

FLOW OF FUNDS REPORT

TUYID Q3 2015

November, 2015

Dear Readers,

This volume of the Flow of Funds Report, covering the third quarter of 2015, 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.

In comparison, in Q3 investment in the four markets (Turkey, Russia, Poland and Hungary) was all negative. The largest outflows were recorded in Polish equities with net sales \$925.0M; Russia came in second with outflows \$811.3M, with Turkey and Hungary seeing outflows of \$809.1M and \$32.7M respectively. Growth and value investors switched to negative with respective sales of \$456.6M and \$313.7M on the back of positive flows in Q2. UK investors switched to negative in Q3 with North American investors also net sellers; Scandinavia swung back to being net sellers with Asia continued to be negative for the fifth consecutive quarter.

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

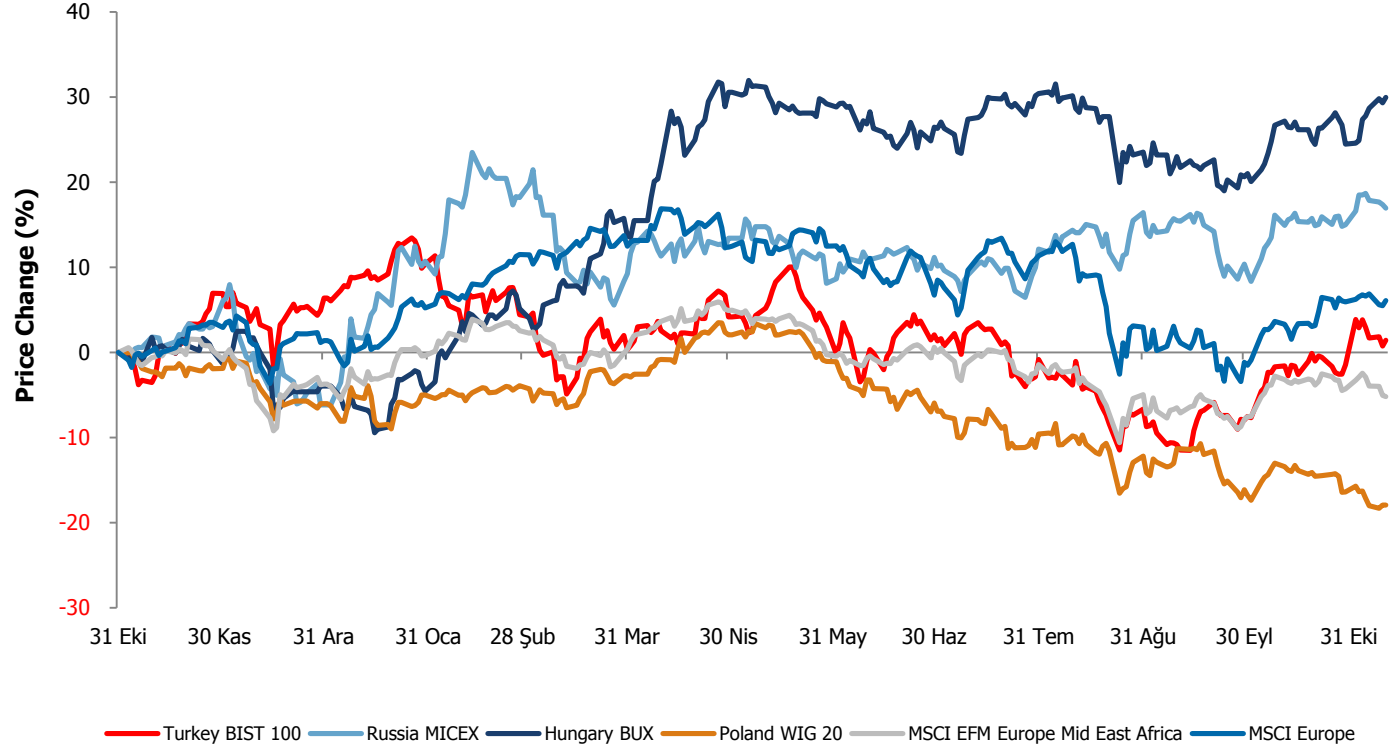
TÜYİD Turkish IR Society
Chairwoman
Özge Bulut Maraşlı

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:

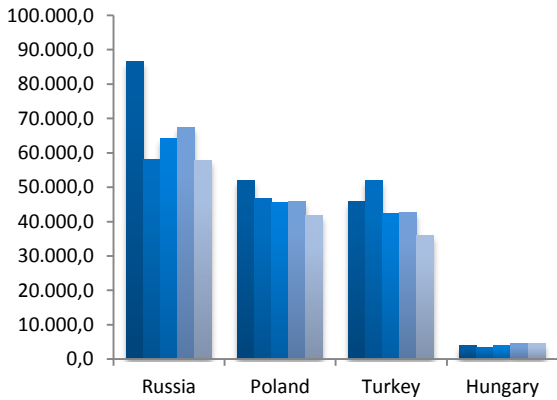
Over the twelve months to November 2015, the BIST National Index closed relatively flat at 1.4%. The Hungary BUX and the Russian MICEX were the biggest winners recording gains of 29.9% and 16.9% respectively. The Poland WIG 20 was the biggest losing index, falling 17.9% over the same period.



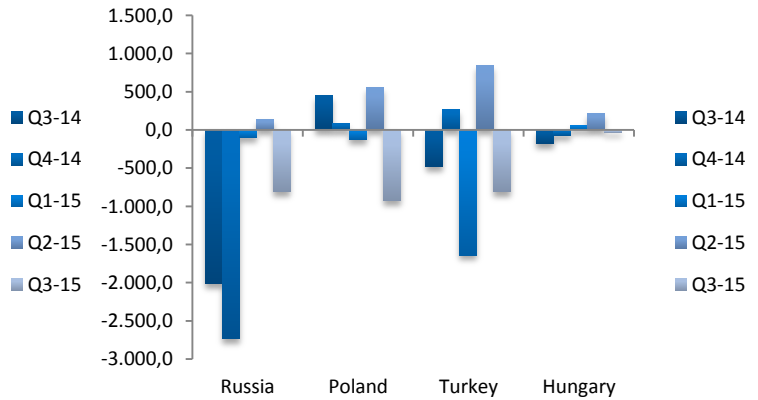
Q3 Inflows and Outflows:

After positive investment into Turkey in Q2 investors withdrew \$809M in Q3. This sentiment was consistent across all countries in the basket with Poland seeing the highest withdrawals of \$925M and Russian equities seeing sales of \$811M. Investment in Hungary was relatively flat with net sales of just \$32.7M

Institutional Investment in Region (\$M Value)



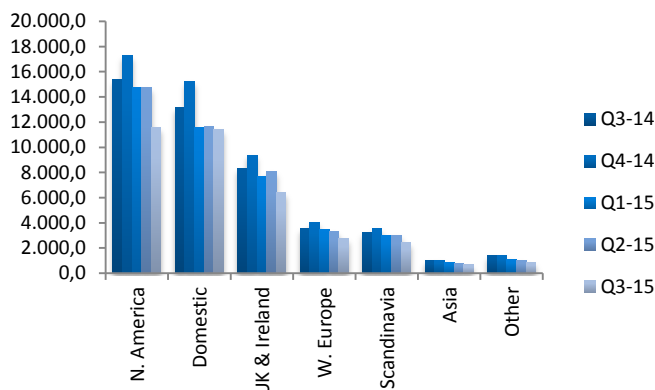
Institutional Investment in Region (\$M Change)



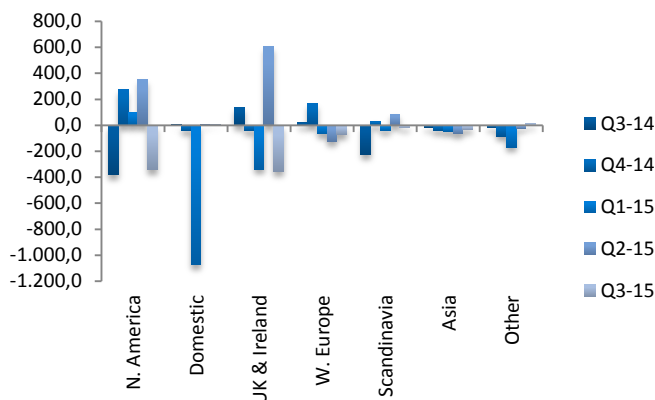
Q3 – Investment by Investor Region:

The main driving force behind the divestment from Turkey came from UK based investors with net reductions of \$354M with the bulk of the sales coming from BlackRock Investment Management (U.K.), LTD (growth) which sold \$146M or 27.7% of its portfolio; Aberdeen Asset Managers, LTD (U.K.) continued to sell with a reduction of \$83M over the quarter. North American investors were a close second in sales with a net reduction of \$343M – this was largely attributed to Lazard Asset Management, LLC (U.S.) (value) which reduced its exposure to Turkey by \$352M (25.2%); however, Lazard holds the second spot in terms of largest holder of the market with \$1.05B invested. Western Europe and Asia continued to sell with net sales of \$72 and \$34M respectively.

Institutional Investment by Region (\$M Value)



Institutional Investment by Region (\$M Change)



Q3 – Investment by Style:

Although growth (including aggressive growth) as well as value/deep value investors are the dominant holders of the market, these two styles were both negative on Turkey in Q3 with divestments of \$457M and \$314M respectively largely down to BlackRock and Lazard mentioned above.

“Uncertainty regarding emerging countries economic outlook continued to be the main theme. More than equity prices it affected local emerging currencies. Investors were eager to reduce risk and sold emerging markets assets. Geopolitical issues remained hot as Russia intervened in Syrian civil war and this is also holding up tension in Turkey.”

Swedbank Eastern Europe Equity Fund - September 2015

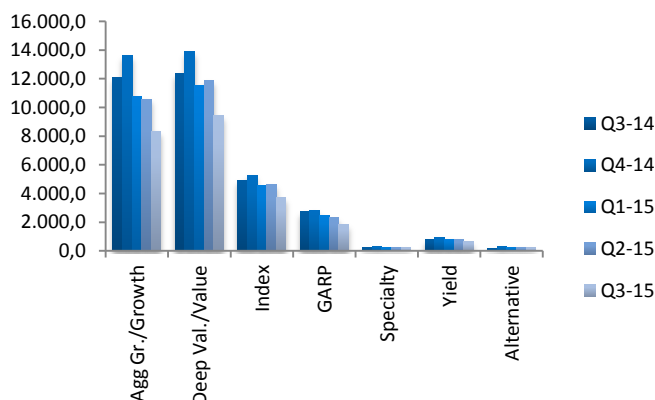
https://www.swedbank.ee/static/investor/funds/SEEEF_raport_eng.pdf

“Tighter US policy has put the most pressure on the embattled economies of Brazil, Russia, South Africa, and Turkey, which have been weakened by high debt, high inflation, and significant currency depreciation. In 2015 the Brazilian real, South African rand, and Turkish lira reached record lows against the US dollar.”

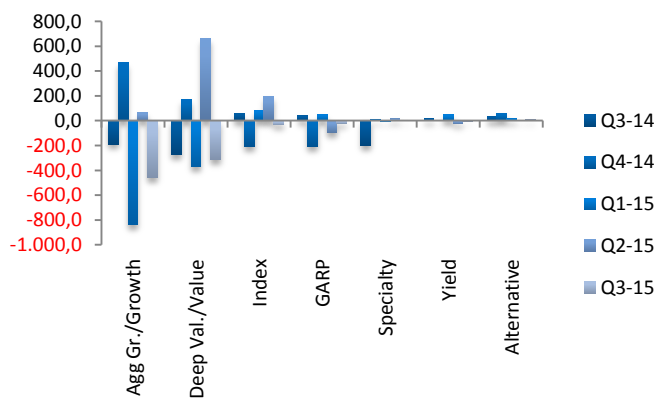
Lazard - Outlook on Emerging Markets. October 2015

http://www.lazardnet.com/us/docs/sp0/145/LazardOutlook_EmergingMarkets_2015Q4.pdf?pagename=Outlook

Institutional Investment by Style (\$M Value)



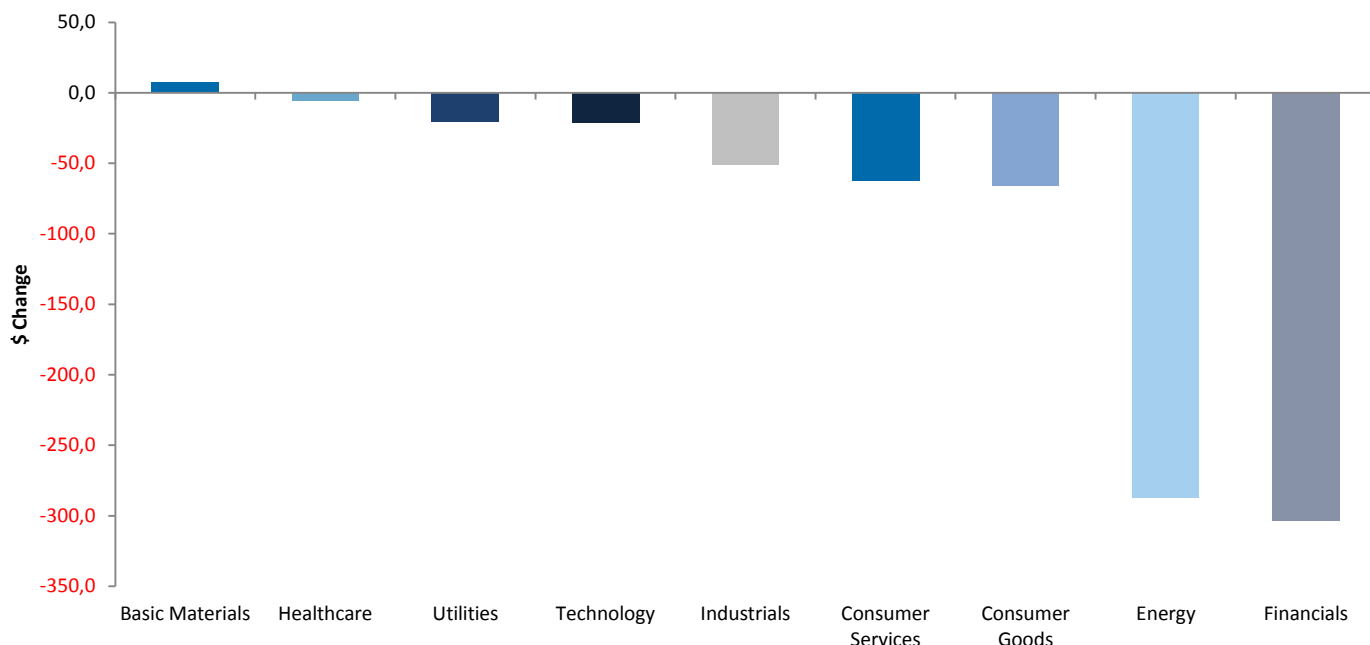
Institutional Investment by Style (\$M Change)



Top Holders, Buyers & Sellers: Q3-15

TOP HOLDERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Norges Bank Investment Management (Norway)	Norway	Value	Low	515,706.5	1,143.0	0.0	0.2	0.0
Lazard Asset Management, LLC (U.S.)	United States	Value	Medium	75,517.0	1,046.5	-352.0	1.4	-25.2
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	104,710.5	1,039.6	-83.4	1.0	-7.4
Dodge & Cox	United States	Deep Value	Low	166,416.1	772.8	12.2	0.5	1.6
OppenheimerFunds, Inc	United States	Growth	Medium	127,590.4	669.0	-65.9	0.5	-9.0
Grantham Mayo Van Otterloo & Co., LLC	United States	Value	Medium	61,636.1	592.0	67.1	1.0	12.8
APG Asset Management N.V.	Netherlands	Yield	Low	132,073.0	552.6	0.0	0.4	0.0
Genesis Investment Management, LLP	United Kingdom	Growth	Low	21,439.6	538.0	-0.5	2.5	-0.1
BNP Paribas (Suisse) S.A.	Switzerland	Deep Value	High	n/a	531.9	0.0	n/a	0.0
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	94,968.0	416.4	-27.5	0.4	-6.2
				7,301.9	-449.9			
TOP BUYERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Grantham Mayo Van Otterloo & Co., LLC	United States	Value	Medium	61,636.1	592.0	67.1	1.0	12.8
Capital Research Global Investors (U.S.)	United States	GARP	Medium	399,088.4	79.1	51.4	0.0	185.6
Causeway Capital Management, LLC	United States	Value	Medium	19,049.2	83.4	32.7	0.4	64.4
Morgan Stanley Investment Management Inc.	United States	Growth	Medium	66,579.0	83.3	29.0	0.1	53.2
RAM Active Investments S.A.	Switzerland	Value	Very High	2,521.1	110.4	25.8	4.4	30.5
Somerset Capital Management, LLP	United Kingdom	Value	Medium	3,344.9	222.7	21.6	6.7	10.7
Capital Guardian Trust Company (U.S.)	United States	Growth	Medium	26,252.5	53.9	16.9	0.2	45.5
SEB Varahaldus AS	Estonia	Growth	High	387.2	63.3	12.8	16.4	25.2
Dodge & Cox	United States	Deep Value	Low	166,416.1	772.8	12.2	0.5	1.6
PIMCO - Pacific Investment Management Company	United States	Deep Value	High	11,160.5	24.4	11.5	0.2	88.5
				2,085.5	280.8			
TOP SELLERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Lazard Asset Management, LLC (U.S.)	United States	Value	Medium	75,517.0	1,046.5	-352.0	1.4	-25.2
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	311,712.4	382.7	-146.4	0.1	-27.7
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	104,710.5	1,039.6	-83.4	1.0	-7.4
OppenheimerFunds, Inc	United States	Growth	Medium	127,590.4	669.0	-65.9	0.5	-9.0
Fidelity International Limited - FIL Investment Services (L)	United Kingdom	Growth	Medium	85,269.2	56.9	-60.3	0.1	-51.5
Fidelity Management & Research Company	United States	Growth	Low	760,300.5	272.0	-43.5	0.0	-13.8
Lazard Asset Management, LTD (U.K.)	United Kingdom	Value	Medium	8,370.1	47.2	-42.6	0.6	-47.4
Columbia Management Investment Advisers, LLC	United States	Value	Medium	163,376.1	24.5	-42.3	0.0	-63.3
Carmignac Gestion Luxembourg S.A. (UK)	United Kingdom	Growth	Very High	1,396.8	51.0	-41.2	3.7	-44.7
Deutsche Asset & Wealth Management Investment Gmb Germany	Germany	Value	Medium	58,864.9	137.2	-32.1	0.2	-18.9
Includes Investors with EUM greater than \$100M; Excludes Passive/Index Investors				3,726.7	-909.6			

Sector Inflows/Outflows:



Road show:

London and New York remain the top key cities for road show activities, having the most investors as well as the largest investment in Turkish equities with \$4.2B and \$2.2B invested respectively. However, the bulk of the sales in Turkey came from these two domiciles.

Most Invested				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,564,933.3	4,210.9	-336.5	78
United States (New York)	1,801,397.0	2,170.5	-418.8	35
Norway (Oslo)	538,562.5	1,160.2	0.6	4
United States (Boston)	1,933,358.9	1,093.5	0.7	18
United Kingdom (Aberdeen)	104,710.5	1,039.6	-83.4	1
United States (San Francisco)	305,133.9	833.7	12.3	5
Switzerland (Geneva)	76,759.8	718.6	23.0	9
Netherlands (Amsterdam)	137,906.8	555.6	-0.0	4
Sweden (Stockholm)	187,100.1	480.8	-23.1	11
United States (Atlanta)	198,777.0	375.6	1.4	3
Singapore (Singapore)	112,488.7	362.2	-19.4	11
Turkey (Istanbul)	380.7	348.9	-9.8	9
United States (Chicago)	166,713.8	328.5	3.6	10
Norway (Stavanger)	9,451.2	326.0	4.8	1
United States (Los Angeles)	1,017,505.4	282.6	97.4	9
France (Paris)	230,476.5	278.9	-5.1	15
Germany (Frankfurt)	193,373.9	261.9	-42.6	11
Bahamas (Nassau)	42,637.3	246.5	-2.8	1
Poland (Warsaw)	18,957.4	226.3	0.0	23
Denmark (Copenhagen)	69,957.7	195.6	3.3	9
Excludes Passive/Index Investors		15,496.5	-794.4	267

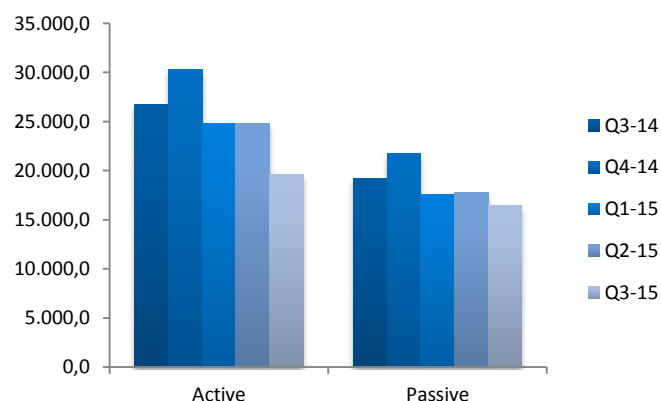
Most Investors				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,564,933.3	4,210.9	-336.5	78
United States (New York)	1,801,397.0	2,170.5	-418.8	35
Poland (Warsaw)	18,957.4	226.3	0.0	23
United States (Boston)	1,933,358.9	1,093.5	0.7	18
Canada (Toronto)	487,200.2	192.6	-5.9	16
Japan (Tokyo)	347,039.6	102.6	-5.4	16
South Korea (Seoul)	47,316.3	13.9	0.0	16
France (Paris)	230,476.5	278.9	-5.1	15
Sweden (Stockholm)	187,100.1	480.8	-23.1	11
Singapore (Singapore)	112,488.7	362.2	-19.4	11
Germany (Frankfurt)	193,373.9	261.9	-42.6	11
Taiwan (Taipei)	13,203.7	14.6	-0.1	11
United States (Chicago)	166,713.8	328.5	3.6	10
Austria (Vienna)	8,563.7	173.9	-3.7	10
Turkey (Istanbul)	380.7	348.9	-9.8	9
Finland (Helsinki)	11,814.6	68.1	2.4	9
Switzerland (Geneva)	76,759.8	718.6	23.0	9
United States (Los Angeles)	1,017,505.4	282.6	97.4	9
Denmark (Copenhagen)	69,957.7	195.6	3.3	9
United Kingdom (Edinburgh)	246,411.9	159.4	-2.1	9
Excludes Passive/Index Investors		11,684.3	-742.2	335

Active vs. Passive investors:

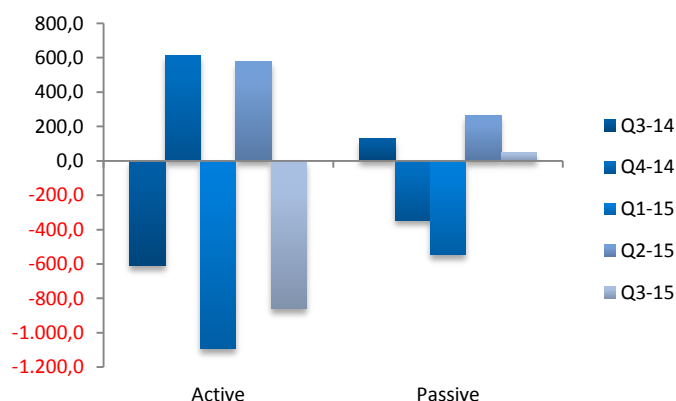
Active investors have had contrarian views on Turkey over the last five quarters going from sellers to buyers and sellers again. After heavy selling in Q1 they increased their respective portfolios in Q2 by \$575M only to make net reductions in Q3 of \$858M.

Passive investors continued their support for the market albeit only slightly with net increases in Turkish equities of \$50M.

Active vs Passive (\$M Value)



Active vs Passive (\$M Change)



Institutional Investment Styles

Aggressive Growth – Investors in this category invest in companies that have very high revenue, EPS growth rates and multiples relative to the overall market. These companies usually do not pay any dividends and are at the early stages of growth. Aggressive Growth investors exhibit a higher portfolio turnover than other styles of investors.

Alternative – Primarily used to classify hedge funds that use various strategies that fall outside the traditional investment strategies that can be categorized as the above. A catch-all for lightly regulated investment vehicles that have the ability to "go-anywhere" and invest long or short in any type of security – equity, debt, commodity, options, currency, etc. Hedge funds seek to earn above market returns for their clients while at the same time controlling risk factors. Hedge funds have grown in prominence over the years as their returns net of fees (typically 2% management, 20% incentive) have outperformed mutual fund and pension managers performance. Recently, many hedge funds have gained notoriety as "activists" demanding change (leadership or strategic) at companies in North America, Europe and Asia.

Asset Allocation – Asset allocation managers allocate their investments among stocks, bonds, and cash equivalents, among others. It is primarily dictated by the various needs of clients and used by many smaller firms and banks.

Deep Value – Investors in this category employ an extreme style of value investing where they invest in companies with very low valuations versus their own historic valuation, and in relation to the overall market. Usually the companies or the industries they are in have been out of favour in the marketplace for an extended period of time.

GARP – These institutions seek to add growth stocks to their portfolios, but will not pay a premium price to obtain the securities. Thus, investors of this type are categorized as GARP, or "growth at a reasonable price," investors. Investors utilizing this investment approach will use methodologies and indicators favoured by both growth and value investors, but neither of the aforementioned styles dominates the process.

Growth – These institutions place the greatest emphasis in their selection process on the growth prospects of a company's earnings. Growth investors prefer companies where bottom line growth will average at least 15% annually and are willing to pay above market average multiples for a stock. At the first sign of an earnings slow-down, however, growth investors are often the quickest to sell.

Index – These institutions strive to match the performance of an equity index such as the MSCI EAFE Index or the S&P 500 Index, while at the same time keeping trading costs at a minimum. An institution accomplishes this by holding the stocks that comprise the index in its portfolio at the same proportion as the index. Indexing is a passive style of investing; stocks are bought and sold based upon their inclusion in an index and not on their fundamentals. Please note, index investors are not familiar with the companies in which they have made investments and are therefore considered investor relations immune.

Other – This style is applied to companies that are not investment firms, such as public companies.

Private Equity – This style is applied to firms that are private equity investors and their public equity holdings are the result of pre-IPO holdings.

Specialty – Applied to firms with investment strategies that cannot be categorized due to the specific nature of their focus. Industry or sector specific focus is the most common example of a Specialty investor.

Value – Value-oriented institutions prefer stocks that are trading at undervalued levels relative to some valuation such as a stock's intrinsic value or a company's free cash flow. Value investors tend to have longer-term investment horizons than their growth counterparts as they wait for the convergence of value and price.

Venture Capital – This style is applied to firms that are venture capital investors and their public equity holdings are the result of pre-IPO holdings.

Yield – Yield investors are sensitive to a high dividend yield and invest in companies with yield levels very high compared to the market yield, and have a history of paying and increasing dividends over time.

Orientation

Active – Indicates that the final investment decision making process at an institution is enacted by a portfolio manager or analyst. While computer screening models may be used in the investment process they are not utilized to make the final investment decision.

Passive – This category primarily captures index and quantitative investors. These investors utilize computer models to define an investable universe and make final portfolio decisions. Investor relations officers cannot influence these investment decisions.