



# FLOW OF FUNDS REPORT

## TUYID Q2 2017

August, 2017

Dear Readers,

We are happy to present the Flow of Funds Report for the second quarter of 2017. Our report offers detailed insight on the funds flow by investment type and regions as well as top buyers and sellers in the Turkish market. We also provide key investor hubs for road shows and trust the Report will be an important asset in IR planning and investor targeting.

Investment in Turkish equities continued for the third consecutive quarter with net investments of \$319M, which was mainly led by North American investors which increased their exposure by \$399M with W. Europe investors increasing their position by \$127M. UK were net sellers – albeit because of one institution (Aberdeen Asset Management). Russia saw the highest divestment in Q2 with sales of \$444M, while Polish and Hungarian equities saw increases of \$2B and \$297M respectively.

This Report is prepared quarterly by IPREO, in cooperation with TÜYİD, using IPREO's database. We look forward to any feedback you may have.

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*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:

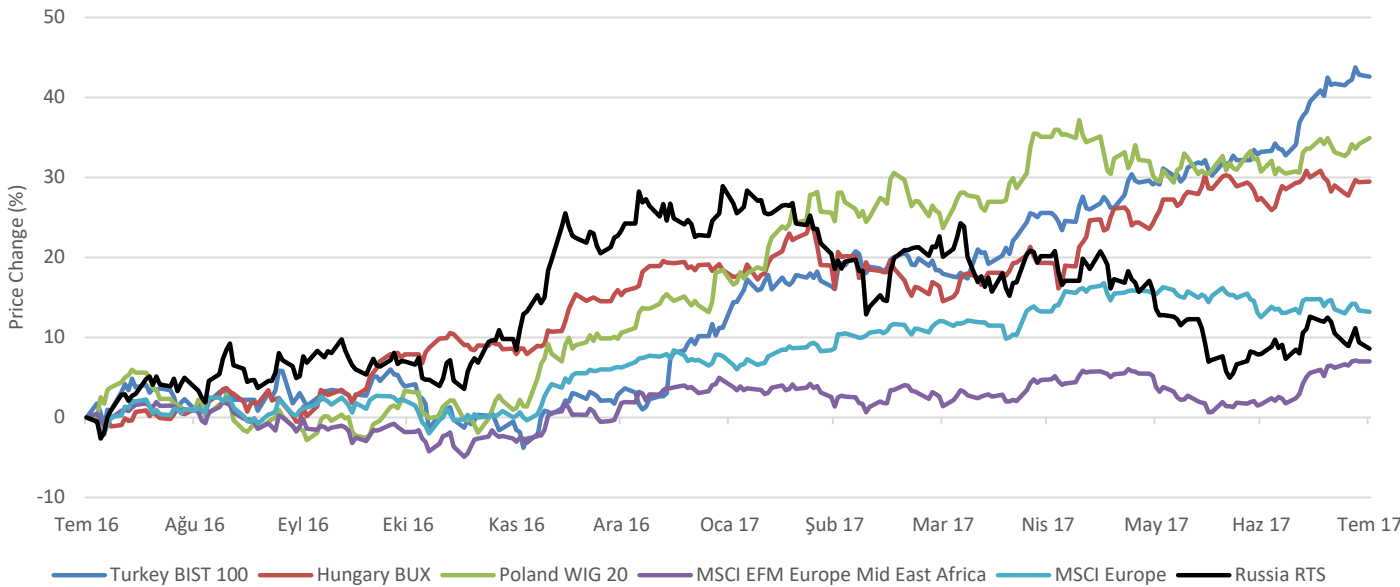
Over the twelve months to August 2017, the BIST National Index rose by 42.6% - outperforming all other regions in the basket. The Poland WIG 20 index and the Hungary BUX continue to show strength and over the same period rose by 34.9% and 29.5% respectively. The MSCI Europe index also saw double-digit growth, though was lagging behind at an increase of 13.2%; while the Russia RTS index and the MSCI EFM Europe Mid East Africa index posted returns of just 8.6% and 7.0%.

*“European emerging markets as a whole declined over the second quarter, as substantial weakness in Russia more than offset strong gains for most other markets in the region. Russia fell on investor concerns that lower oil prices could impact 2017 corporate earnings growth. Additional US sanctions also hampered sentiment.*

*In contrast, Greece, Turkey, Hungary, Poland and the Czech Republic advanced. Turkey was buoyed by better-than-expected first-quarter economic growth, a stronger lira, and the passing of the referendum on the package of constitutional amendments. Hungary, Poland and the Czech Republic were supported by appreciation in their domestic currencies.”*

Templeton Eastern Europe Fund - June 2017

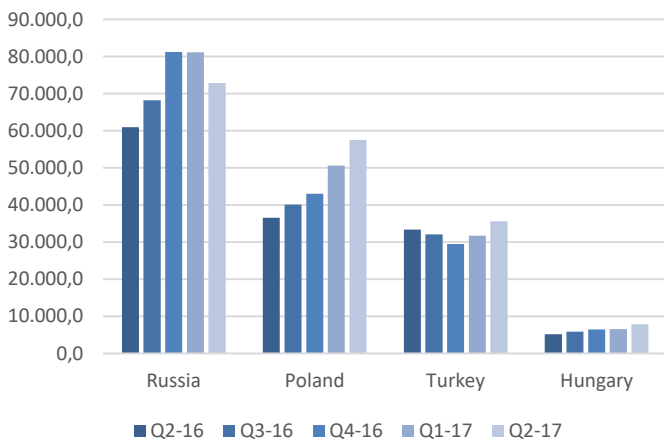
[https://www.franklintempleton.de/content-common/fund-commentary/en\\_GB/local-DE/1921-fund-commentary.pdf](https://www.franklintempleton.de/content-common/fund-commentary/en_GB/local-DE/1921-fund-commentary.pdf)



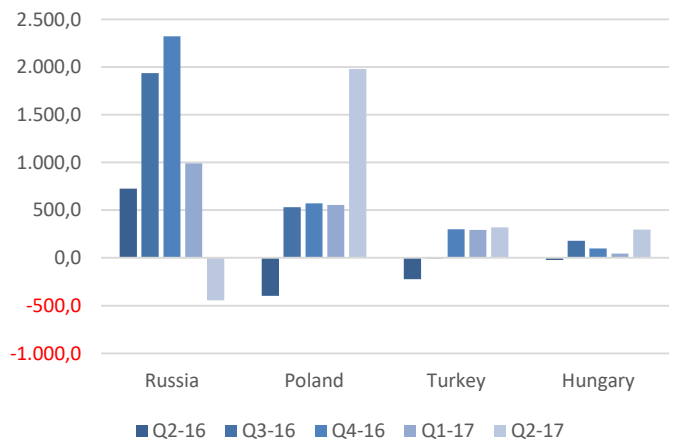
## Q2 Inflows and Outflows:

Turkish equities continued to see positive sentiment for the third consecutive quarter, with a further \$320M invested into the market; with Polish and Hungarian equities also witnessing similar attitude – though in the case of Poland is because of a very heavy domestic bias. In contrast, Russian equities saw outflows of \$444M with heavy selling from W. Europe investors.

Institutional Investment in Region (\$M)



Institutional Investment in Region (\$M Chg)





## Q2 – Investment by Investor Region:

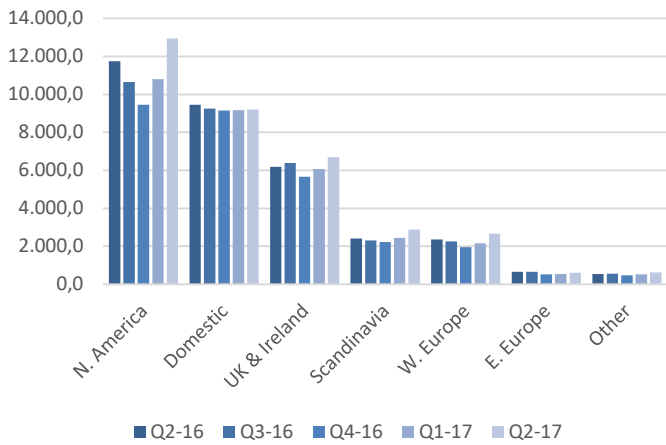
North American investors continue to show aggregated support to the market with net increases of \$399M (slightly less than the \$409M invested in Q1) – with a little over a quarter of this net investment being attributed to Boston based Fidelity Management & Research Company (+\$100M). UK & Ireland based investors continued to show negative sentiment, though this was mainly due to Aberdeen Asset Managers, LTD (U.K.) selling \$602M – without this sale UK investment would have been in positive territory. W. Europe as well as Scandinavian based investors increased their respective exposure to the market with net purchases of \$127M and \$68M, while all other regions remained relatively flat.

*"In June Turkish equity index reached new historical highs in Turkish lira. As end of June in last 5 years equity index Borsa Istanbul 100 has returned in lira 21% per year. In general emerging markets moved sidelines. In June US Federal reserve gathered for the meeting and as result rates on dollar were hiked by 25 bps to 1.25%. In the fund's investment region Turkey was the best performing market returning +2.2% in euro terms, the next performer was Hungary with +1.7% return, followed by Poland with +0.4% and Czech with +0.1% (all in euro terms). Turkey lira depreciated -1.4% vs euro. YTD in Turkish lira stocks appreciated over +32% and in euro terms +22.6%."*

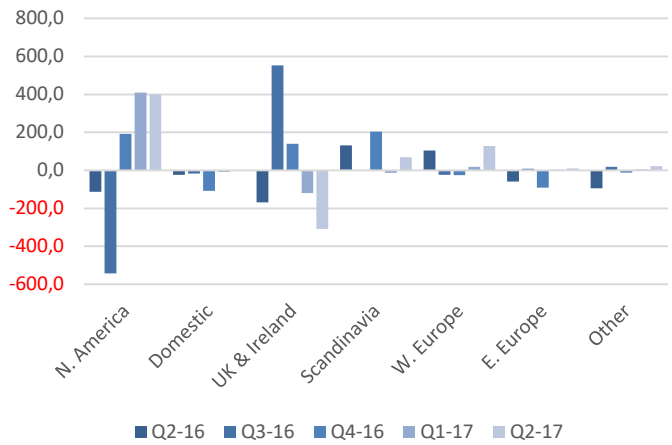
Swedbank Eastern Europe Equity Fund - June 2017

[https://www.swedbank.ee/static/investor/funds/SEEEF\\_raport\\_eng.pdf](https://www.swedbank.ee/static/investor/funds/SEEEF_raport_eng.pdf)

### Institutional Investment by Region (\$M)



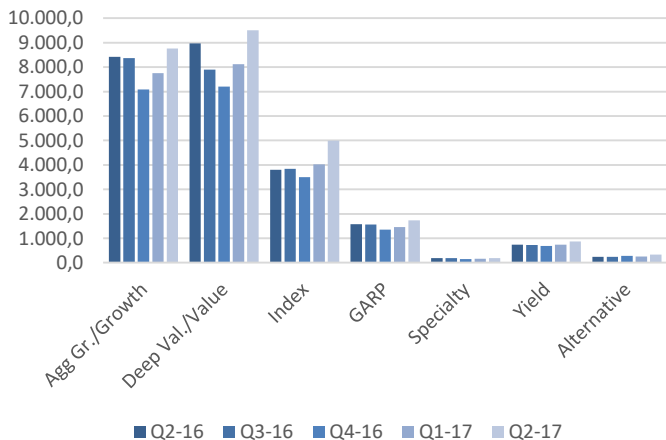
### Institutional Investment by Region (\$M Chg)



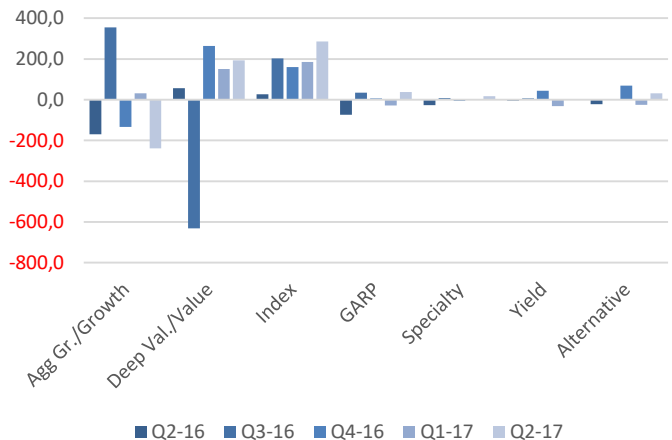
## Q2 – Investment by Style:

Value investors continued to their positive sentiment to the market for the third consecutive quarter with net increases of \$193M – with Sweden’s SEB Investment Management AB being the second largest buyer of the market with increases of \$62M. Growth investors were the only style to show negative sentiment to the market with a net divestment of \$239M – however, this was mainly due to the aforementioned Aberdeen Asset Management. The largest increases came from Index investors which increased their exposure by \$286M, with \$117M of which coming from US based Vanguard Group.

### Institutional Investment by Style (\$M)



### Institutional Investment by Style(\$M Chg)





## Top Holders, Buyers & Sellers: Q2

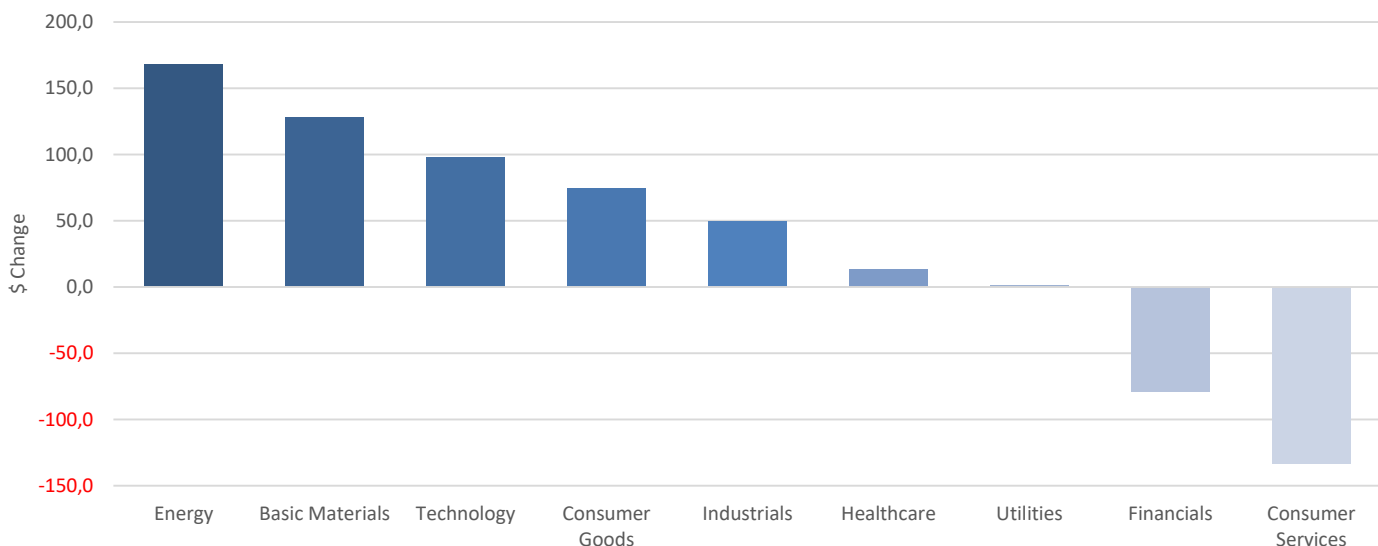
TOP HOLDERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Lazard Asset Management, LLC (U.S.)	United States	Value	Medium	89,802.8	1,280.8	35.1	1.4	2.8
Norges Bank Investment Management (Norway)	Norway	Value	Low	613,535.9	1,206.3	0.0	0.2	0.0
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	98,541.0	1,121.5	-601.5	1.1	-34.9
APG Asset Management N.V.	Netherlands	Yield	Low	152,033.1	823.0	0.0	0.5	0.0
Genesis Investment Management, LLP	United Kingdom	Growth	Low	25,859.0	796.3	3.0	3.1	0.4
Grantham Mayo Van Otterloo & Co., LLC	United States	Value	Medium	41,044.5	468.7	-78.0	1.1	-14.3
OppenheimerFunds, Inc	United States	Growth	Medium	156,001.3	442.3	15.4	0.3	3.6
Fidelity Management & Research Company	United States	Growth	Low	871,633.5	426.8	100.3	0.0	30.7
Invesco Advisers, Inc.	United States	Growth	Low	179,309.5	425.3	0.2	0.2	0.0
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	340,246.6	421.1	32.8	0.1	8.5
				<b>7,412.1</b>	<b>-492.8</b>			

TOP BUYERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Fidelity Management & Research Company	United States	Growth	Low	871,633.5	426.8	100.3	0.0	30.7
SEB Investment Management AB	Sweden	Value	Medium	36,090.4	186.0	61.6	0.5	49.5
Investec Asset Management, LTD (U.K.)	United Kingdom	Growth	Medium	40,267.6	139.6	59.6	0.3	74.5
Waddell & Reed Investment Management Company	United States	Agg. Growth	Medium	55,356.3	62.5	42.9	0.1	219.5
Pictet Asset Management, LTD	United Kingdom	Growth	High	11,526.5	95.5	37.4	0.8	64.3
Lazard Asset Management, LLC (U.S.)	United States	Value	Medium	89,802.8	1,280.8	35.1	1.4	2.8
Harding Loevner, L.P.	United States	GARP	Low	33,022.5	241.0	33.9	0.7	16.4
AllianceBernstein, L.P. (U.S.)	United States	Value	Medium	153,614.3	84.3	33.8	0.1	66.9
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	340,246.6	421.1	32.8	0.1	8.5
Harris Associates, L.P.	United States	Value	Medium	104,035.7	28.5	28.5	0.0	Buy-in
				<b>2,966.3</b>	<b>465.9</b>			

TOP SELLERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	98,541.0	1,121.5	-601.5	1.1	-34.9
T. Rowe Price Associates, Inc.	United States	Growth	Low	607,545.2	19.1	-83.4	0.0	-81.4
Grantham Mayo Van Otterloo & Co., LLC	United States	Value	Medium	41,044.5	468.7	-78.0	1.1	-14.3
T. Rowe Price International, LTD	United Kingdom	Growth	Medium	29,783.1	141.3	-40.6	0.5	-22.3
Templeton Global Advisors, LTD	Bahamas	Value	Medium	42,084.2	125.0	-37.7	0.3	-23.2
Capital Research Global Investors (U.S.)	United States	GARP	Low	435,148.7	64.0	-29.5	0.0	-31.6
Nordea Investment Management (Denmark)	Denmark	Value	Medium	68,496.0	330.5	-21.6	0.5	-6.1
Wellington Management Company, LLP	United States	Value	Low	475,774.7	34.5	-15.5	0.0	-30.9
JF Asset Management, LTD	Hong Kong	Growth	Medium	21,733.4	19.7	-14.1	0.1	-41.6
Thornburg Investment Management, Inc.	United States	GARP	Medium	28,530.2	16.1	-8.3	0.1	-34.2
				<b>2,340.4</b>	<b>-930.2</b>			

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

## Sector Inflows/Outflows:





## Road show:

London and New York continue to be the dominant investor centres in both dollar terms as well as the number of active investors – though the former, relatively flat in Q1, showed negative sentiment to the market with sales of \$370M. Outside of these two cities, Stockholm based investors were the largest buyers of Turkish equities with, apart from SEB mentioned earlier, East Capital Asset Management being the second largest buyer from the city with increases of \$14M.

Most Invested				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,902,060.4	5,694.6	-370.1	77
United States (New York)	2,575,818.0	2,515.5	108.0	46
Norway (Oslo)	641,290.9	1,219.7	0.2	3
United States (Boston)	2,142,106.4	1,072.6	41.4	15
Netherlands (Amsterdam)	157,549.7	827.3	0.2	4
Sweden (Stockholm)	160,239.1	505.2	82.5	12
United States (Atlanta)	191,463.7	465.0	-0.3	2
United States (Los Angeles)	1,143,789.8	458.3	-20.2	9
United States (San Francisco)	256,475.9	414.7	2.2	3
Norway (Stavanger)	8,510.8	337.2	-0.0	1
Denmark (Copenhagen)	73,302.6	335.1	-21.6	2
Turkey (Istanbul)	312.6	323.4	0.4	8
Netherlands (Rotterdam)	39,151.9	268.0	12.8	1
Germany (Frankfurt)	292,537.8	257.1	1.3	6
Singapore (Singapore)	74,477.1	253.1	33.3	10
Switzerland (Geneva)	91,138.9	243.8	5.7	7
United States (Bridgewater)	33,022.5	241.0	33.9	1
Canada (Toronto)	427,767.8	216.1	4.7	13
Austria (Vienna)	8,518.0	190.6	13.1	7
United States (Chicago)	264,777.1	190.3	76.6	13
<b>Excludes Passive/Index Investors</b>		<b>16,028.7</b>	<b>4.2</b>	<b>241</b>

Most Investors				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,902,060.4	5,694.6	-370.1	77
United States (New York)	2,575,818.0	2,515.5	108.0	46
Poland (Warsaw)	20,688.1	151.5	0.0	18
Japan (Tokyo)	617,189.6	110.1	1.1	16
United States (Boston)	2,142,106.4	1,072.6	41.4	15
South Korea (Seoul)	49,160.2	15.0	2.5	14
Canada (Toronto)	427,767.8	216.1	4.7	13
United States (Chicago)	264,777.1	190.3	76.6	13
Sweden (Stockholm)	160,239.1	505.2	82.5	12
France (Paris)	191,298.8	165.3	14.5	11
Singapore (Singapore)	74,477.1	253.1	33.3	10
United States (Los Angeles)	1,143,789.8	458.3	-20.2	9
Finland (Helsinki)	19,938.4	84.3	0.9	9
Turkey (Istanbul)	312.6	323.4	0.4	8
Switzerland (Zürich)	228,038.0	159.3	5.4	8
Hong Kong (Central)	85,261.1	50.6	-16.8	8
Taiwan (Taipei)	11,298.8	18.1	2.1	8
Switzerland (Geneva)	91,138.9	243.8	5.7	7
Austria (Vienna)	8,518.0	190.6	13.1	7
Ireland (Dublin)	28,880.5	47.0	-2.5	7
<b>Excludes Passive/Index Investors</b>		<b>12,464.6</b>	<b>-17.3</b>	<b>317</b>

## Active vs. Passive investors:

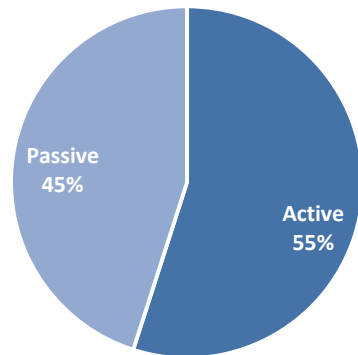
After two quarters of net increases, Active investors posted net sales in the market of just \$27M, while their Passive counterparts continued to show support and increased their aggregated exposure by \$347M.

*"Russian equities underperformed due to deteriorating FY17 earnings estimates. In Turkey, cheap valuations combined with rising expectations for FY17 EPS growth paved the way for another strong month."*

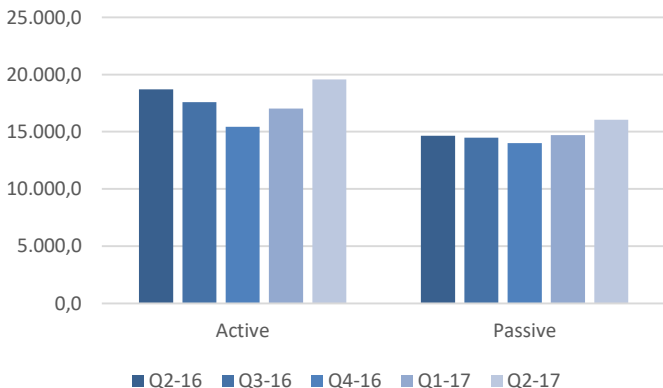
Columbia Emerging Markets Equity Fund – July 2017

[http://www.columbiathreadneedle.co.uk/media/5814662/en\\_gem\\_equity\\_fund.pdf](http://www.columbiathreadneedle.co.uk/media/5814662/en_gem_equity_fund.pdf)

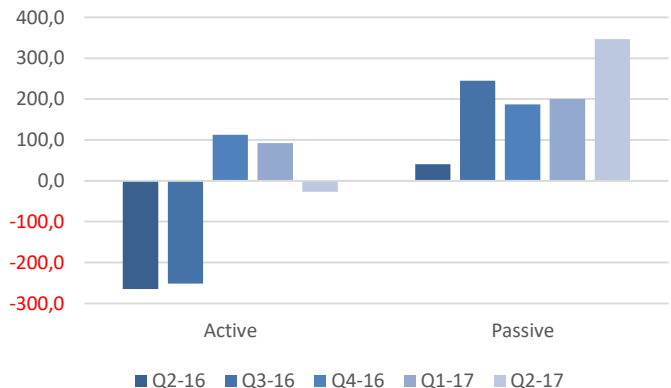
## Active vs Passive Split



## Active vs Passive (\$M)



## Active vs Passive (\$M Chg)





## 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)