7	5.2	
					4,327.1		985.2			
TOP SELLERS					Equity Assets		Change	%	% Portfolio	
	Country	Style	Turnover	(\$M)	Value (\$M)	(\$M)	Portfolio	Chg		
S1	OppenheimerFunds, Inc.	United States	Growth	Medium	112,476.1	942.4	-242.4	0.8	-20.5	
S2	SKAGEN AS	Norway	Value	Low	14,999.4	739.8	-106.4	4.9	-12.6	
S3	J.P. Morgan Asset Management (U.K.), LTD (Moscow Bran	Russian Federation	Growth	Low	3,515.8	201.1	-32.5	5.7	-13.9	
S4	The Boston Company Asset Management, LLC	United States	Value	Medium	21,096.6	48.3	-22.3	0.2	-31.6	
S5	Pictet Asset Management UK, LTD	United Kingdom	Growth	Medium	7,846.7	177.6	-20.4	2.3	-10.3	
S6	Renaissance Asset Managers (UK), LTD	United Kingdom	Value	High	686.9	124.4	-19.1	18.1	-13.3	
S7	Robeco Institutional Asset Management B.V.	Netherlands	Value	Medium	23,522.3	285.2	-13.8	1.2	-4.6	
S8	HSBC Global Asset Management (U.K.), LTD	United Kingdom	Growth	Medium	42,686.9	44.1	-11.4	0.1	-20.6	
S9	Principal Global Investors, LLC	United States	Growth	Medium	48,262.0	22.7	-11.0	0.0	-32.6	
S10	Aviva Investors Global Services, LTD (U.K.)	United Kingdom	Growth	Low	37,236.5	54.3	-10.1	0.1	-15.7	
					2,639.9		-489.6			

Sector Performance:



Stocks:

Turkcell, which was the most heavily sold stock in Q1 on the back of dividend issues, came right back into favour in Q2 seeing net inflows of \$424M.

BNP Paribas Asset Management focused its acquisitions on the banking sector, reflecting widespread interest in Turkish banking from 3 directions (M&A, equity investment, and the acquisition of banking licences). Its top buys were all in banks, dominated by IS Bankasi, Garanti Bankasi, and Halk Bankasi, with buying of Akbank and Yapı ve Kredi in tier 2. Other major buys were in the airline industry, with Turk Hava Yollari and TAV seeing big buys.

BOUGHT Securities			SOLD Securities		
	Industry	Change \$M		Industry	Change \$M
Turkcell İletişim Hizmetleri A/S	Technology	424.4	Enka İnşaat ve Sanayi A.S.	Industrials	-115.2
Türkiye Sise ve Cam Fabrikaları A.S.	Consumer Goods	816	Akbank T.A.S.	Financials	-83.7
Tav Havalimanları Holding A.S.	Industrials	67.7	Türk Hava Yolları	Consumer Services	-37.3
Türkiye İls Bankası A.S.	Financials	55.3	İpek Doğal Enerji Kaynakları Araştırma ve Üretim A.S.	Energy	-32.3
Tekfen Holding A.S.	Industrials	46.8	TUPRAS Türkiye Petrol Rafinerileri A.S.	Energy	-25.9
		675.9			-294.3

Road show:

London and New York are the two key cities for any road show activities, with the largest investment in Turkish equities and the most numerous investment firms. Aberdeen Asset Managers is also a key institution to be in contact with due to their preference towards emerging markets equities. Investors based in Paris show bullish sentiment towards Turkey, with the 14 active institutions currently invested increasing their investment by \$289.3M over the past quarter, making this a must visit city for any European road show.

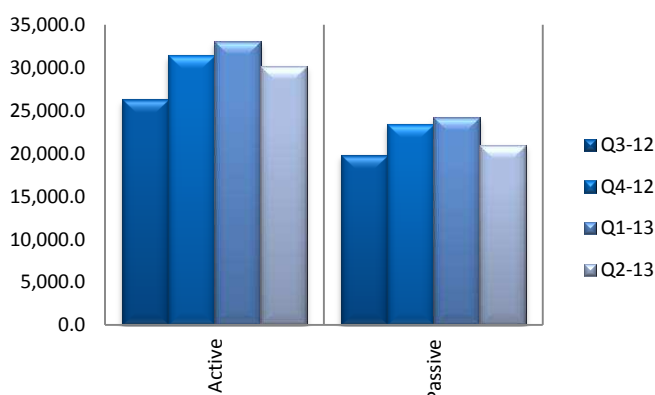
Most Invested				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,281,068.1	5,465.4	26.0	76
United States (New York)	1,705,280.6	3,119.9	7.8	39
United Kingdom (Aberdeen)	100,314.3	1,872.9	23.6	1
United States (Los Angeles)	877,783.1	1,750.3	0.3	6
Norway (Oslo)	445,366.9	1,735.0	-1.9	4
United States (Boston)	1,474,631.8	1,215.6	52.1	15
United States (San Francisco)	252,400.8	1,170.0	-4.2	7
Sweden (Stockholm)	163,073.5	912.3	98.2	12
France (Paris)	197,458.6	841.2	289.3	14
Germany (Frankfurt)	165,856.0	799.8	28.5	11
<i>Excludes Passive/Index Investors</i>	18,882.3		519.9	185

Most Investors				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,281,068.1	5,465.4	26.0	76
United States (New York)	1,705,280.6	3,119.9	7.8	39
Japan (Tokyo)	308,942.0	371.4	0.0	18
Canada (Toronto)	379,008.1	181.9	1.4	16
United States (Boston)	1,474,631.8	1,215.6	52.1	15
South Korea (Seoul)	54,574.4	86.3	0.0	15
France (Paris)	197,458.6	841.2	289.3	14
Sweden (Stockholm)	163,073.5	912.3	98.2	12
Poland (Warsaw)	11,951.1	304.5	0.0	12
Germany (Frankfurt)	165,856.0	799.8	28.5	11
<i>Excludes Passive/Index Investors</i>		13,298.3	503.5	228

Active vs Passive investors:

A decline in passive investment against the backdrop of increased active investment is reflective of the underlying strength of the Turkish market, and extends further the bullish sentiment shown throughout 2012. Despite the fall in the index, active fund managers continue to see growth within the region and continued investor outreach to key investors, both holders and non-holders, can only serve to strengthen the shareholder base of Turkish issuers.

Active vs Passive \$M Value



Active vs Passive \$M Change

