

Market Overview:

"Some emerging markets have performed well recently. But they remain vulnerable to future interest-rate increases in the United States, with Chinese economic concerns and some politically related issues also casting a shadow. This keeps us cautious on emerging markets in general, although we see some value in emerging-market debt (hard and local currency) and in equities, if you are selective. Within emerging-market equities, we still prefer Asia." *Deutsche Asset & Wealth Management May 2014*

"One of the surprise stories of the last quarter has been a surge in Russian equity trading as the Ukraine crisis unravelled. Turnover in the country has jumped to nearly €51bn in the opening quarter from €37bn in the same period last years. ETF investors were also keen to take their view in Russia as the two most widely traded emerging market ETFs over the last quarter. This was topped by the SIM RDX Source ETF which had €205m of volume over the last three months." *Markit, April 2014*

"Stay underweight on EMG equities: be highly selective... and wait for better entry points. Stay underweight Russia, Turkey, South Africa." *Amundi Asset Management, April 2014*

Emerging market equities outperformed developed markets by around 5% over the past three months. This may not be much given their sizeable underperformance last year, but we believe it is a change in trend nonetheless. Part of this is down to a technical rebound following the sharp underperformance at the start of the year. But more fundamentally, the outlook has become more supportive for some emerging markets. *BlackRock May 2014*

Emerging Europe equity fund flows in Q1 fell from inflows of €393M in Q1 2014 to inflows of €42M in Q1 2014. Source – EFAMA

Emerging Europe - findings

Russia sees outflows of \$1.5B, Poland sees inflows of \$318M, Turkey is flat at -\$61M and Emerging Europe as a whole led by Russia saw net outflows of \$1.3B.

By region

- Emerging Europe / Russia had one key ally in Q1 2014, North America. All other major investor regions were net sellers of Emerging Europe in general and of Russia in particular with Scandinavia the biggest seller at -\$1.2B, UK at -\$851M and Western Europe at -\$431M (Asia sold -\$221M). The UK and Asia were the only investor regions to see any scope for new investment in Emerging markets – and in both cases put their money into sub-Saharan Africa, not Emerging Europe.

By investment style

- Growth investors who came back into the European emerging market in Q4 2013 after two quarters of net selling turned tail and fled again. Having invested \$811M in Q4 they sold \$1.1B in Q1 2014, a level not seen since Q2 2013. Swedbank Robur, Danske Capital and SEB Varaldhus were the major Scandinavian growth sellers, joined by Fidelity Management & Research and Fidelity International Ltd were also major growth sellers
- Index investors put \$23.2B into western Europe in Q1 2014 and withdrew \$517M from Emerging Europe
- Value investors invested a net \$517M led by US investors Orbis Investment Management and Templeton Global Advisors

By sector

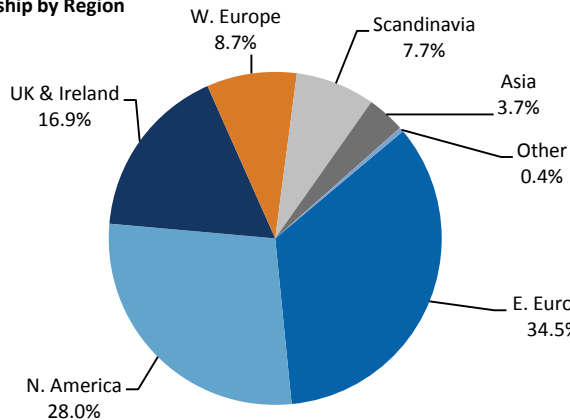
- The picture for Emerging Europe in Q1 2014 was in effect the picture for Western Europe (where financials were the most bought and basic materials the most sold) in reverse. Norilsk Nickel was the most bought stock and Sberbank and Gazprom the most sold. Basic materials were the only sector seeing any inflows at all (\$126M) on a far smaller scale than outflows elsewhere (-\$770M out of energy and -\$557M out of financials)
- GARP investors who were major supporters of emerging Europe in Q4 2013 (+\$1.8B) were sellers in Q1 2014 (-\$330M) led by East Capital

By market

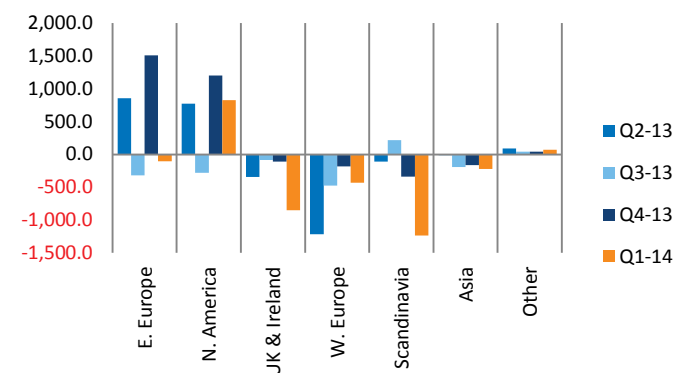
- Russia was in effect held up by North American buying – US buyers have supported Russia to the tune of around \$1B for three of the past four quarters, the exception being Q3 2013 when they were pretty flat.
- Poland saw steady if unspectacular buying from all major investor regions. Turkey was bought by UK investors (\$428M) and US (\$137M) but sold by Western European (-\$419M) and Scandinavian (-\$132M).

Institutional Investment Flow

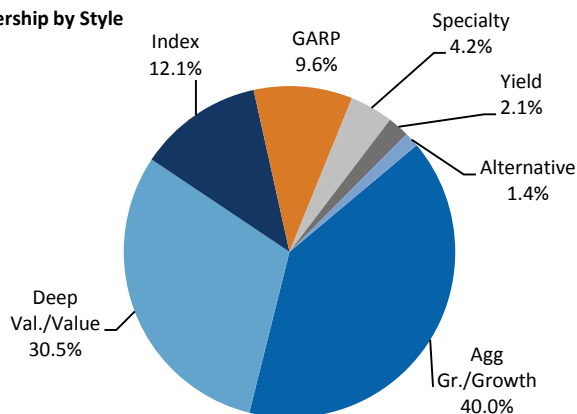
Ownership by Region



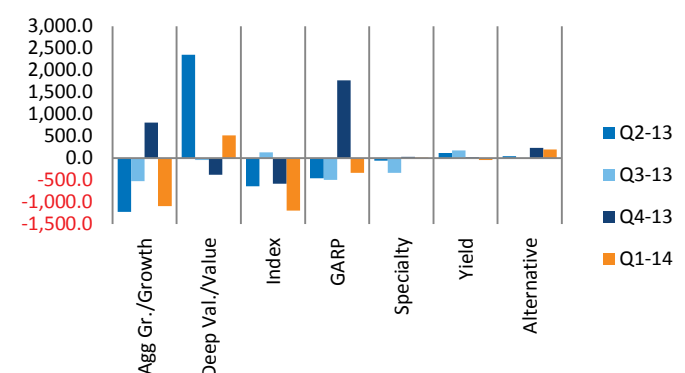
Net Change (\$M Value) by Region



Ownership by Style



Net Change (\$M Value) by Style



Top Holders, Buyers & Sellers

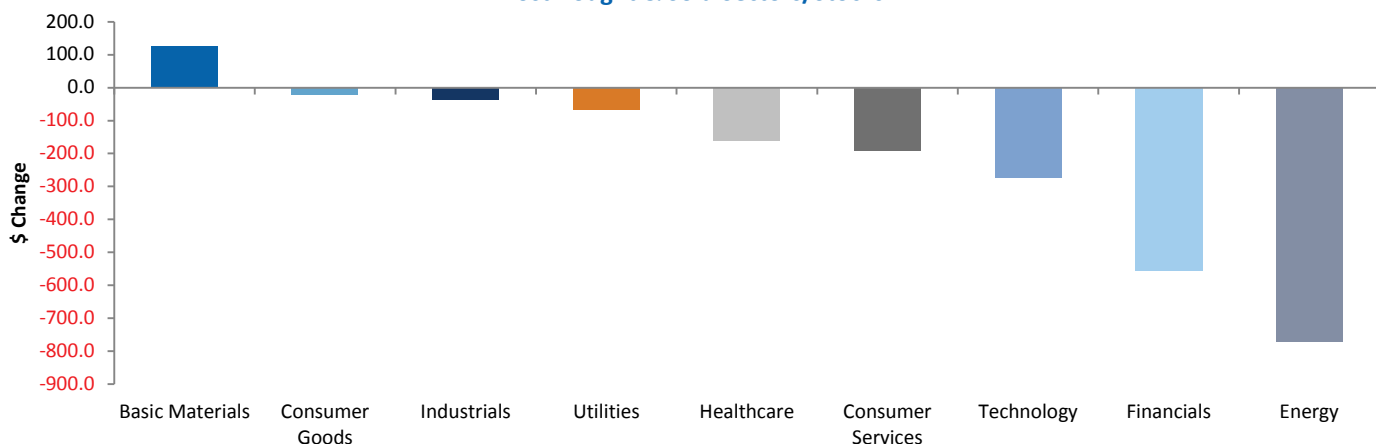
TOP HOLDERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
ING PTE S.A.	Poland	Growth	Low	9,430.8	8,877.0	-4.0	94.1	-0.0
Aviva PTE BZ WBK	Poland	Value	Low	7,164.0	6,785.5	29.2	94.7	0.4
Norges Bank Investment Management (Norway)	Norway	Value	Low	525,765.6	4,433.2	0.0	0.8	0.0
PZU PTE, S.A.	Poland	Growth	Low	4,553.4	4,392.4	35.0	96.5	0.8
Lazard Asset Management, LLC (U.S.)	United States	Value	Medium	75,690.3	2,890.4	92.7	3.8	3.3
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	111,735.7	2,730.3	61.8	2.4	2.3
China Investment Corporation, LTD (CIC)	China	Growth	Low	333,306.1	2,705.0	0.0	0.8	0.0
OppenheimerFunds, Inc.	United States	Growth	Medium	139,489.1	2,592.5	497.4	1.9	23.7
MetLife Amplico PTE., S.A.	Poland	Value	Low	2,616.7	2,519.9	5.5	96.3	0.2
East Capital Asset Management AB	Sweden	GARP	Medium	3,780.9	2,483.7	-238.1	65.7	-8.7
				40,410.0	479.4			

TOP BUYERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Orbis Investment Management, LTD	Bermuda	Value	High	24,530.2	667.1	667.1	2.7	Buy-in
OppenheimerFunds, Inc.	United States	Growth	Medium	139,489.1	2,592.5	497.4	1.9	23.7
Templeton Global Advisors, LTD	Bahamas	Value	Low	54,678.3	671.1	453.7	1.2	208.8
Van Eck Associates Corporation	United States	Growth	Medium	28,807.4	1,299.9	302.8	4.5	30.4
Prosperity Capital Management (RF), LTD	Russian Federation	Alternative	Low	1,098.1	967.6	136.1	88.1	16.4
Thornburg Investment Management, Inc.	United States	GARP	Medium	59,782.6	418.6	127.8	0.7	44.0
William Blair & Company, LLC (Asset Management)	United States	Agg Growth	Medium	60,242.1	328.8	116.9	0.5	55.1
Oldfield Partners, LLP	United Kingdom	Value	Medium	3,933.9	313.9	111.5	8.0	55.1
First Pacific Advisors, LLC	United States	GARP	Low	13,193.8	109.3	109.3	0.8	Buy-in
Lazard Asset Management, LLC (U.S.)	United States	Value	Medium	75,690.3	2,890.4	92.7	3.8	3.3
				10,259.1	2,615.3			

TOP SELLERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Alken Asset Management, LLP	United Kingdom	Deep Value	High	8,523.9	350.1	-349.2	4.1	-49.9
Swedbank Robur Fonder AB	Sweden	Growth	Medium	65,835.5	1,097.6	-330.3	1.7	-23.1
Fidelity Management & Research Company	United States	Growth	Medium	804,042.4	749.4	-305.3	0.1	-28.9
Fidelity International Limited - FIL Investment Services (L	United Kingdom	Growth	Medium	89,666.4	794.6	-251.1	0.9	-24.0
East Capital Asset Management AB	Sweden	GARP	Medium	3,780.9	2,483.7	-238.1	65.7	-8.7
Danske Capital Finland Oy	Finland	Growth	High	1,828.0	196.8	-194.0	10.8	-49.6
SEB Varahaldus AS	Estonia	Growth	Medium	703.9	544.3	-152.5	77.3	-21.9
Nordea Investment Management (Denmark)	Denmark	Value	Medium	43,721.1	550.4	-152.4	1.3	-21.7
Deutsche Asset & Wealth Management Investment Gmb	Germany	Value	Medium	59,140.8	1,280.8	-151.2	2.2	-10.6
Wellington Management Company, LLP	United States	Value	Medium	401,624.2	134.6	-134.4	0.0	-50.0
				8,182.2	-2,258.4			

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

Most Bought & Sold Sectors/Stocks



Most Bought and Sold Stocks

BOUGHT Securities	Industry	Change \$M	SOLD Securities	Industry	Change \$M
Norilsk Nickel MMC JSC ADR	Basic Materials	256.7	Sberbank of Russia OJSC	Financials	-385.4
Bank Pekao S.A.	Financials	228.0	Magnit OAO GDR	Consumer Services	-243.9
PKO Bank Polski S.A.	Financials	180.6	Gazprom OAO ADR	Energy	-215.1
Magnit OAO	Consumer Services	156.6	Gedeon Richter PLC	Healthcare	-162.5
Mail.ru Group, LTD GDR	Technology	96.7	Gazprom OAO	Energy	-149.4
		918.7			-1,156.4