

IPREO REGIONAL FLOW OF FUNDS SERIES

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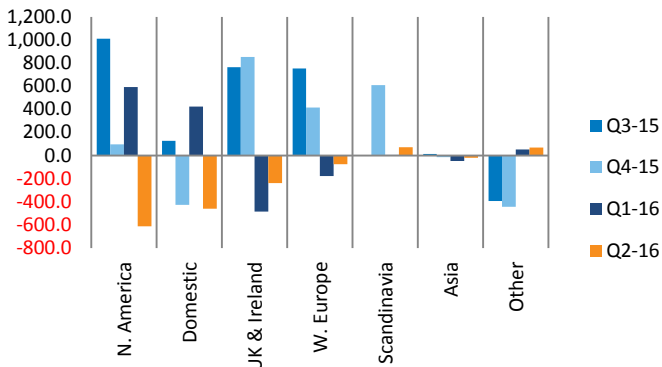
# GERMANY, Q2 2016 (SMALL & MID CAPS)

## Market Overview

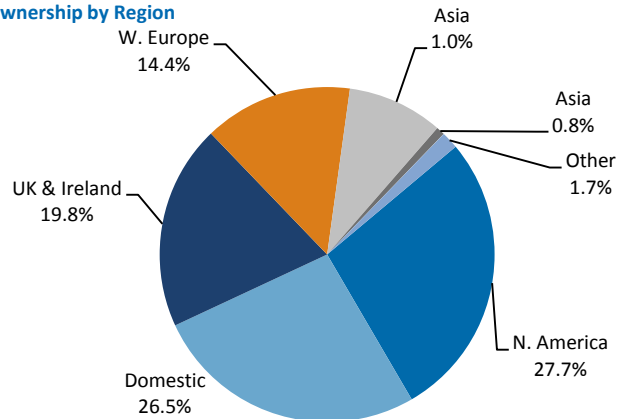
- ▶ Risk on” mode has seen outflows of funds from both **North American** and **Western European** equities in H2 2016
- ▶ **Germany** as a whole saw outflows again in Q2 2016 after outflows in Q4 2015 and inflows in Q1 2016. **German mid-** and **small-caps** has seen inflows slide from a peak in Q3 2015 to nearly flat in Q1 2016 and outflows in Q2
- ▶ **Growth** funds are playing the decisive role with much larger **Growth** outflows in Q2 (they were already negative in Q1).

## Institutional Investment Flow Highlights

Net Change (\$M Value) by Region

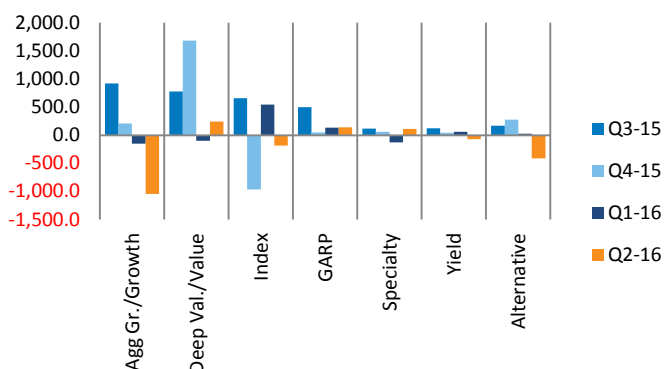


Ownership by Region

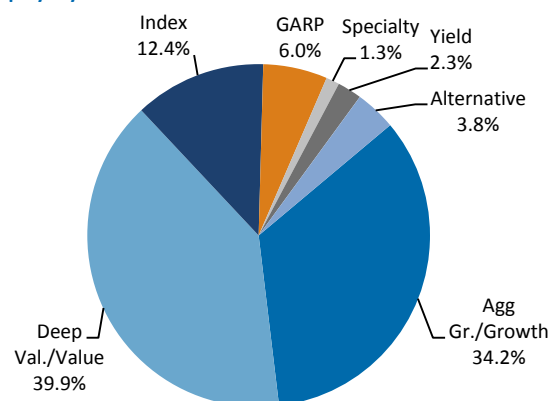


- ▶ In H2 2015, German **mid-** and **small-caps** were underpinned by three out of four top investor regions (**Domestic, North American, UK** and **Western European**).
- ▶ In Q1 half of those turned negative (**UK & Western European**) and in Q2 all of them, as they did for the **German** market as a whole with **Deutsche Bank** justifying its preference for equities from other markets "*In Europe equities, we prefer U.K. over Germany – regardless of the Brexit referendum outcome,*" they say. "*The U.K. has become a more defensive play and should outperform going forward.*"
- ▶ Biggest transaction in the market driving **North American** investment negative was hedge fund **Elliott Management Corporation** selling **\$527M** in **DMG Mori Seiki**; the firm made no **European** purchases in Q2.

Net Change (\$M Value) by Style



Ownership by Style



- ▶ Three investment styles drove net outflow:
  - Alternative (**Elliott Management Corporation**)
  - Index – as across the German market as a whole, index inflows dried up. German mi and small caps saw outflows led by **BlackRock (Deutschland)**, **Lyxor** and **State Street Global Advisors UK**
  - Growth: there was one big growth buyer, **MFS Investment Management (UK)** but net outflows of over \$1B by growth investors, principally UK (led by **JP Morgan Asset Management**, **Baillie Gifford**, **Columbia Threadneedle** and **Carmignac UK**) and **US (American Century, FMR and Janus)**

## Top Invested Cities

Most Invested				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,659,714	18,009	112	168
Germany (Frankfurt)	278,368	14,003	-260	50
France (Paris)	333,726	7,286	154	141
United States (New York)	2,651,810	5,624	-584	101
Sweden (Stockholm)	264,376	5,155	8	29
Norway (Oslo)	540,477	5,086	229	8
United States (Boston)	2,034,971	4,609	-115	30
United Kingdom (Edinburgh)	327,762	4,011	-97	20
Germany (Munich)	14,689	3,212	-118	36
United States (Los Angeles)	1,090,257	2,573	-142	11
<i>Excludes Passive/Index Investors</i>		69,568.5	-813.3	594

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Spain (Madrid)	50,587	583	-49	59
Germany (Frankfurt)	278,368	14,003	-260	50
Luxembourg (Luxembourg)	25,036	467	-6	37
Canada (Toronto)	560,921	1,233	44	36
Germany (Munich)	14,689	3,212	-118	36
Switzerland (Zürich)	232,048	1,749	-104	34
Japan (Tokyo)	480,661	385	-4	32
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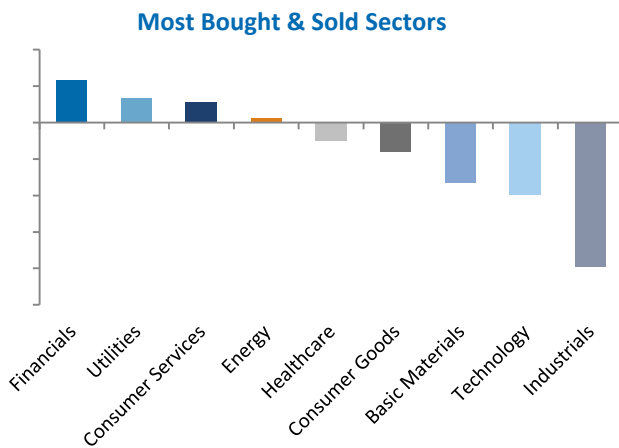
## Top Holders, Buyers & Sellers

TOP HOLDERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Norges Bank Investment Management (Norway)	Norway	Value	Low	512,942	4,996	227	1.0	4.8
Deutsche Asset Management Investment GmbH	Germany	Value	Medium	88,613	4,005	-176	4.5	-4.2
Allianz Global Investors GmbH	Germany	Growth	Low	62,404	3,654	-36	5.9	-1.0
Investment AB Kinnevik (Investment Management)	Sweden	Deep Value	Low	6,936	3,178	0	45.8	0.0
MFS International (U.K.), LTD	United Kingdom	Growth	Low	51,113	2,024	404	4.0	24.9
				<b>17,858</b>	<b>419</b>			
TOP BUYERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
MFS International (U.K.), LTD	United Kingdom	Growth	Low	51,113	2,024	404	4.0	24.9
Norges Bank Investment Management (Norway)	Norway	Value	Low	512,942	4,996	227	1.0	4.8
Deka Investment GmbH	Germany	Value	Low	34,913	1,485	163	4.3	12.4
CBRE Clarion Securities, LLC	United States	Specialty	Medium	18,100	314	112	1.7	55.6
Amundi Asset Management S.A.	France	Value	Medium	60,765	816	104	1.3	14.5
				<b>9,635</b>	<b>1,010</b>			
TOP SELLERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Elliott Management Corporation	United States	Alternative	Medium	11,720	125	-527	1.1	-80.9
UBS Asset Management (Deutschland) GmbH	Germany	Value	Medium	725	270	-277	37.2	-50.6
Oaktree Capital Management, L.P.	United States	Value	Medium	8,379	289	-249	3.5	-46.2
Deutsche Asset Management Investment GmbH	Germany	Value	Medium	88,613	4,005	-176	4.5	-4.2
UBS AG (Asset Management Switzerland)	Switzerland	Yield	Low	99,969	587	-134	0.6	-18.6
<i>Includes Investors with EUM greater than \$100M; Active Investors only</i>				<b>5,276</b>	<b>-1,362</b>			

► Domestic investors came in as 2nd largest sellers by region after North America. There were just two significant domestic buyers in Q2, **Deka** and **ComStage ETF (Germany)** heavily outsold by **UBS Asset Management (Deutschland)**, **BlackRock (Deutschland)** and **DeAWM** with a raft of smaller sellers (Signal Iduna, Union Privatfonds, MM Warburg etc.)

► North American investors sold their domestic equities in Q2 and bought Western European equities overall – but not German. Value investors **Oaktree Capital Management**, **Wellington Management Company** and **Dodge & Cox** were among top US sellers.

## Most Bought & Sold Sectors/Stocks



**Most Bought and Sold Stocks**

<b>BOUGHT Securities</b>	<b>Industry</b>	<b>Change \$M</b>
LEG Immobilien AG	Financials	362
Deutsche Lufthansa AG	Consumer Services	356
TAG Immobilien AG	Financials	235
GEA Group AG	Industrials	233
Qiagen N.V.	Healthcare	162
		<b>1,348</b>
<b>SOLD Securities</b>	<b>Industry</b>	<b>Change \$M</b>
DMG Mori Seiki AG	Industrials	-558
Alstria Office Reit-AG	Financials	-288
Kuka Aktiengesellschaft	Industrials	-183
Wincor Nixdorf AG	Technology	-174
KION Group AG	Industrials	-168
		<b>-1,371</b>

► In Q2 **Kuka AG** has been the most sold Industrials stock along with **DMG Mori Seiki**, **KION Group** and **Osram Licht** – in contrast there was demand for **GEA Group**, **Fraport** and **MTU**. Overall **German Financials** have seen heavy selling post-Brexit (let by **Deutsche Boerse**, **Deutsche Bank** and **Commerzbank**) but **mid- & small-caps** have seen steady support, inflows being driven by **Real Estate stocks Vonovia**, **LEG Immobilien**, **Deutsche Euroshop** and **Alstria Office Reit**.

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