

IPREO REGIONAL FLOW OF FUNDS SERIES

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WESTERN EUROPE Q2 2016

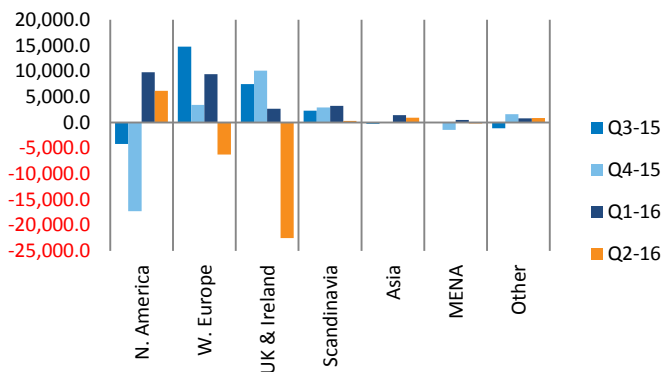
Market Overview

- ▶ Equities have been largely flat or actively sold in Q2 2016 on a global basis:
 - **North American** equities saw 3rd successive quarter of heavy outflows – local US investors are major sellers, while Western European and Asian investors were top buyers of **North American** equities
 - Emerging Markets have seen modest inflows in Asia and Latin America, outflows in **Emerging Europe**
 - **UK** saw slight inflows, **Continental Europe** saw the biggest outflows of the past year
- ▶ “risk on” mode came further into the limelight against a backdrop of scepticism about equities coinciding with price highs: as an indication of overall faith in equities YTD
 - **Global ETF** inflows have fallen **85.3%**
 - **Euro ETF** inflows (2015) of **\$52B** have turned to outflows of **\$26B** in 2016
 - **APAC** inflows have fallen **96.4%**
- ▶ However there have been clear discrepancies between Q2 and post-Brexit results & news since 24th June indicates very different conditions with the Euro gaining strength and **European** growth rates exceeding **US** for the first time (YoY) in five years.

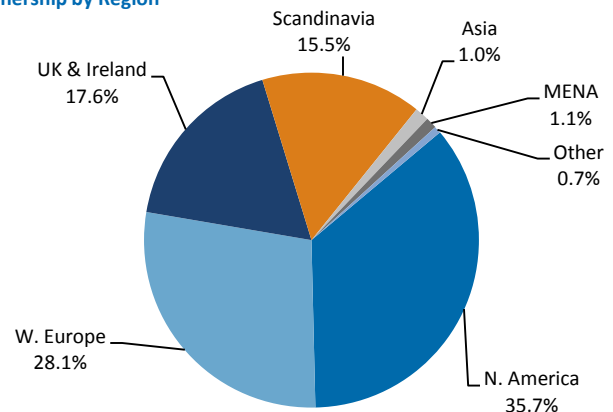
Institutional Investment Flow Highlights

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Net Change (\$M Value) by Region

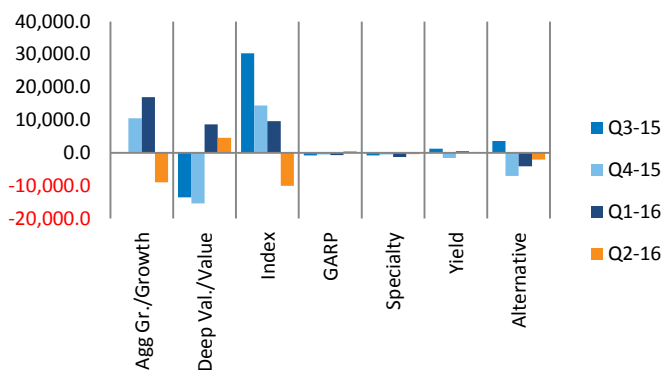


Ownership by Region

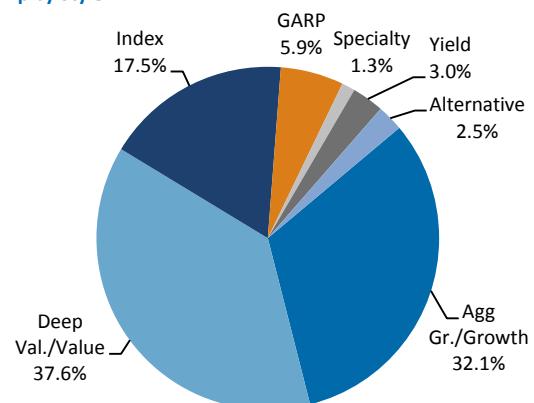


- ▶ **UK** and **Western European** investors led outflows overshadowing **US**, **Asian** and **Rest of World** inflows: both regions turned net sellers for the first time for over 12 months.
- ▶ Since 24th June the picture changes with net inflows driven by a) continuous **North American** inflows b) local **Western European** investors led by **Amundi Asset Management** turning from negative to positive.

Net Change (\$M Value) by Style



Ownership by Style



- ▶ Q2 outflows were heavily **Index** and **Growth** driven (both seeing net sales for 1st time since before 2015)
- ▶ Since 24th June **Index** outflows have continued but **Growth** investment has reverted to positive, and both **Value** and **Yield** investment has been solid

Top Invested Cities

Country / City	Most Invested			
	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	2,030,207	365,379	-7,416	332
France (Paris)	354,950	225,824	-620	212
Sweden (Stockholm)	343,712	215,800	2,008	100
United States (New York)	3,304,353	191,035	578	471
Norway (Oslo)	560,887	168,417	-1,041	33
United States (Boston)	2,252,036	155,133	-1,323	121
United States (Los Angeles)	1,174,807	122,771	6,331	45
Germany (Frankfurt)	284,405	109,796	1,393	58
Switzerland (Zürich)	241,177	87,476	-234	71
United Kingdom (Edinburgh)	363,647	80,570	-3,212	26
<i>Excludes Passive/Index Investors</i>		1,722,202	-3,536	1,469

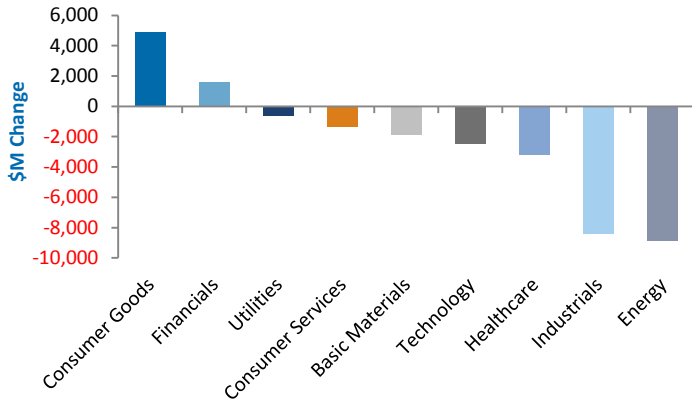
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Sweden (Stockholm)	343,712	215,800	2,008	100
Canada (Toronto)	596,226	41,984	-414	83
United States (Chicago)	425,105	35,556	-343	79
Spain (Madrid)	52,131	27,880	505	76
Switzerland (Zürich)	241,177	87,476	-234	71
United States (San Francisco)	383,626	32,535	708	61
<i>Excludes Passive/Index Investors</i>		1,378,602	-6,551	1,606

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	512,946	137,927	-1,947	26.9	-1.4
Capital World Investors (U.S.)	United States	Value	Low	542,741	70,481	5,076	13.0	7.8
Fidelity Management & Research Company	United States	Growth	Low	782,029	43,899	396	5.6	0.9
Amundi Asset Management S.A.	France	Value	Medium	60,776	37,323	917	61.4	2.5
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	372,416	36,611	-139	9.8	-0.4
					326,241	4,303		
TOP BUYERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Capital World Investors (U.S.)	United States	Value	Low	542,741	70,481	5,076	13.0	7.8
Primecap Management Company	United States	Growth	Low	97,377	10,278	2,613	10.6	34.1
BlackRock Advisors, LLC	United States	Value	Low	257,386	18,406	1,723	7.2	10.3
Deutsche Asset Management Investment GmbH	Germany	Value	Medium	88,613	29,990	1,442	33.8	5.1
Capital Research & Management Company (U.S.)	United States	Value	Very High	2,356	1,387	1,379	58.9	16,677.0
					130,542	12,233		
TOP SELLERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Franklin Advisers, Inc.	United States	Value	Medium	98,025	11,768	-4,998	12.0	-29.8
Fidelity International Limited - FIL Investment Services (L	United Kingdom	Growth	Medium	84,267	23,234	-2,426	27.6	-9.5
Standard Life Investments, LTD (U.K.)	United Kingdom	Growth	Medium	62,689	17,013	-2,364	27.1	-12.2
Norges Bank Investment Management (Norway)	Norway	Value	Low	512,946	137,927	-1,947	26.9	-1.4
MFS Investment Management	United States	Value	Low	242,211	29,060	-1,930	12.0	-6.2
<i>Includes Investors with EUM greater than \$100M; Active Investors only</i>					219,003	-13,666		

- ▶ **Capital World Investors** has been top buyer of **Western Europe** in Q1 and since Brexit (when it became #1 seller of **UK** equities).
- ▶ Q2 selling of the region was **Index** dominated (**State Street, Mellon** and **Lyxor**) in Q2; since then **UK Growth** investors have dominated sales led by **Henderson Global Investors** and **AXA Investment Managers (UK)**.

Most Bought & Sold Sectors/Stocks



Most Bought and Sold Stocks

BOUGHT Securities	Industry	Change \$M
Total S.A.	Energy	2,119
Roche Holding AG	Healthcare	1,775
Sanofi S.A.	Healthcare	1,377
Daimler AG	Consumer Goods	1,276
Anheuser-Busch InBev S.A.	Consumer Goods	1,181
		7,728

SOLD Securities	Industry	Change \$M
Royal Dutch Shell PLC (NLD)	Energy	-11,715
Bayer AG	Healthcare	-4,459
SAP SE	Technology	-2,247
Legrand S.A.	Industrials	-1,383
CaixaBank S.A.	Financials	-1,202
		-21,007

- ▶ Sharp sector divergence pre-and post-Brexit has seen **Financials** takes the real hit – one of the few positive sectors in Q2, leads the negatives since 24th June by a long way.
- ▶ Most sectors have gone the other way from Q2 **outflows** to post-24/6 **inflows**: **Technology, Consumer Services** and **Utilities**.

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