

IPREO REGIONAL FLOW OF FUNDS SERIES

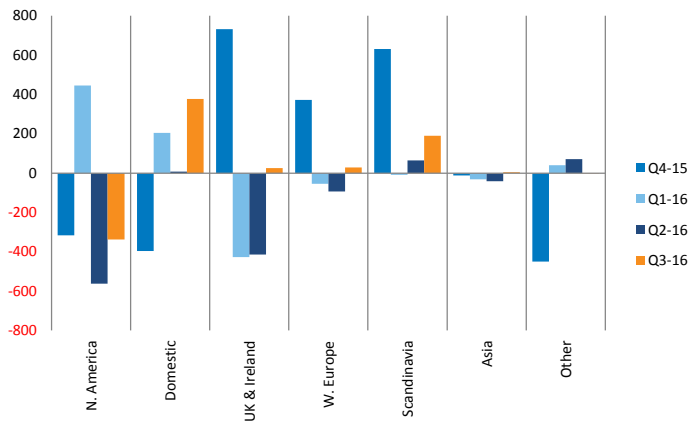
Germany Small & Mid, Q3 2016

Market Overview

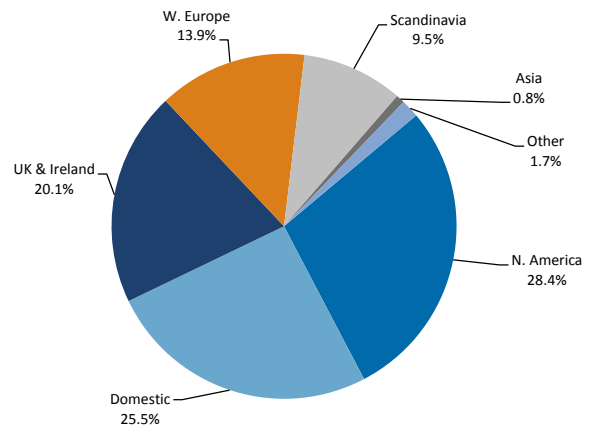
- This quarter was generally positive for the broader markets with considerably less volatility for equities compared to previous quarters. This renewed appetite for risk and relative stability has come about for a few reasons. The main one perhaps being the expectation that interest rates will stay low long-term. The furor around the Brexit vote greatly reduced the likelihood of the Fed pursuing an aggressive tightening policy and the Bank of England actually took steps to cut interest rates and make a move back towards more QE. Eurozone equities made gains with economically sensitive sectors such as information technology and consumer discretionary outperforming.
- Outflows in Q2 2016 turned into inflows in this quarter with investors buying net **+\$286M** worth of **German Small and Mid Cap** stocks. This is heavily supported by domestic investors (**+\$377M**), followed by **Scandinavian** portfolio managers (**+\$191M**). The largest **German** contributor was **AGI Frankfurt** (**+\$178M**), while **Scandinavian** increases can almost entirely attributed to **Norges Bank** buying **+\$208M** - a general observation as the **SWF** plans to increase its equity exposure in order to boost returns.
- The **UK & Ireland** and **Western Europe** closed the months fairly flat, while **North America** drove inflows down with investors divesting **-\$338M** in the region. This is mainly influenced by **Oaktree Capital** (**-\$256M**) and **Fidelity** in **Boston** (**-\$178M**).
- Within **Western Europe**, **Italy** (**+\$0.05B**) and **France** (**+\$0.02B**) both supported the stock. **Pioneer Investments** was the largest buyer in **Italy**, while **French** investments were lifted by inflows seen at **Lyxor** (**+\$0.1B**) and **Oddo Meriten** (**+\$0.07B**). **Amundi** (**-\$0.08B**) was the largest seller - a development recently visible across many **German** and **European** issuers.

Institutional Investment Flow Highlights

Net Change (\$M Value) by Region

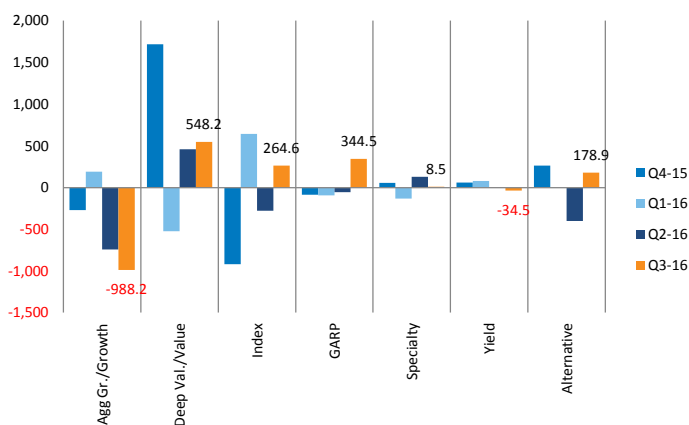


Ownership by Region

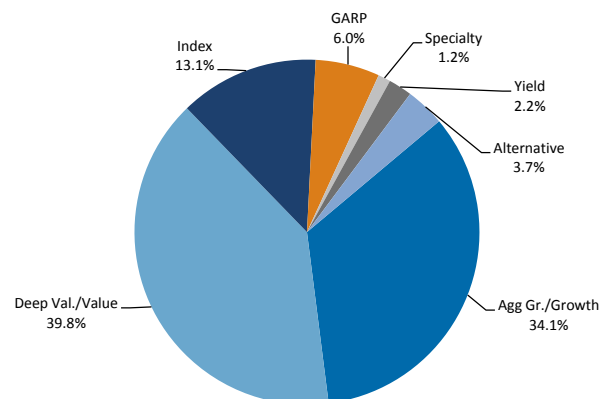


- Growth** investors continued its outflows in Q3, divesting an additional **\$1.0B**, with **Columbia Threadneedle Investments (U.K.)** **-\$247M** and **Fidelity** in **Boston** (both **-\$178M**) being the main drivers behind this development.
- Value** (**+\$548M**) further supported **German Small & Mid Caps** and remained the largest buyers of the region. **Alken** (**+\$464M**), **Capital World** (**+\$236M**) and **Norges Bank** (**+\$208M**) all significantly contributed to this development.

Net Change (\$M Value) by Style



Ownership by Style



- Index** and ETF portfolios were amongst the winners in this quarter as these funds bought an additional **+\$265M**. The ETF industry recovered from significant outflows in Q2 2016. In July 2016, data showed that European ETF Market flows reached a 2016 record high, more than twice the year to date monthly average level. Higher yielding and Smart Beta ETFs gathered most of the inflows in an uncertain environment.

Top Invested Cities

Most Invested				
Country / City	Total Equity Assets (\$mm)	Value (\$mm)	Activity	# Firms
United Kingdom (London)	1,698,554	20,612	-92	154
Germany (Frankfurt)	261,273	15,765	245	50
France (Paris)	355,986	8,282	-60	137
United States (New York)	2,524,806	6,514	25	82
Norway (Oslo)	556,897	6,023	234	9
Sweden (Stockholm)	266,778	5,859	-85	28
United States (Boston)	2,038,562	5,339	-177	24
United Kingdom (Edinburgh)	329,068	4,420	-34	19
United States (Los Angeles)	1,146,081	3,136	26	14
Switzerland (Zürich)	242,863	1,724	-241	29
<i>Excludes Passive/Index Investors</i>		77,674	-160	547

Most Investors				
Country / City	Total Equity Assets (\$mm)	Value (\$mm)	Activity	# Firms
United Kingdom (London)	1,698,554	20,612	-92	154
France (Paris)	355,986	8,282	-60	137
United States (New York)	2,524,806	6,514	25	82
Spain (Madrid)	55,548	669	18	58
Germany (Frankfurt)	261,273	15,765	245	50
Canada (Toronto)	548,095	1,058	-11	31
Luxembourg (Luxembourg)	24,480	472	-13	31
Japan (Tokyo)	604,260	404	3	31
Switzerland (Zürich)	242,863	1,724	-241	29
Sweden (Stockholm)	266,778	5,859	-85	28
<i>Excludes Passive/Index Investors</i>		61,360	-212	631

Top Holders, Buyers & Sellers

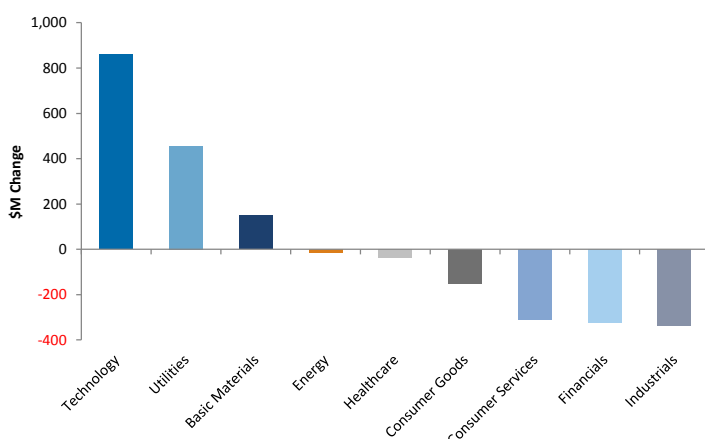
Top Holders	Country	Style	Turnover	Equity Assets (\$mm)	\$Value	\$Change	% Port.	% Port. Chg
Norges Bank Investment Management (Norway)	Norway	Value	Low	527,197	5,895	208	1.1	3.7
Deutsche Asset Management Investment GmbH	Germany	Value	Medium	99,628	4,708	148	4.7	3.2
Allianz Global Investors GmbH	Germany	Growth	Medium	65,224	4,407	178	6.8	4.2
Investment AB Kinnevik (Investment Management)	Sweden	Deep Value	Low	7,396	3,690	0	49.9	0.0
MFS International (U.K.), LTD	United Kingdom	Growth	Low	53,000	2,248	6	4.2	0.3
					20,947	539		

Top Buyers	Country	Style	Turnover	Equity Assets (\$mm)	\$Value	\$Change	% Port.	% Port. Chg
Alken Asset Management, LTD	United Kingdom	Deep Value	Medium	6,668	1,104	464	16.6	72.6
Capital World Investors (U.S.)	United States	Value	Low	572,400	1,321	236	0.2	21.8
Norges Bank Investment Management (Norway)	Norway	Value	Low	527,197	5,895	208	1.1	3.7
Ethenea Independent Investors S.A.	Luxembourg	GARP	Very High	2,558	311	186	12.2	149.4
Allianz Global Investors GmbH	Germany	Growth	Medium	65,224	4,407	178	6.8	4.2
					13,038	1,273		

Top Sellers	Country	Style	Turnover	Equity Assets (\$mm)	\$Value	\$Change	% Port.	% Port. Chg
Oaktree Capital Management, L.P.	United States	Value	Medium	8,792	36	-256	0.4	-87.7
Columbia Threadneedle Investments (U.K.)	United Kingdom	Growth	Medium	52,923	1,224	-247	2.3	-16.8
UBS Asset Management (Deutschland) GmbH	Germany	Value	Low	653	298	-197	45.6	-39.8
Fidelity Management & Research Company	United States	Growth	Low	803,366	1,583	-178	0.2	-10.1
UBS AG (Asset Management Switzerland)	Switzerland	Yield	Low	105,296	626	-140	0.6	-18.2
					3,767	-1,018		

- The **Capital Group** with its fund managers **Capital World (+\$236M)** and **Capital Global Research (+\$25M)** bought into the region after experiencing considerable outflows in previous quarters. The buying activity is also visible across all **German** issuers as well as **European** stocks.
- The **UBS** group heavily divested **German Small & Mid Caps**, with both its **German** and **Swiss** asset managers being amongst the top sellers.

Most Bought & Sold Sectors



Most Bought & Sold Stocks

BOUGHT Securities	Industry	Change (\$)
Wirecard AG	Technology	516
Uniper SE	Utilities	278
Scout24 AG	Technology	186
RWE AG	Utilities	180
DMG Mori Seiki AG	Industrials	166

SOLD Securities	Industry	Change (\$)
Kuka Aktiengesellschaft	Industrials	-360
Osram Licht AG	Industrials	-359
Alstria Office Reit-AG	Financials	-205
Zalando SE	Consumer Services	-142
Tui AG	Consumer Services	-118

- **Technology** stocks (+\$860M), along with **Utilities** (+\$456M) clearly drove the inflows into the **German Small and Mid caps**, with **Wirecard** and newly-listed **Uniper** being the most bought stocks in Q3 2016. In Q2 after the Brexit vote Wirecard was amongst the most shorted stock within **Germany**.
- **Industrials** (-\$338M) and **Financials** (-\$326M) suffered the most, while **Consumer Services** (-\$309M) also supported outflows. **Kuka** and **Osram** were the two most-sold stocks within the **Industrials** sector. At the beginning of the quarter **Kuka** agreed to be bought by Chinese investor **Midea**. Within **Financials** **Real Estate** companies were hit hardest amidst ongoing consolidation in the sector.

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