

FLOW OF FUNDS REPORT

TUYID Q1 2016

May, 2016

Dear Readers,

This volume of the Flow of Funds Report, covering the first quarter of 2016, 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.

When comparing the four countries, Turkey was the only one with negative sentiment with net sales of \$368M; however, this was mainly led by three North American investors which, between them, reduced their aggregated exposure by \$558M (see top sellers section on page 5). Hungary saw the most investment in the quarter with inflows of \$217M, with Poland seeing inflows of \$124M and investment in Russia being relatively flat at just \$11M. Growth and Value investors continued to reduce their exposure to Turkish equities, with only Index and Yield investors showing as net buyers in the market.

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.

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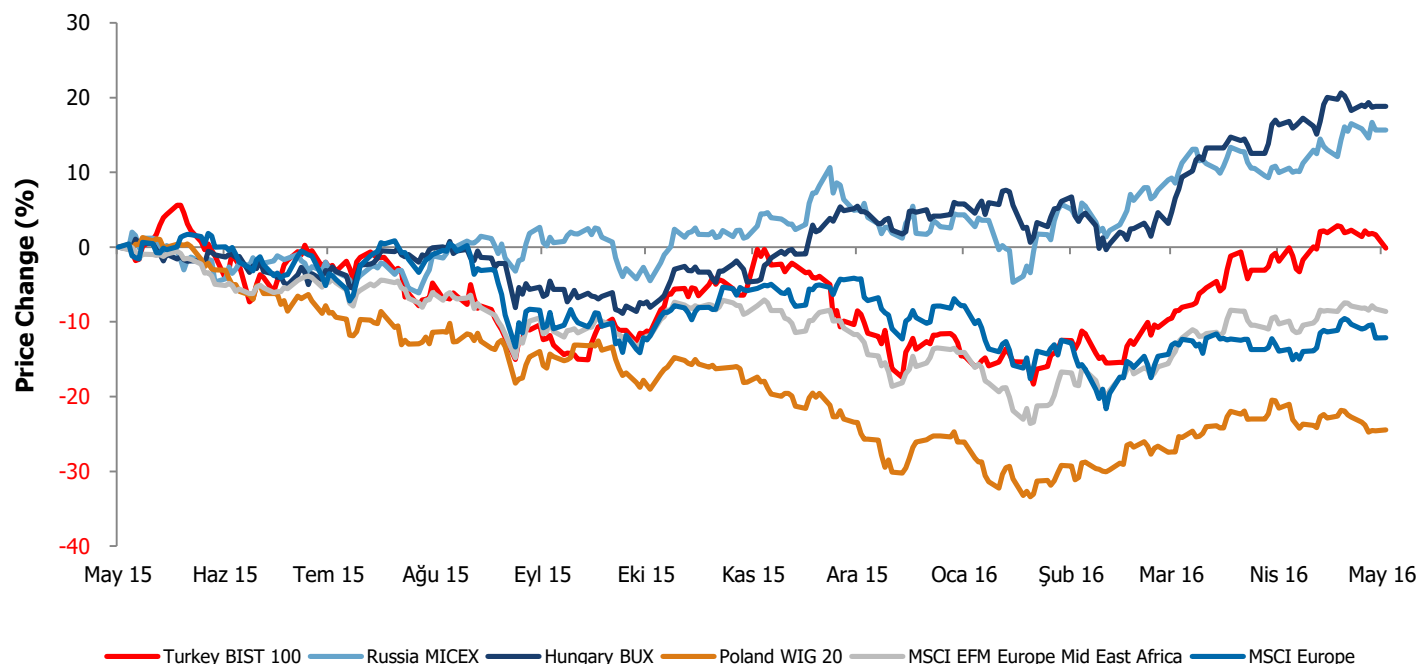
Disclaimer: The evaluations and the information in the Report, where you can find significant statistics about listed stocks in Borsa İstanbul, are prepared based on IPREO's database. Investment information, comment and advices are not in the enclosure of investment consultancy and do not comprise information for buying and selling decisions in the capital markets. The data and the information in the Report cannot be guaranteed to be correct; the content can be changed without announcing. All the data are taken from the sources thought to be reliable. The data used in this report is sourced from publicly disclosed portfolios/information and due to the reporting periods there may be discrepancies (data sources used in this report include, but are not limited to, Factset, Morningstar, SEC filings (13Fs etc.) and news sources). IPREO and TÜYİD cannot be taken responsible for the problems that might emerge out of using these sources.

Price performance:

Over the twelve months to the beginning of May 2016, the BIST National Index closed relatively flat at just -0.14%. The WIG 20 was the biggest faller over the same period at -24.45%; with the MSCI Europe and the MSCI EFM Europe Mid East Africa indices also in negative territory with respective declines of -12.11% and -8.62%. The Hungary BUX gained the most over the 12 months climbing 18.82%, followed by the Russia MICEX index which increased by 15.68%.

“In April, most markets in Europe recorded double-digit returns, led by Turkey, where fourth-quarter data, including growth figures, bettered market expectations. Russia also performed strongly, as the rouble saw its strongest quarter in four years and economic indicators suggested an improving environment.”

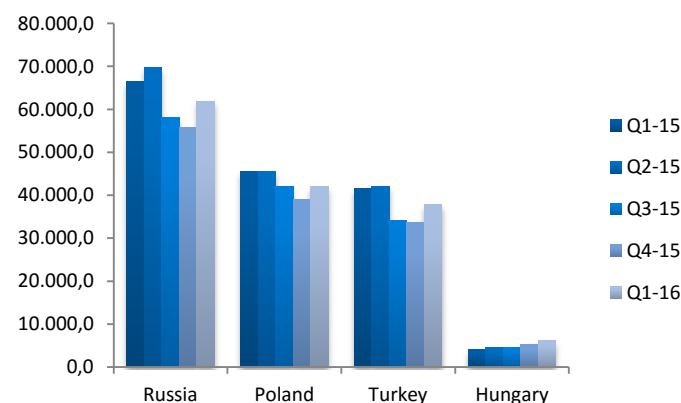
Templeton Emerging Markets Investment Trust (TEMIT) - March 2016
<http://www.franklintempleton.co.uk/downloadsServlet?docid=h0iay8id>



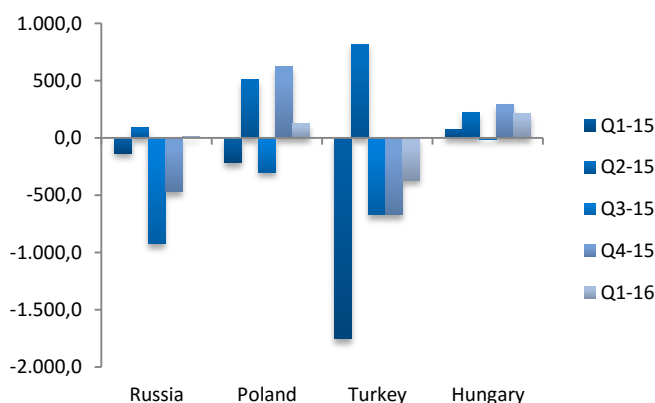
Q1 Inflows and Outflows:

Outflows in Turkish equities continued for the third consecutive quarter, with investors withdrawing a further \$368M from the market. This sentiment was peculiar to Turkey as both Hungary and Poland saw net investment in Q1 with purchases of \$217M and \$124M respectively. Investment in Russian equities, which witnessed selling in the previous two quarters, was relatively flat with a slight increase of just \$11M.

Institutional Investment in Region (\$M Value)



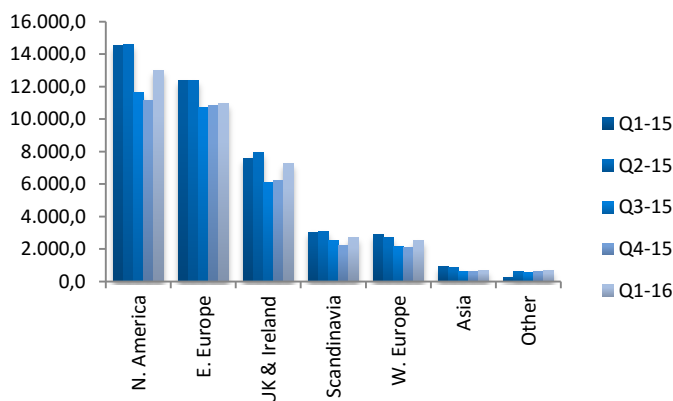
Institutional Investment in Region (\$M Change)



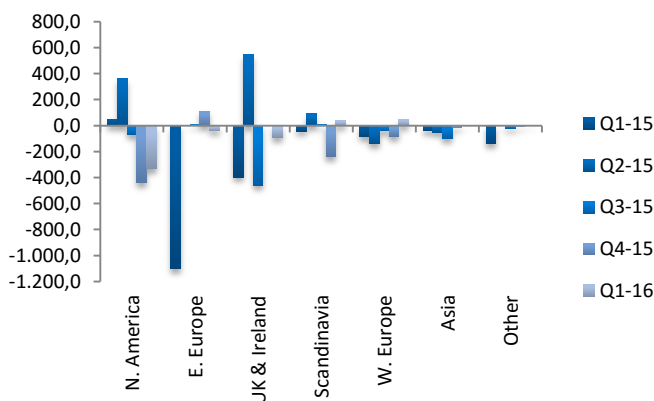
Q1 – Investment by Investor Region:

The net reductions in Turkish equities was largely attributed to North American investors (-\$332M). OppenheimerFunds, Inc was the largest seller with net reductions of \$278M, with Grantham Mayo Van Otterloo & Co., LLC following with divestments of \$163M, followed by Dodge & Cox disposing of \$117M in Turkish equities. On the back of four quarters of net selling Western European investors were the largest net buyers of the market with inflows of just \$48M with Scandinavia n investors increasing their respective positions by \$42M – Asian investors were relatively flat with inflows of just \$3M.

Institutional Investment by Region (\$M Value)



Institutional Investment by Region (\$M Change)



Q1 – Investment by Style:

Growth investors dominated the selling of Turkish equities during the quarter with net sales of \$264M (or 3% of their exposure) over double the amount of disposal made by Value investors (-\$113M). GARP investors continued their retreat from the market, albeit at a much slower rate than the previous two quarters, with outflows of \$39M; while index investors returned to positive territory with net inflows of \$39M. Yield investors led by UK's Putnam Investments Limited (+\$9M) increased their net exposure to Turkey by \$19M.

"In April Turkish Central Bank cut overnight lending rate by 50 bps to 10%. It is expected that if inflation won't pick up from current levels then one more cut could be expected in May. It is highly probable that a new prime minister will appointed in coming months. This is another sign that Turkey is moving towards more autocratic regime. In March industrial production increased by +5.8% YoY and general real sector confidence improved."

Swedbank Eastern European Equity Fund – April 2016

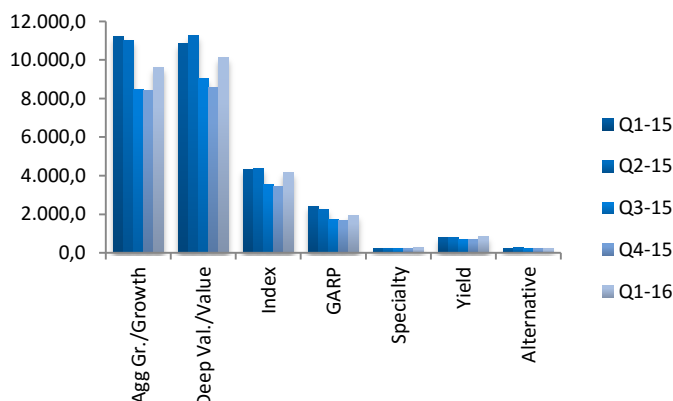
https://www.swedbank.ee/static/investor/funds/SEEEF_raport_eng.pdf

"In February, bearish atmosphere that we have been facing since January left itself to a more balanced market phase. Even though rising geopolitical risks created a negative convergence for us among other emerging market indices, risk-on mode affected local markets positively. Possible delay in FED rate hike and settling brent/crude prices were the two main factors that contributed to this moderation. In the local markets, higher than expected inflation data and escalating geopolitical risks contributed to fluctuations in the equity markets, parity and rates, however with the global side being positive, deterioration in the Turkish assets stayed limited. In addition to this, TCMB left the policy rate unchanged as expected."

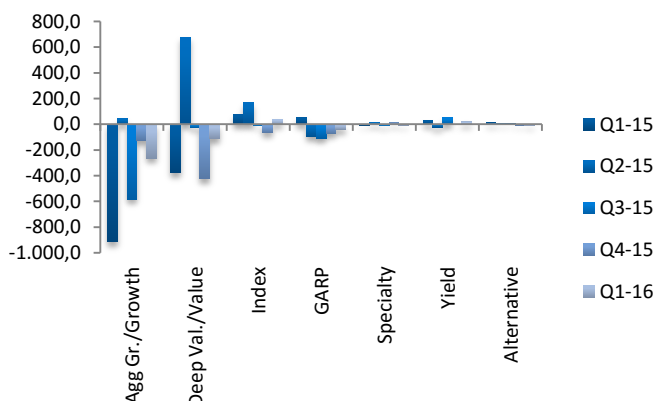
BBVA Durbana Garanti Turkish Equity Fund - Feb 2016

<http://www.garantiassetmanagement.com/Market-Commentary.html>

Institutional Investment in Region (\$M Value)



Institutional Investment in Region (\$M Change)

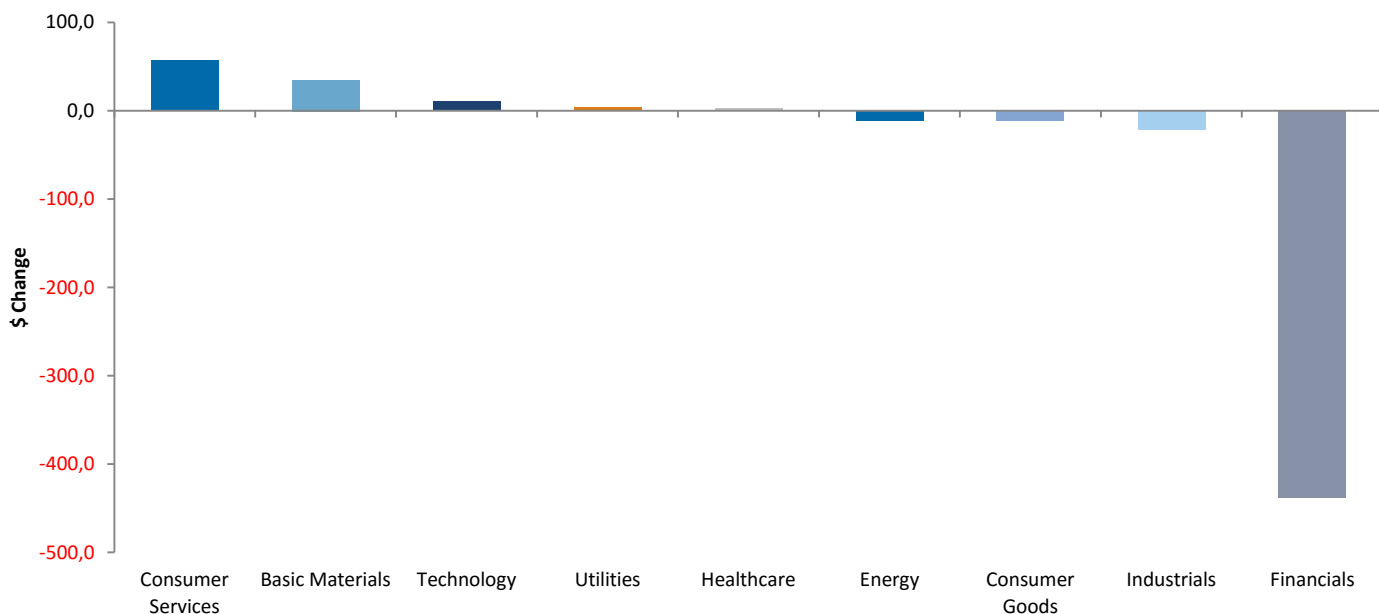


Top Holders, Buyers & Sellers: Q1-16

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	73,926.8	1,621.6	-6.7	2.2	-0.4
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	96,995.5	1,516.1	-50.7	1.6	-3.2
Norges Bank Investment Management (Norway)	Norway	Value	Low	524,654.3	1,054.9	0.0	0.2	0.0
Dodge & Cox	United States	Deep Value	Low	148,142.0	802.0	-117.1	0.5	-12.7
APG Asset Management N.V.	Netherlands	Yield	Low	127,235.2	707.1	0.0	0.6	0.0
Genesis Investment Management, LLP	United Kingdom	Growth	Low	18,987.1	632.0	-0.3	3.3	-0.1
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	317,915.3	569.2	10.1	0.2	1.8
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	88,886.3	519.3	-72.6	0.6	-12.3
Mayhoola For Investments S.P.C.	Qatar	Private Equit	Unknown	464.4	464.4	0.0	100.0	0.0
OppenheimerFunds, Inc	United States	Growth	Medium	133,918.6	425.2	-278.1	0.3	-39.5
				8,311.9	515.4			
TOP BUYERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
AllianceBernstein, L.P. (U.S.)	United States	Value	Medium	137,741.7	116.1	44.5	0.1	62.0
Nordea Investment Management (Denmark)	Denmark	Value	Medium	53,256.1	260.2	40.8	0.5	18.6
Fidelity Management & Research Company	United States	Growth	Low	778,366.4	329.3	40.6	0.0	14.1
William Blair & Company, LLC (Investment Management)	United States	Agg. Growth	Medium	48,014.3	163.1	31.5	0.3	24.0
Columbia Management Investment Advisers, LLC	United States	Value	Medium	156,172.1	65.1	31.4	0.0	93.3
Robeco Institutional Asset Management B.V.	Netherlands	Value	Medium	28,313.1	263.3	28.6	0.9	12.2
RAM Active Investments S.A.	Switzerland	Value	Very High	2,823.1	153.8	28.0	5.4	22.2
Investec Asset Management, LTD (U.K.)	United Kingdom	Growth	Medium	36,104.6	87.3	17.3	0.2	24.7
Causeway Capital Management, LLC	United States	Value	Medium	20,159.0	101.6	15.7	0.5	18.3
T. Rowe Price International, LTD	United Kingdom	Growth	Low	26,241.5	294.5	14.2	1.1	5.1
				1,834.4	292.5			
TOP SELLERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
OppenheimerFunds, Inc	United States	Growth	Medium	133,918.6	425.2	-278.1	0.3	-39.5
Grantham Mayo Van Otterloo & Co., LLC	United States	Value	Medium	56,498.1	416.2	-162.6	0.7	-28.1
Dodge & Cox	United States	Deep Value	Low	148,142.0	802.0	-117.1	0.5	-12.7
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	88,886.3	519.3	-72.6	0.6	-12.3
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	96,995.5	1,516.1	-50.7	1.6	-3.2
Baillie Gifford & Company, LTD	United Kingdom	Growth	Low	98,115.0	60.8	-42.3	0.1	-41.0
Janus Capital Management, LLC	United States	Agg. Growth	Medium	82,246.9	0.0	-41.0	0.0	-100.0
Harding Loevner, L.P.	United States	GARP	Low	23,660.3	192.0	-34.4	0.8	-15.2
Deutsche Asset Management Investment GmbH	Germany	Value	Medium	84,064.6	153.3	-21.5	0.2	-12.3
TEB Portföy Yönetimi AS	Turkey	Value	High	n/a	127.8	-21.0	n/a	-14.1
				4,212.9	-841.4			

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

Sector Inflows/Outflows:



Road show:

London continues to remain the largest base of ownership representing \$4.8B – with New York based investors investing \$2.7B. New York investors were the largest sellers which was largely driven by OppenheimerFunds, Inc.; excluding this investor NY would have been net buyers with purchases of \$9.6M.

Most Invested				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,540,099.4	4,851.3	49.6	77
United States (New York)	2,119,639.5	2,679.3	-258.0	37
United Kingdom (Aberdeen)	96,995.5	1,516.1	-50.7	1
Norway (Oslo)	548,540.2	1,075.6	-1.1	4
United States (Boston)	1,954,624.7	983.3	-73.5	19
United States (San Francisco)	274,165.3	863.0	-116.5	6
Netherlands (Amsterdam)	132,618.0	710.0	0.8	4
Sweden (Stockholm)	198,746.9	567.3	17.0	12
Turkey (Istanbul)	582.4	566.4	-30.8	12
United States (Atlanta)	186,395.5	474.9	10.9	2
Qatar (Doha)	464.4	464.4	0.0	1
United States (Los Angeles)	988,808.9	422.7	32.0	9
Singapore (Singapore)	116,006.7	421.2	-4.4	14
Poland (Warsaw)	17,713.1	374.4	3.4	21
Norway (Stavanger)	8,789.6	352.7	-4.6	1
Germany (Frankfurt)	259,838.4	319.6	-15.6	12
Denmark (Copenhagen)	77,641.7	293.7	40.0	7
Bahamas (Nassau)	39,741.0	280.9	0.0	1
Netherlands (Rotterdam)	28,313.1	263.3	28.6	1
Switzerland (Geneva)	81,451.4	241.2	22.8	8
Excludes Passive/Index Investors		17,721.3	-350.1	250

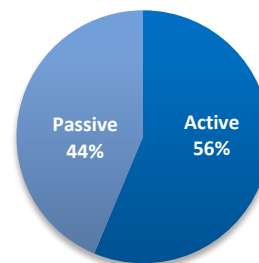
Most Investors				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,540,099.4	4,851.3	49.6	77
United States (New York)	2,119,639.5	2,679.3	-258.0	37
Poland (Warsaw)	17,713.1	374.4	3.4	21
United States (Boston)	1,954,624.7	983.3	-73.5	19
Japan (Tokyo)	370,748.8	119.4	-0.6	16
Canada (Toronto)	394,435.2	196.2	-18.0	14
Singapore (Singapore)	116,006.7	421.2	-4.4	14
South Korea (Seoul)	38,785.2	17.8	0.0	13
France (Paris)	190,225.0	144.5	12.3	12
Germany (Frankfurt)	259,838.4	319.6	-15.6	12
Turkey (Istanbul)	582.4	566.4	-30.8	12
Sweden (Stockholm)	198,746.9	567.3	17.0	12
Taiwan (Taipei)	12,012.2	22.6	6.6	10
Austria (Vienna)	8,996.8	212.4	-18.0	10
Finland (Helsinki)	12,346.8	108.0	-5.6	9
United States (Chicago)	109,260.4	213.8	28.5	9
United States (Los Angeles)	988,808.9	422.7	32.0	9
Switzerland (Geneva)	81,451.4	241.2	22.8	8
United Kingdom (Edinburgh)	233,203.3	116.0	-41.1	8
Denmark (Copenhagen)	77,641.7	293.7	40.0	7
Excludes Passive/Index Investors		12,871.3	-253.3	330

Active vs. Passive investors:

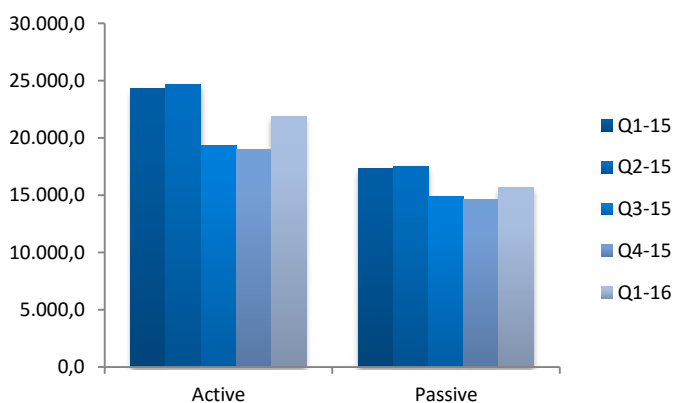
Active investors continued to retreat from Turkey with net reductions of \$422M – an increase on previous two quarters where net reductions were around \$762M (Q3) and \$637M in Q4-16. Passive institutions switched direction and made net purchases of \$55M.

The narrowing of the active:passive split in Turkey continued with active investors representing 56% of the ownership with passive ownership holding 44%.

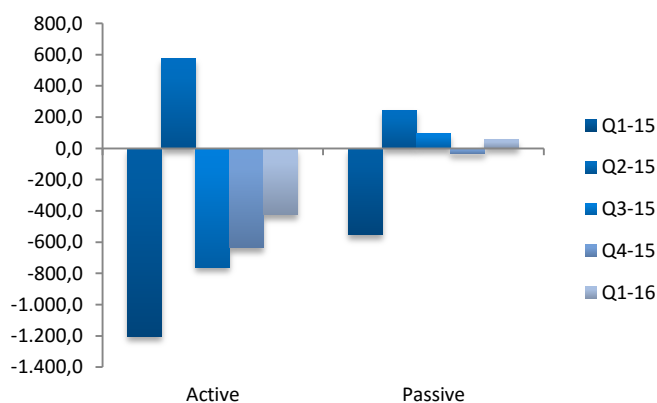
Active vs Passive Split



Institutional Investment by Region (\$M Value)



Institutional Investment by Region (\$M Change)



GLOSSARY

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.

Turnover

Portfolio Equity Turnover is the measure of how frequently a portfolio buys or sells securities over a 12 month period. It is calculated as the sum of the dollar values of buys and sells over a given period, divided by the sum of the beginning and ending equity assets over the same period, reported as an annualized percentage.

A portfolio with a turnover rate of 100% replaces its entire portfolio throughout the course of a 12-month period, whereas, a portfolio with a turnover rate of 50% replaces half of its holdings during the same time.

- Low Turnover (0-33.3% per year)
- Medium Turnover (33.3 -66.6% per year)
- High Turnover (66.6-100% per year)
- Very High Turnover (Over 100% per year)