

FLOW OF FUNDS REPORT

TUYID Q3 2013

25 October, 2013

Dear Readers,

The second 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 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.

In this second report, one of the interesting consequences is that net selling by institutional investors reversed three quarters of inflows, both active and passive investors withdrew in Q3. Hungary and Russia continue to see institutional selling, while Poland was the only comparable region to register inflows. Growth oriented investors hold the largest share of Turkish equities, while value investors saw the largest outflows. In terms of regions, North America was the largest buying region, driven by New York based investors, who added a total of \$155M over the quarter. London remains the largest invested city, with 74 firms holding \$5.4B of investment – a reduction of \$162M since Q2. In terms of stocks, technology stocks were the most bought over the quarter, while consumer goods and financials saw the largest outflows.

Although this report indicates a net selling by institutionalised investors for Q3, in some recent international reports we observe discussions about emerging markets weighting, and the overall improving sentiments, which may indicate that we may see a return to inflows in the region in the Q4.

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

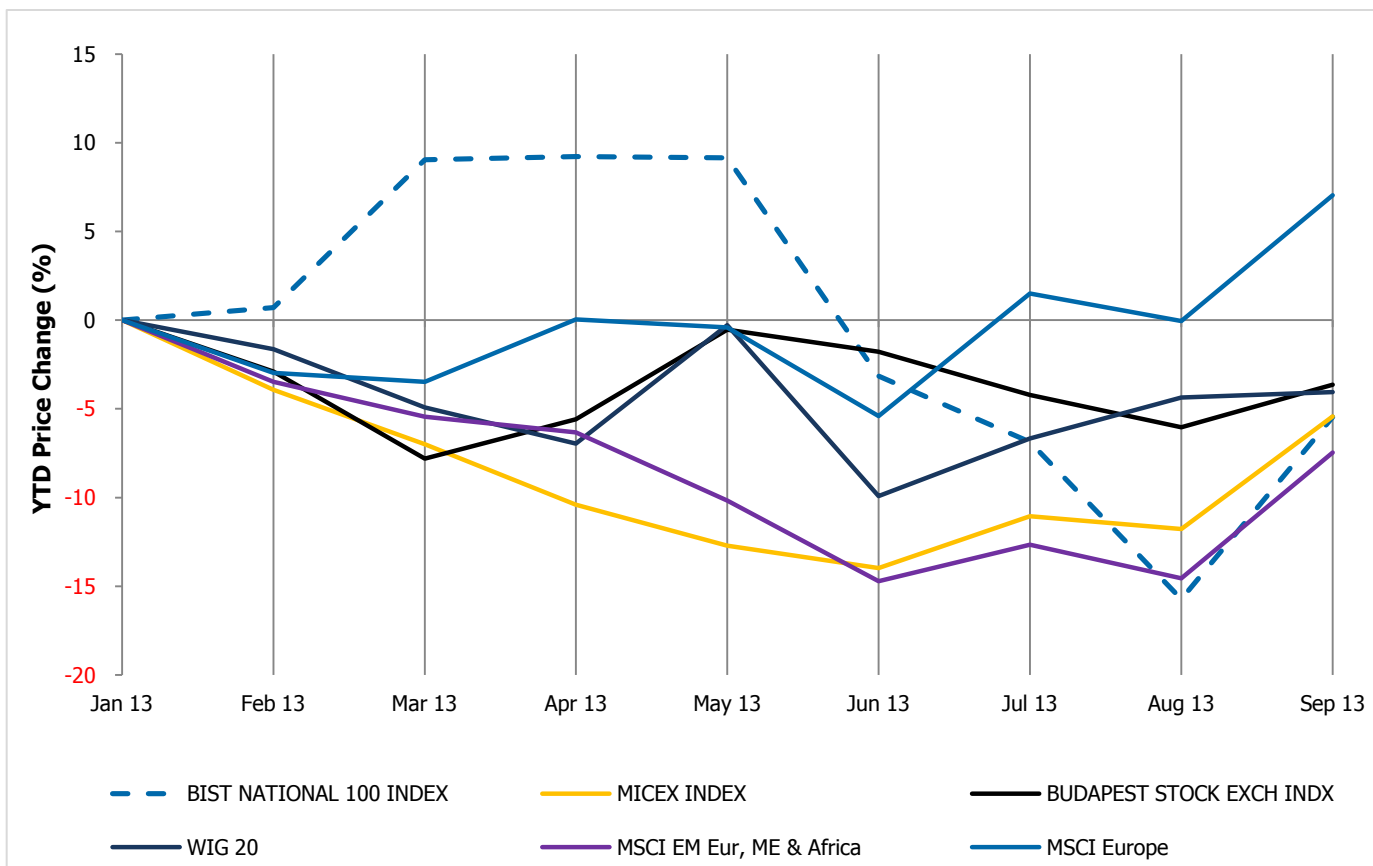
TÜYİD Turkish IR Society
Chairman
Abdullah Orkun Kaya

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Price performance:

After a strong start to 2013, the BIST National 100 declined in the three months from May to August to be the worst performing index of the comparative group. Since the beginning of August a strong performance bought the YTD change to the same level as the MICEX at -5.4%.

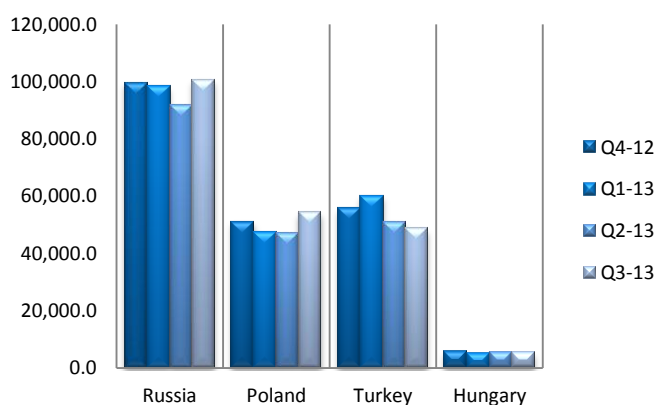


Q3 Inflows and Outflows:

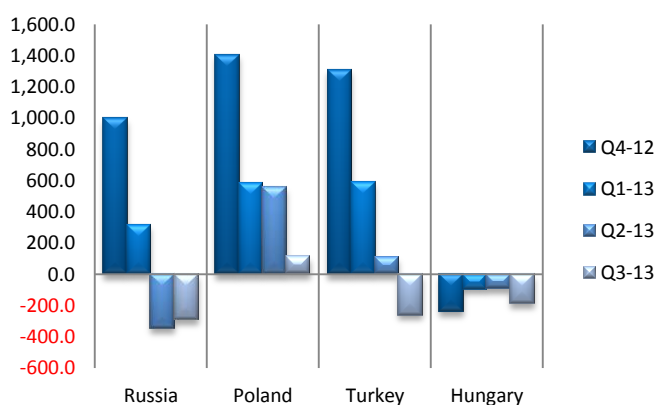
Poland is the only one of the EMEU markets to continue to see inflows, albeit at a far reduced rate to previous quarters. After four quarters of inflows, investors took a bearish sentiment towards Turkish equities withdrawing \$258M in Q3. Sentiment towards Hungarian equities remains negative with outflows in each of the past four quarters, while the Russian story has also become negative after two quarters of outflows.

Overall institutional investment in Turkey stands at \$48.5B, ranking the country third after Russia (\$100.6B), and Poland (\$54.2B).

Institutional Investment by Region (\$M Value)



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



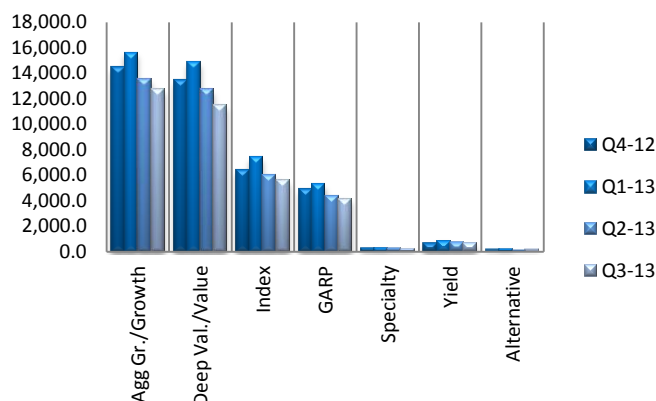
Q3 – investment by style:

After two quarters of inflows, value oriented investors withdrew from Turkey. Selling by value investors was led by Skagen AS, Deutsche Asset & Wealth Management Investment, and Columbia Management Investment Advisers..

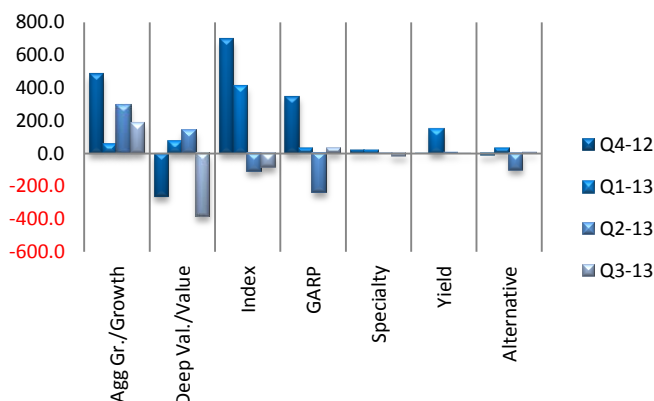
Growth investors continue to support Turkish equities, registering the largest inflows in Q3. The four largest buyers of the quarter are all growth oriented, and include Aberdeen Asset Managers, and OppenheimerFunds.

Index funds registered outflows for the second consecutive quarter, but at a reduced rate than in Q2.

Institutional Investment by Style (\$M Value)



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



Q3 – investment by investor region:

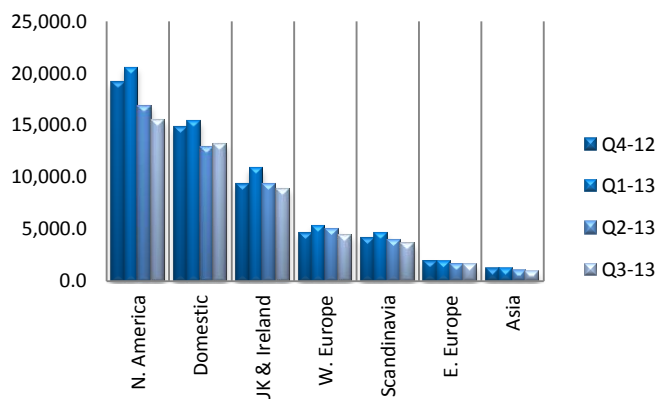
Support for the Turkish market in Q3 is coming from UK & Ireland investors (net +\$239M), driven primarily by Aberdeen Asset Managers (+\$341M). Aberdeen remains the largest global investor in Turkey, holding over \$500M more than the next largest investor. Net inflows from UK investors were reduced by sales from JP Morgan Asset Management (-\$119M) and Pictet Asset Management (-\$22M).

North American investment continues to be the largest despite three consecutive quarters of decline. Fidelity Management & Research Company was the largest seller from the region (-\$92M), while OppenheimerFunds was the regions largest buyer (+\$143M) – reversing its stance on Turkey after being the largest seller in Q2.

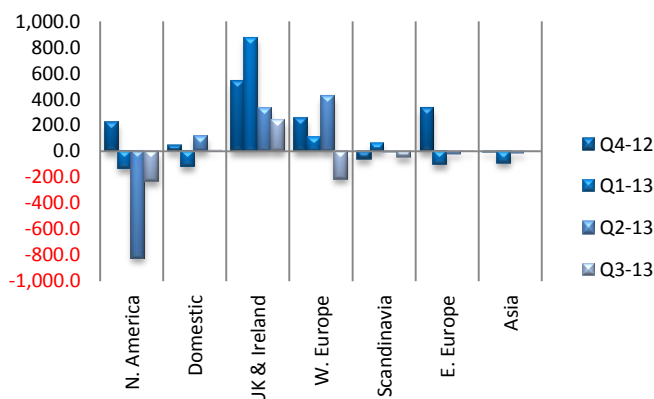
Western European investors were the second largest net sellers after North America, with outflows of \$215M in Q3 following three quarters of inflows. Key sellers from this region include Deutsche Asset & Wealth Management (-\$47M), Reyl Asset Management (-\$24M), and Robeco (-\$24M).

Looking at comparable regions, we see UK-based investors buying Turkey and Hungary, while selling in both Poland and Russia. North American investors show little appetite for Eastern European investments, with the quarterly change flat in both Poland and Russia, while decreasing in Turkey and Hungary. Poland is the only region to show net buying over the quarter, and this was driven solely by domestic demand for the stocks, so while sentiment has turned on Turkey from international investors, the same story applies for the other regions.

Institutional Investment by Region (\$M Value)



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



Top Holders, Buyers & Sellers:

Excludes Passive/Index Investors

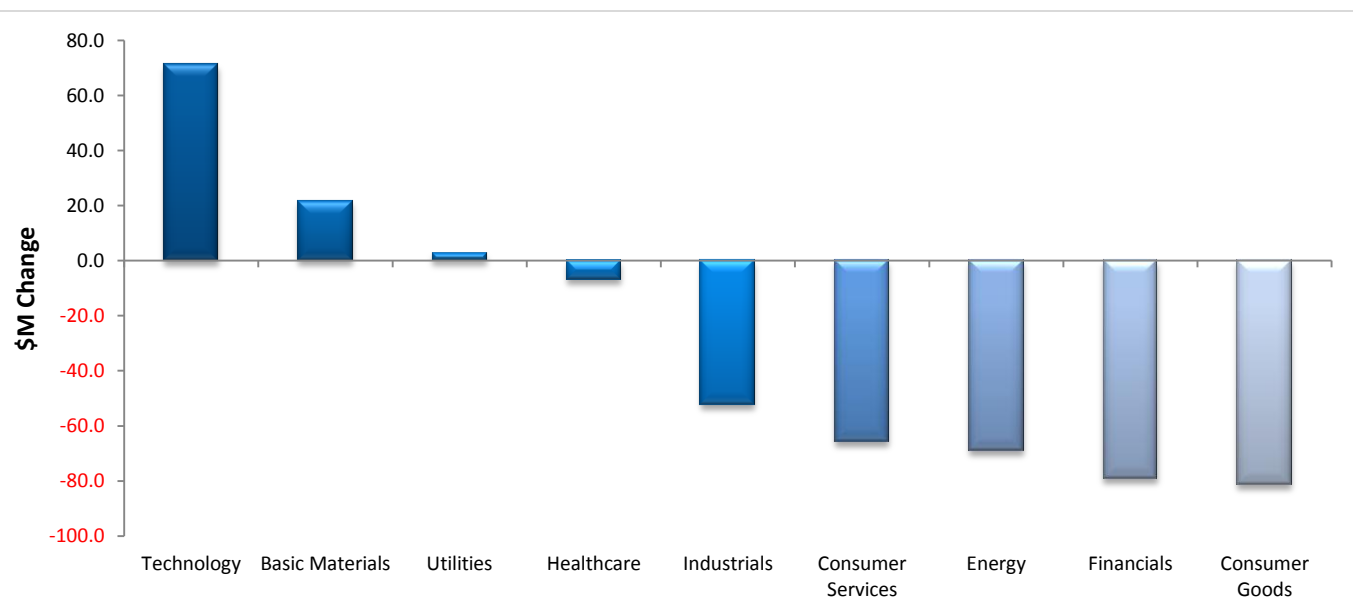
TOP HOLDERS	Country	Style	Turnover	Equity Assets (\$M) Value (\$M)		Change (\$M)	% Portfolio	% Portfolio Chg
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	99,954.3	2,140.4	341.1	2.1	19.0
Norges Bank Investment Management (Norway)	Norway	Value	Low	458,875.0	1,576.7	-0.8	0.3	-0.1
Lazard Asset Management, LLC (U.S.)	United States	Value	Medium	73,188.6	1,456.3	32.4	2.0	2.3
Capital Research Global Investors (U.S.)	United States	GARP	Low	348,440.1	1,318.7	0.0	0.4	0.0
Dodge & Cox	United States	Deep Value	Low	127,159.9	923.0	0.0	0.7	0.0
OppenheimerFunds, Inc.	United States	Growth	Medium	117,395.3	871.4	143.0	0.7	19.6
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	87,192.0	840.4	-118.8	1.0	-12.4
APG Algemene Pensioen Groep N.V.	Netherlands	Yield	Low	125,735.6	614.6	0.0	0.5	0.0
SKAGEN AS	Norway	Value	Low	16,145.8	550.2	-91.5	3.4	-14.3
Genesis Investment Management, LLP	United Kingdom	Growth	Low	23,015.2	493.7	0.1	2.1	0.0
				10,785.4	305.4			

TOP BUYERS	Country	Style	Turnover	Equity Assets (\$M) Value (\$M)		Change (\$M)	% Portfolio	% Portfolio Chg
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	99,954.3	2,140.4	341.1	2.1	19.0
OppenheimerFunds, Inc.	United States	Growth	Medium	117,395.3	871.4	143.0	0.7	19.6
Swedbank Robur Fonder AB	Sweden	Growth	Medium	62,430.3	490.2	46.7	0.8	10.5
Danske Bank A/S (Asset Management)	Denmark	Growth	Medium	21,824.6	89.4	34.5	0.4	62.9
MFS Investment Management	United States	Value	Low	198,895.2	196.5	34.1	0.1	21.0
Lazard Asset Management, LLC (U.S.)	United States	Value	Medium	73,188.6	1,456.3	32.4	2.0	2.3
Thornburg Investment Management, Inc.	United States	GARP	Medium	58,439.4	117.4	27.7	0.2	30.9
Fidelity International Limited - FIL Investment Services (U.K.), LTD	United Kingdom	Growth	Medium	72,621.6	275.2	16.4	0.4	6.3
Westwood International Advisors, Inc.	Canada	GARP	Medium	418.1	23.3	12.8	5.6	123.0
Somerset Capital Management, LLP	United Kingdom	Value	Medium	1,066.6	89.4	9.8	8.4	12.3
				5,749.5	698.5			

TOP SELLERS	Country	Style	Turnover	Equity Assets (\$M) Value (\$M)		Change (\$M)	% Portfolio	% Portfolio Chg
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	87,192.0	840.4	-118.8	1.0	-12.4
Fidelity Management & Research Company	United States	Growth	Medium	676,609.6	478.7	-92.2	0.1	-16.1
SKAGEN AS	Norway	Value	Low	16,145.8	550.2	-91.5	3.4	-14.3
Scout Investments, Inc.	United States	Growth	Medium	13,674.5	84.5	-88.8	0.6	-51.3
Deutsche Asset & Wealth Management Investment GmbH *	Germany	Value	Medium	69,105.4	331.2	-47.4	0.5	-12.5
Columbia Management Investment Advisers, LLC	United States	Value	Medium	132,239.6	70.6	-35.3	0.1	-33.4
Reyl Asset Management S.A.	Switzerland	Value	Very High	2,275.2	79.5	-24.4	3.5	-23.5
Robeco Institutional Asset Management B.V.	Netherlands	Value	Medium	26,246.7	233.1	-23.7	0.9	-9.2
Pictet Asset Management, LTD	United Kingdom	Growth	Medium	8,183.1	110.3	-21.8	1.3	-16.5
Morgan Stanley Investment Management Inc.	United States	Growth	Medium	59,596.5	208.5	-20.2	0.3	-8.8
				2,986.8	-564.1			

*ex DWS Investments GmbH

Sector Performance:



Stocks:

Turkcell has continued to be bought for second consecutive quarter, seeing net inflows of \$84M however this is at a much slower pace than Q2.

On a sector level, only Technology, Basic Materials and Utilities companies saw net inflows over the past quarter. Financials was among the heaviest sold sectors, despite inflows of \$125M being seen at Garanti Bankasi.

BOUGHT Securities	Industry	Change \$M
Türkiye Garanti Bankası A.Ş.	Financials	124.5
Türkcell İletişim Hizmetleri A/Ş	Technology	84.0
Koza Altın İşletmeleri A.Ş.	Basic Materials	46.6
Pegasus Hava Tasımaları AS	Consumer Services	33.8
Eregli Demir ve Çelik Fabrikaları T.A.Ş.	Basic Materials	17.5

306.4

SOLD Securities	Industry	Change \$M
Türkiye Halk Bankası A.Ş.	Financials	-62.7
Koc Holding A.Ş.	Energy	-47.1
Boyner Büyük Magazacılık A.Ş.	Consumer Services	-45.4
Albaraka Türk	Financials	-44.3
Coca-Cola İçecek A.Ş.	Consumer Goods	-42.3

-241.7

Road show:

London and New York are still the two key cities for road show activities, having the most investors and the largest investment in Turkish equities. Aberdeen Asset Managers is seen increasing their investment in Turkish equities and the metro area is still the 3rd most invested city. The firm also shows the most bullish sentiment towards Turkish equity, increasing its position by \$341.1M.

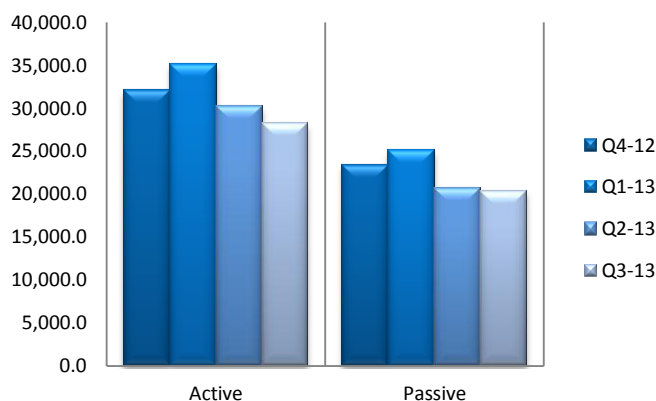
Most Invested				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,447,755.7	5,436.0	-162.4	74
United States (New York)	1,577,153.7	2,959.9	154.6	34
United Kingdom (Aberdeen)	99,954.3	2,140.4	341.1	1
Norway (Oslo)	480,038.0	1,599.9	-1.2	4
United States (Los Angeles)	919,976.3	1,585.0	-0.0	7
United States (San Francisco)	260,027.9	1,018.6	-9.5	6
Sweden (Stockholm)	184,090.3	928.1	36.3	12
France (Paris)	214,085.7	887.1	-12.5	15
United States (Boston)	1,478,778.9	848.5	-82.9	13
Switzerland (Geneva)	67,440.3	646.4	-41.4	7
Excludes Passive/Index Investors		18,049.9	222.2	173

Most Investors				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,447,755.7	5,436.0	-162.4	74
United States (New York)	1,577,153.7	2,959.9	154.6	34
Japan (Tokyo)	327,671.3	273.1	3.5	18
France (Paris)	214,085.7	887.1	-12.5	15
Canada (Toronto)	333,743.7	191.6	15.4	15
South Korea (Seoul)	60,484.8	66.4	0.0	15
Poland (Warsaw)	14,304.2	317.9	0.0	14
United States (Boston)	1,478,778.9	848.5	-82.9	13
Sweden (Stockholm)	184,090.3	928.1	36.3	12
Taiwan (Taipei)	17,360.0	32.5	0.0	12
Excludes Passive/Index Investors		11,941.1	-47.9	222

Active vs. Passive investors:

A further decline in passive investment in Q3 is matched by a decline in active investment. Passive investors continued to pull money out of the region and it would appear that the bullish sentiment shown by active investors towards the Turkish market has started to wain. The outflow from active investors is marginal though and so outreach to active investors is still recommended.

Active vs Passive \$M Value



Active vs Passive \$M Change

