

FLOW OF FUNDS REPORT

TUYID Q3 2016

November, 2016

Dear Readers,

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

Turkey saw net sales of \$35.5M, which is a fraction of the levels seen in previous quarters. This was mainly led by North American investors which reduced their aggregated exposure by \$584M (see top sellers section on page 5). Polish equities saw the most investment with increases of \$505M (compared to divestments of \$466M in the previous quarter), with Russia witnessing the second highest investments, across the basket of countries, with net increases of \$265M. Growth investors returned to the market with net increases of \$366M, while value investors continued their retreat with sales of \$665M.

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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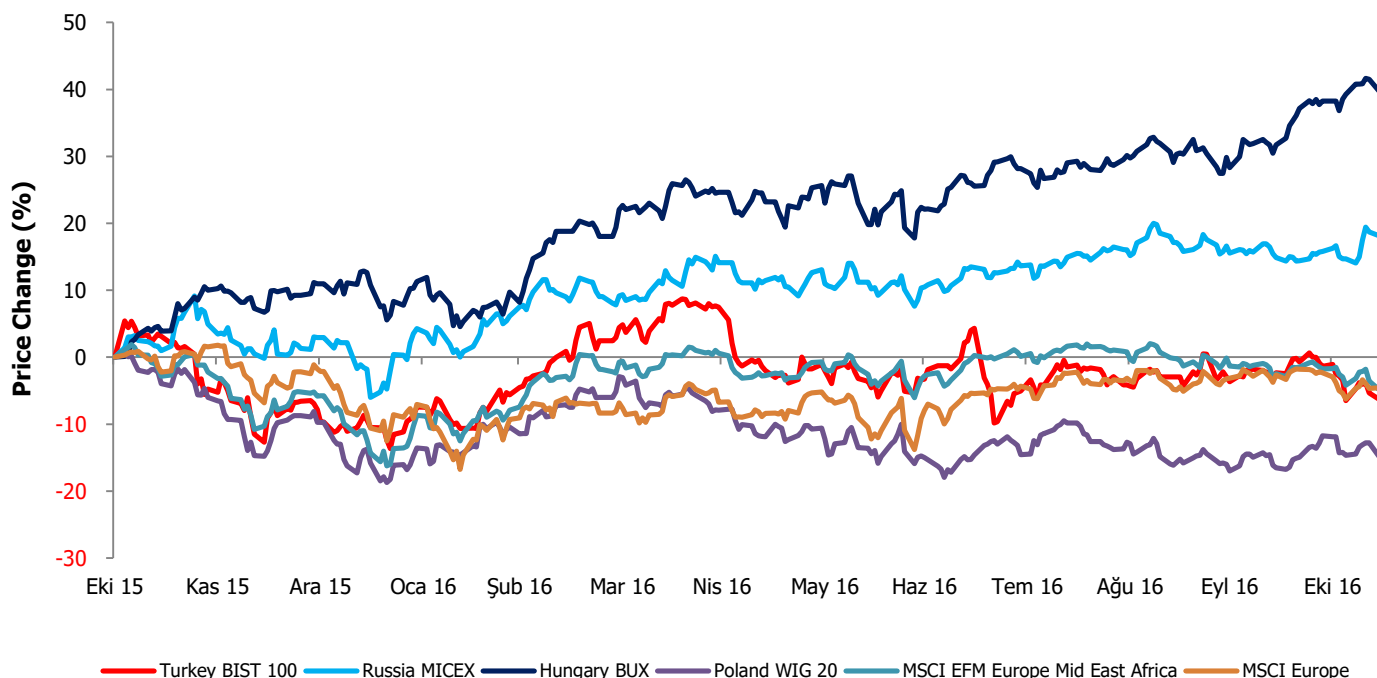
Price performance:

The BIST National Index fell by 6.28% over the twelve months to November, with the Poland WIG decreasing the most with a fall of 14.86%; both MSCI indices were also in negative territory with the MSCI EFM Europe Mid East Africa index declining by 4.86% and the MSCI Europe index dropping 4.57% over the same period. The Hungary BUX index continues to show strength and rose by 39.73% with the Russia MICEX index also showing support by increasing by 18.14% over the twelve months.

"In October in general emerging markets offered better returns compared to developed markets. Investors continue to add cheaper shares. The third week in October was the best period since the summer for Turkish markets regarding foreign investors' money flow.

Swedbank Eastern Europe Equity Fund - October 2016.

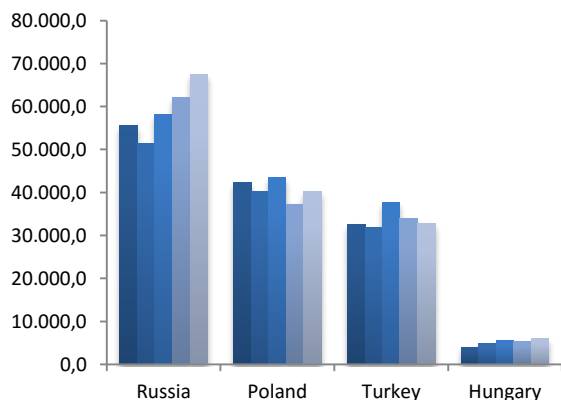
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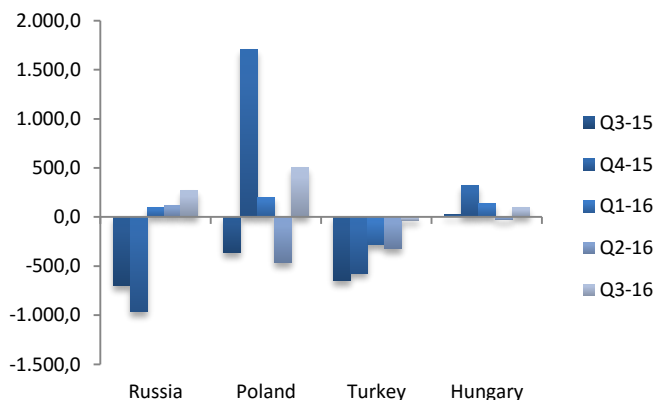
Q3 Inflows and Outflows:

Turkish equities continued to witness outflows for the fifth consecutive quarter; however, the good news is that the Q3 decrease was relatively flat with sales of \$35.5M – a little over a tenth of the sales in the previous quarter. Attitude to Polish equities in Q3 was the opposite to the previous quarter with investors investing more than they withdrew in Q2, making this market the most bought out of the basket. Russia saw an increase of \$265.0M with Hungary also showing an increase in investment by \$96.2M.

Institutional Investment in Region (\$M Value)



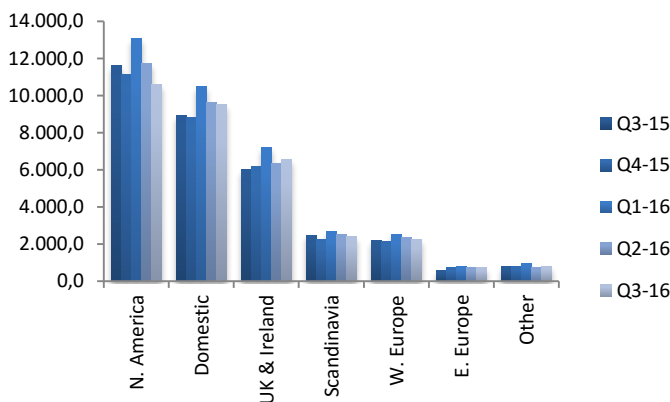
Institutional Investment in Region (\$M Change)



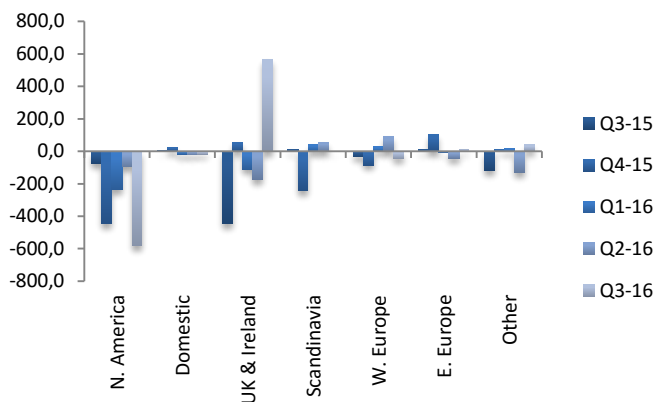
Q3 – Investment by Investor Region:

North American investors continued to dominated the selling of the market; with Lazard Asset Management, LLC (U.S.) being the single largest contributor to this reduction with net sales of \$445.9M. Familiar names Dodge & Cox and Grantham Mayo Van Otterloo & Co., LLC, like the previous quarter, continue their respective divestments in the market. UK & Ireland based investors switched to positive sentiment with net increases of \$563.9M, with Aberdeen Asset Managers, LTD (U.K.) and Genesis Investment Management, LLP increasing their exposures in the market by \$284.8M and \$211.8M respectively. All other regions remained relatively flat in their exposure to the Turkish market.

Institutional Investment by Region (\$M Value)



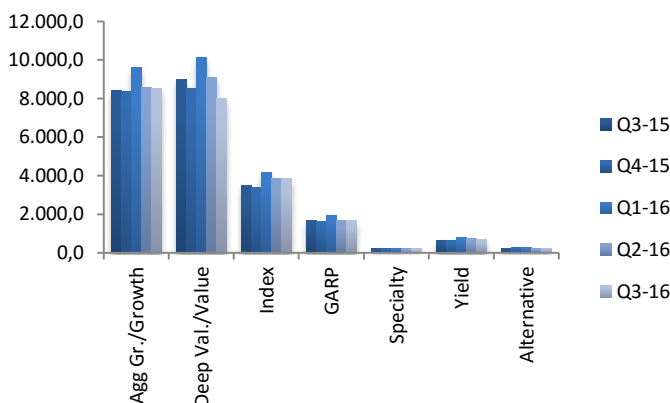
Institutional Investment by Region (\$M Change)



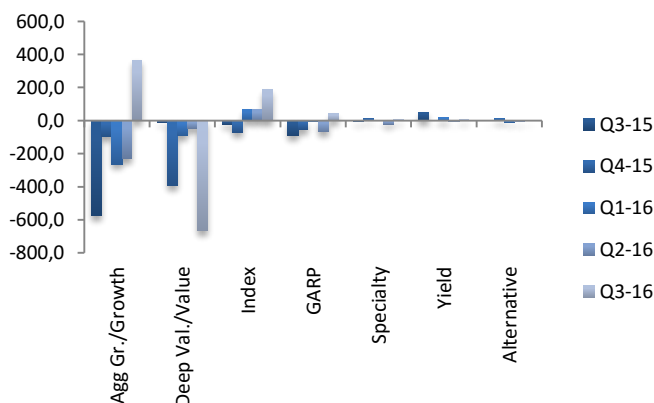
Q3 – Investment by Style:

After four consecutive quarters of divesting, aggressive growth/growth oriented investors returned to the market with net purchased of \$365.9M, with the bulk of this money (\$478.9M) coming from the UK, with support from Asia (\$40.6M); however, this was somewhat offset with North American growth investors making net sales of \$133.3M over the quarter. Value investors, in direct contrast, withdrew \$664.9M from Turkish equities with the bulk of these sales being attributed to North American investors (\$640.8M). Index style investors continued to offer support to the market with net investments \$189.3M, with San Francisco based BlackRock Fund Advisors increasing its portfolio by \$146.5M.

Institutional Investment in Region (\$M Value)



Institutional Investment in Region (\$M Change)



Top Holders, Buyers & Sellers: Q3-16

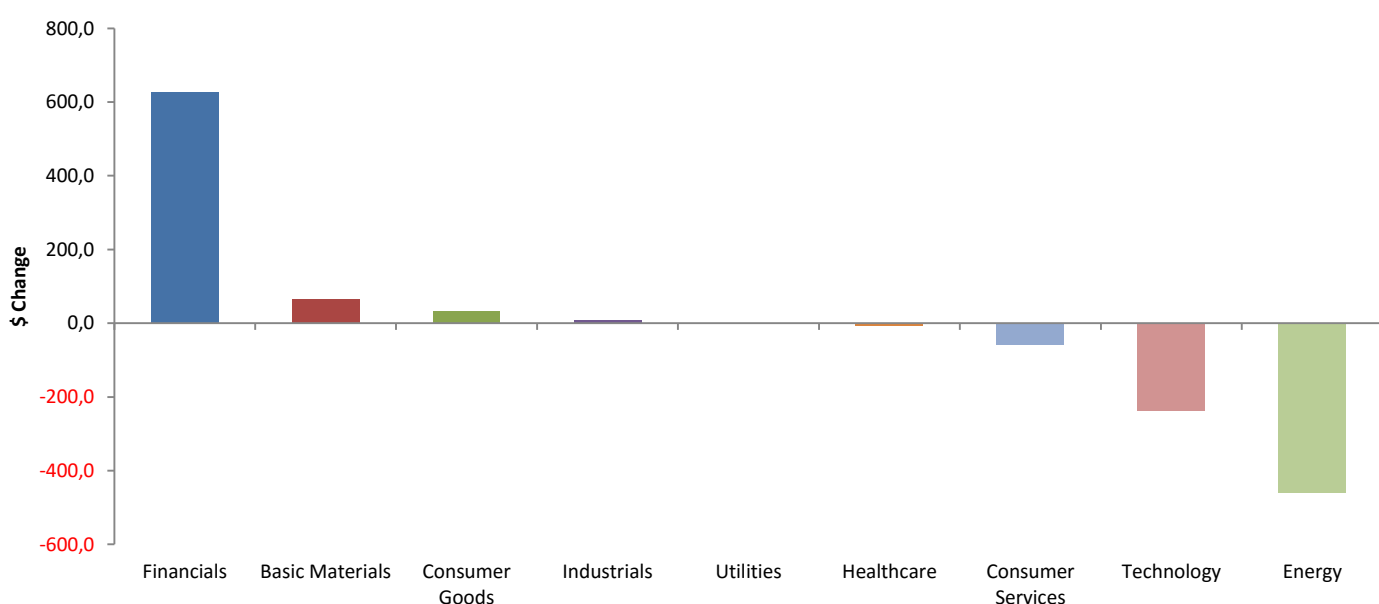
TOP HOLDERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	97,994.0	1,575.9	284.8	1.6	22.1
Lazard Asset Management, LLC (U.S.)	United States	Value	Medium	80,248.4	959.9	-445.9	1.2	-31.7
Norges Bank Investment Management (Norway)	Norway	Value	Low	527,440.3	914.1	0.0	0.2	0.0
Genesis Investment Management, LLP	United Kingdom	Growth	Low	25,453.4	759.8	211.8	3.0	38.7
APG Asset Management N.V.	Netherlands	Yield	Low	139,060.8	604.7	0.0	0.4	0.0
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	308,045.9	448.0	24.0	0.1	5.7
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	99,412.9	393.5	7.5	0.4	1.9
Nordea Investment Management (Denmark)	Denmark	Value	Medium	63,303.2	355.5	34.2	0.6	10.6
OppenheimerFunds, Inc	United States	Growth	Medium	142,449.8	349.7	4.6	0.2	1.3
Invesco Advisers, Inc.	United States	Growth	Low	176,137.7	346.2	-0.9	0.2	-0.3
				6,707.2	120.1			

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	97,994.0	1,575.9	284.8	1.6	22.1
Genesis Investment Management, LLP	United Kingdom	Growth	Low	25,453.4	759.8	211.8	3.0	38.7
Lazard Asset Management, LTD (U.K.)	United Kingdom	Value	Medium	9,774.1	119.0	54.7	1.2	85.1
Nordea Investment Management (Denmark)	Denmark	Value	Medium	63,303.2	355.5	34.2	0.6	10.6
Van Eck Associates Corporation	United States	Value	Medium	31,713.2	83.3	24.6	0.3	41.8
Eastspring Investments (Singapore), LTD	Singapore	Growth	Medium	15,361.3	92.7	24.5	0.6	36.0
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	308,045.9	448.0	24.0	0.1	5.7
Fidelity International Limited - FIL Investment Services (L	United Kingdom	Growth	Medium	88,007.5	45.6	21.9	0.1	92.4
Schroder Investment Management, LTD	United Kingdom	GARP	Medium	101,952.6	255.5	16.4	0.3	6.9
LGT Capital Partners AG (Switzerland)	Switzerland	Value	Medium	4,616.8	25.0	15.0	0.5	150.5
				3,760.2	711.9			

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	80,248.4	959.9	-445.9	1.2	-31.7
Grantham Mayo Van Otterloo & Co., LLC	United States	Value	Medium	49,080.1	307.1	-46.9	0.6	-13.2
Dodge & Cox	United States	Value	Low	156,072.8	340.5	-46.7	0.2	-12.1
Robeco Institutional Asset Management B.V.	Netherlands	Value	Medium	31,637.5	189.5	-40.5	0.6	-17.6
Causeway Capital Management, LLC	United States	Value	Medium	21,981.6	52.6	-39.0	0.2	-42.6
Fidelity Management & Research Company	United States	Growth	Low	803,594.9	238.5	-38.9	0.0	-14.0
AllianceBernstein, L.P. (U.S.)	United States	Value	Medium	139,799.7	50.8	-35.9	0.0	-41.4
Deutsche Asset Management Investment GmbH	Germany	Value	Medium	99,684.7	110.6	-28.9	0.1	-20.7
Wasatch Advisors, Inc.	United States	Agg. Growth	Medium	12,749.1	30.8	-27.6	0.2	-47.3
William Blair & Company, LLC (Investment Management)	United States	Agg. Growth	Medium	49,383.7	129.0	-25.3	0.3	-16.4
				2,409.3	-775.5			

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

Sector Inflows/Outflows:



Road show:

As in previous quarters, London continues to be the dominant investor hub for Turkish equities both in dollar terms (\$4.2B) and with the number of active managers (77). New York remains in second place, but is the main selling investor centre largely attributed to Lazard Asset Management, LLC (U.S.) with Boston, replacing San Francisco, as the second largest selling hub (mainly Grantham Mayo Van Otterloo & Co., LLC). Glasgow's Aberdeen Asset Management (U.K.), LTD helped moved Glasgow up the ranks to the third highest city in investment terms – though it is worth noting that a lot of this firms' meetings do occur in London.

Country / City	Most Invested			
	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,564,279.2	4,181.1	250.3	77
United States (New York)	2,413,626.6	1,920.3	-474.8	41
United Kingdom (Glasgow)	101,732.3	1,580.6	283.9	2
Norway (Oslo)	549,822.4	927.7	-0.5	3
United States (Boston)	1,971,657.8	668.8	-122.6	15
Netherlands (Amsterdam)	143,437.7	606.8	0.5	4
United States (Los Angeles)	1,063,333.1	519.0	-55.6	10
United States (San Francisco)	301,746.8	496.3	-51.9	5
Sweden (Stockholm)	194,992.0	466.9	-17.5	13
Singapore (Singapore)	129,518.5	417.9	38.9	16
United States (Atlanta)	187,643.1	397.6	-2.0	2
Denmark (Copenhagen)	81,349.0	384.0	33.3	5
Turkey (Istanbul)	338.7	322.5	-16.7	10
Norway (Stavanger)	8,271.3	302.1	0.1	1
Poland (Warsaw)	18,857.4	294.6	0.0	21
Switzerland (Geneva)	86,032.1	269.2	1.7	8
Germany (Frankfurt)	240,474.3	245.8	-26.9	9
Bahamas (Nassau)	40,806.2	215.0	0.0	1
Netherlands (Rotterdam)	31,637.5	189.5	-40.5	1
Canada (Toronto)	442,312.2	177.7	-19.4	16
<i>Excludes Passive/Index Investors</i>		14,583.4	-220.1	261

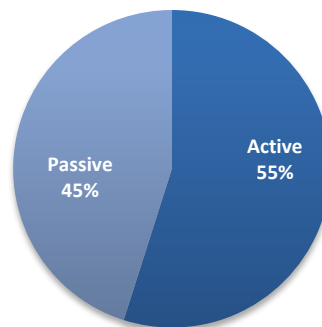
Country / City	Most Investors			
	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,564,279.2	4,181.1	250.3	77
United States (New York)	2,413,626.6	1,920.3	-474.8	41
Poland (Warsaw)	18,857.4	294.6	0.0	21
Singapore (Singapore)	129,518.5	417.9	38.9	16
Canada (Toronto)	442,312.2	177.7	-19.4	16
United States (Boston)	1,971,657.8	668.8	-122.6	15
Japan (Tokyo)	481,543.3	99.4	-3.1	15
France (Paris)	213,274.4	155.9	11.0	14
Sweden (Stockholm)	194,992.0	466.9	-17.5	13
South Korea (Seoul)	37,798.3	15.7	1.3	12
United States (Chicago)	167,046.9	176.3	-23.6	11
United States (Los Angeles)	1,063,333.1	519.0	-55.6	10
Turkey (Istanbul)	338.7	322.5	-16.7	10
Finland (Helsinki)	17,103.8	91.5	-14.0	10
Taiwan (Taipei)	10,882.7	11.7	1.4	10
Germany (Frankfurt)	240,474.3	245.8	-26.9	9
Austria (Vienna)	9,012.9	177.5	-10.7	9
Switzerland (Geneva)	86,032.1	269.2	1.7	8
United Kingdom (Edinburgh)	303,761.7	69.5	-1.6	8
Hong Kong (Central)	54,357.1	63.3	7.0	7
<i>Excludes Passive/Index Investors</i>		10,344.6	-475.0	333

Active vs. Passive investors:

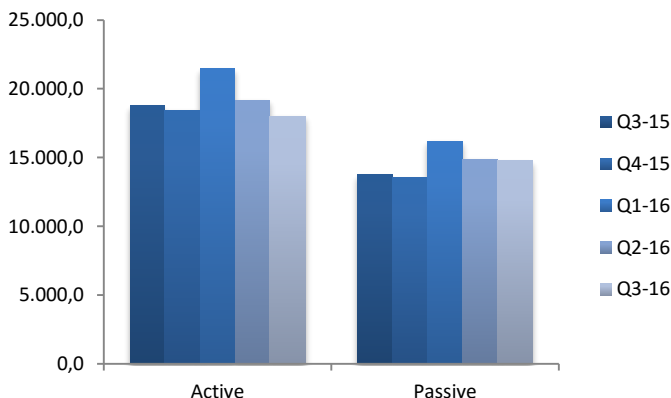
Active investors continued to divest from the market, though they are slowing the rate of their decline. Conversely, passive investors continue to increase their investments and increased their purchasing five-fold on the previous quarter.

The active:passive split remains the same as the previous quarter with a difference of 10%, with active investors still controlling 55% of the investments and passive 45%.

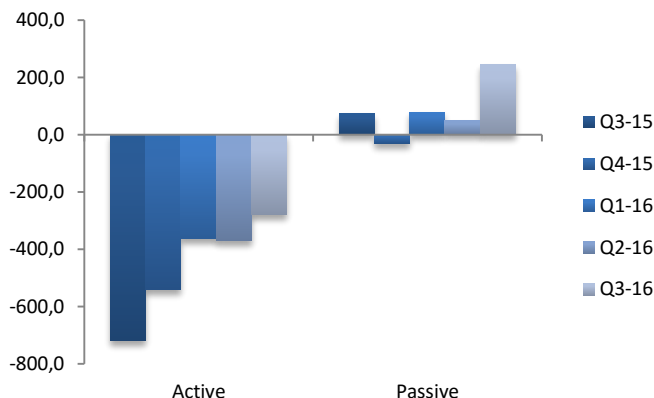
Active vs Passive Split



Active vs Passive (\$M Value)



Active vs Passive (\$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)