

Overview & Results:

“Emerging market equities look relatively cheap but only because their risks seem high. The Chinese economy, which is slowing, and where fears of a credit bubble are growing, provokes great uncertainty, while falling commodity prices have put pressure on raw materials exporters such as Russia and Brazil.” John Authers, FT, 17 October 2014

Amundi Asset Management’s asset allocation model of September 2014 is fairly representative: yes the firm wants to increase emerging market exposure but no, Emerging Europe is not on their list of favoured prospects: they are positive on Brazil and India, neutral on Turkey and Russia.

Emerging Europe and Western Europe moved in sync in Q3 2014, both moving from net inflows in Q2 to outflows in Q3. Emerging Europe saw inflows of \$3.1B in Q2 replaced by outflows of \$1.5B in Q3. This had two principal causes : support from growth investors dried up in Q3 (outflows of \$400M after inflows of \$1.4B in the previous quarter. Value investors also moved negative in Q3, with net outflows of \$1.7B, and North American inflows all but dried up (down from \$3.5B in Q2 to \$175M in Q3). Domestic, UK & Ireland, and Western European flows were all negative (local investment outflows grew eightfold from -\$111M in Q2 to -\$968M in Q3, UK tripled from -\$262M to -\$815M).

Market:

Total outflows of \$1.5B for the region were driven largely by sales of Turkey (-\$1.1B) and Russia (-\$544M). Poland saw net inflows of \$283M – in positive territory but way behind the inflows of the three previous quarters.

Investors:

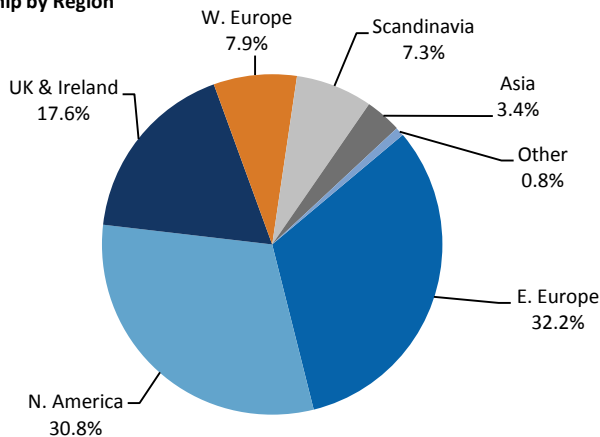
US Growth investor Van Eck Associates was by far the biggest buyer of EEU equities in Q3 with \$411M of net investment - all in Russia. Its scale of buying was nearly three times the scale of the next largest buyers, US Value and Deep Value investors Templeton Global Advisors, Brandes Investment Partners and Dodge & Cox. Biggest seller was Lazard Asset Management of the US selling Turkey (\$512M out of total EEU sales of \$482M).

Stocks:

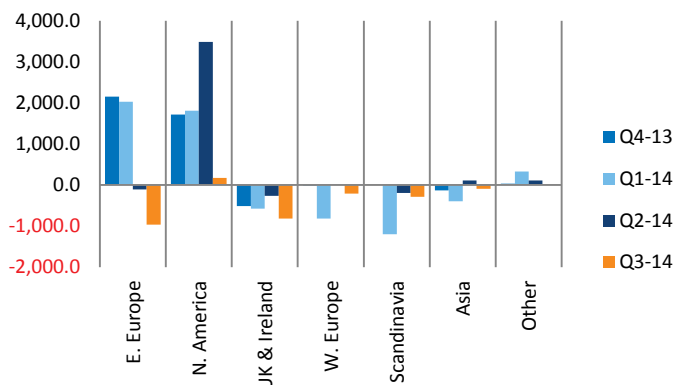
BTA Bank of Russia took the biggest hit in Q3 with net sales of \$787M, a scale of selling which net flows into exchange MICEX and Poland’s Bank Zachodni could not rival. Technology saw bigger outflows than Financials, with Turkcell (-\$432M) and Mail.ru (-\$282M) the most sold stocks in the sector. Overall buying was a more modest affair with Basic Materials (headed by Norilsk Nickel, inflows of \$172M) and utilities (Poland’s PGE saw inflows of \$112M) the most bought stocks.

Institutional Investment Flow

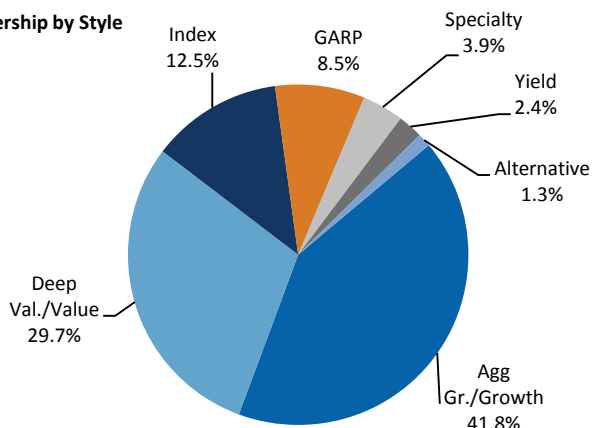
Ownership by Region



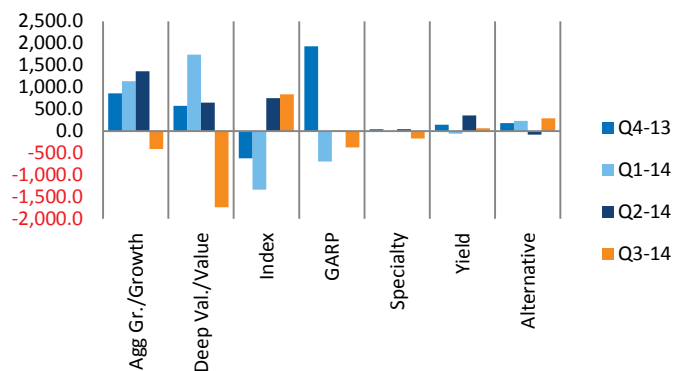
Net Change (\$M Value) by Region



Ownership by Style



Net Change (\$M Value) by Style



Top Holders, Buyers & Sellers

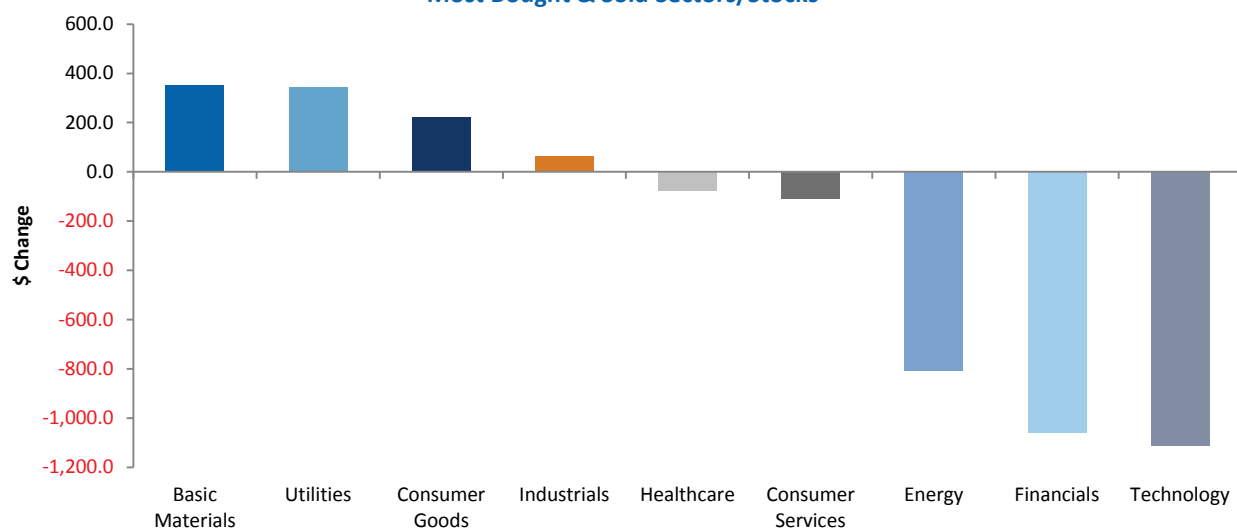
TOP HOLDERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Norges Bank Investment Management (Norway)	Norway	Value	Low	507,568.3	5,358.1	-72.7	1.1	-1.3
ING PTE S.A.	Poland	Growth	Low	5,257.0	5,202.5	12.9	99.0	0.2
OppenheimerFunds, Inc.	United States	Growth	Medium	143,823.0	4,049.3	-100.4	2.8	-2.4
Aviva PTE BZ WBK	Poland	Value	Low	4,084.0	4,020.6	0.2	98.4	0.0
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	118,944.7	3,987.7	-383.2	3.4	-8.8
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	109,143.3	3,937.9	43.7	3.6	1.1
Lazard Asset Management, LLC (U.S.)	United States	Value	Low	80,401.1	3,828.0	-482.3	4.8	-11.2
MetLife Amplico PTE., S.A.	Poland	Value	Low	3,163.1	3,081.7	-10.6	97.4	-0.3
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	311,884.5	3,002.2	79.4	1.0	2.7
APG Asset Management N.V.	Netherlands	Yield	Low	157,228.3	2,861.8	-4.7	1.8	-0.2
					39,329.8	-917.6		

TOP BUYERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Van Eck Associates Corporation	United States	Growth	Medium	26,392.3	1,713.5	411.1	6.5	31.6
Templeton Global Advisors, LTD	Bahamas	Value	Low	52,663.9	1,429.7	160.8	2.7	12.7
Brandes Investment Partners, L.P.	United States	Deep Value	Medium	14,465.6	444.1	105.1	3.1	31.0
Dodge & Cox	United States	Deep Value	Low	163,454.9	1,229.2	100.7	0.8	8.9
Kopernik Global Investors, LLC	United States	Alternative	Very High	1,116.9	210.6	96.1	18.9	83.9
Trilogy Global Advisors, L.P.	United States	Growth	Medium	6,973.5	260.7	94.9	3.7	57.2
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	311,884.5	3,002.2	79.4	1.0	2.7
CPH Capital Fondsmæglerselskab A/S	Denmark	Growth	High	1,406.2	126.4	77.6	9.0	158.7
Prosperity Capital Management (RF), LTD	Russian Federation	Alternative	Low	851.3	693.2	66.9	81.4	10.7
First Pacific Advisors, LLC	United States	GARP	Low	14,887.0	223.5	64.5	1.5	40.6
					9,333.2	1,257.0		

TOP SELLERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Lazard Asset Management, LLC (U.S.)	United States	Value	Low	80,401.1	3,828.0	-482.3	4.8	-11.2
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	118,944.7	3,987.7	-383.2	3.4	-8.8
Capital World Investors (U.S.)	United States	Value	Low	549,978.7	2,317.2	-236.9	0.4	-9.3
Mondrian Investment Partners, LTD	United Kingdom	Value	Low	20,331.1	125.4	-223.1	0.6	-64.0
Oldfield Partners, LLP	United Kingdom	Value	Medium	3,372.5	160.8	-185.4	4.8	-53.5
Capital Research Global Investors (U.S.)	United States	GARP	Low	397,907.9	1,216.5	-177.0	0.3	-12.7
Erste-Invest d.o.o.	Croatia	Deep Value	Medium	19.0	13.0	-152.7	68.4	-92.2
Swedbank Robur Fonder AB	Sweden	Growth	Low	60,180.8	1,098.9	-148.5	1.8	-11.9
European Bank for Reconstruction and Development (U.K.)	United Kingdom	Specialty	Low	1,783.8	1,724.3	-130.5	96.7	-7.0
Amundi Asset Management	France	Value	Medium	64,699.0	150.8	-111.0	0.2	-42.4
					14,622.6	-2,230.4		

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

Most Bought & Sold Sectors/Stocks



BOUGHT Securities	Industry	Change \$M	SOLD Securities	Industry	Change \$M
Norilsk Nickel MMC JSC	Basic Materials	172.5	BTA Bank JSC	Financials	-787.3
LPP S.A.	Consumer Goods	118.6	Turkcell İletişim hizmetleri A/S	Technology	-432.1
PGE Polska Grupa Energetyczna S.A.	Utilities	112.0	Mail.ru Group, LTD	Technology	-282.1
MICEX-RTS OJSC	Financials	109.3	Tupras Türkiye Petrol Rafinerileri AS	Energy	-258.2
Bank Zachodni WBK S.A.	Financials	102.4	Koc Holding A.S.	Energy	-215.9
		614.8			-1,975.6