



Flow of Funds Report

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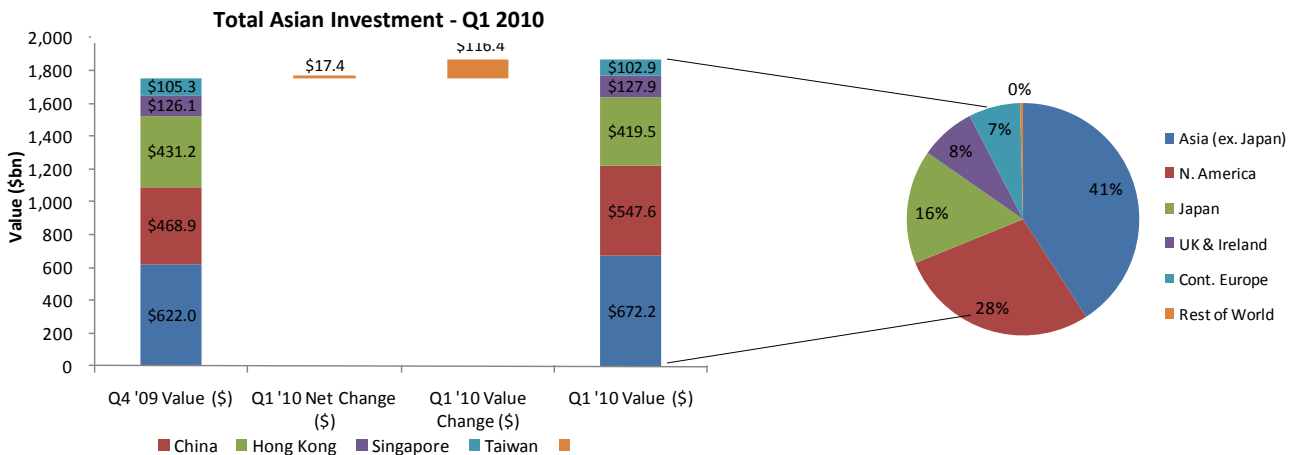
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Ipreo Asian Flow of Funds

Q1 2010

Overview - Asian Investment Q1 2010

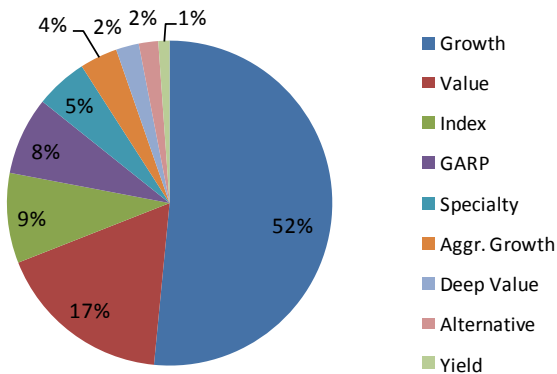


Off the back of strong equity market performance in Q4 2009 when net inflows totalled \$115bn, Asian equity investments have continued to perform strongly, rising by 5.2% in value terms in Q1 2010.

During the quarter an additional \$17.4bn was added across the four major markets, with 75% of that sum flowing into Japan. Chinese and Taiwanese equities saw net inflows of \$3.8bn and \$2.0bn respectively, whilst Singapore saw net outflows of \$1.7bn. Hong Kong was flat (up \$0.2bn). Despite these meagre inflows, equating to a 0.9% rise, equity values grew sharply during the period, with the overall value of publicly disclosed equity investments rising by \$116.6bn to \$1.87trn (+5.1%).

Figures from the Hong Kong Investment Funds Association show the bulk of net equity inflows in Q1 2010 going to Greater China Region funds (+\$601m), followed by Emerging Markets funds (+\$246m). However, these were trumped by flows into Global bond funds, up net \$969m in the period. This compares with 2009 as a whole when Greater China Region equity funds experienced net inflows totalling \$1.4bn, by far the highest of any fund category and higher than inflows into all classes of bond funds combined.

Style Ownership Analysis



In terms of style, growth investors dominate far more than would typically be seen in a similar study of Western or Eastern European equity markets, where Ipreo typically sees a far higher proportion of value investors, representing close to 30% of total investment. However, given the far higher levels of GDP growth across Asia compared to Western markets this bias is understandable.

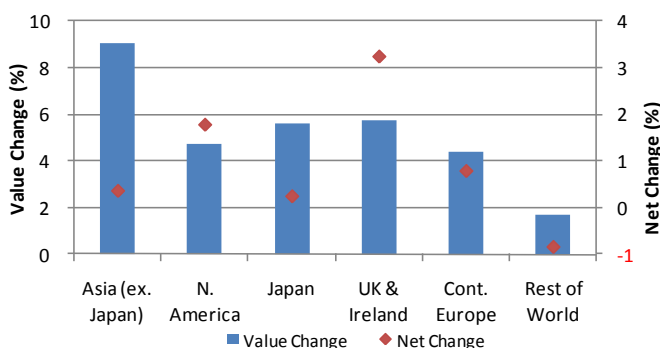
It will be interesting to see whether there is a shift in the short term as fiscal tightening slows growth prospects.

In the most recent quarter, value investors have increased their positions by 1.6%, with GARP investors making double the net additions, up 3.3% (+\$4bn). Aggressive growth and deep value investors were the biggest sellers, down 1.7% and 2.4% respectively (\$1.1bn and \$0.9bn).

Regionally, UK & Irish investors have made the most aggressive net percentage additions to their holdings, up 3.2% (+\$4.4bn), followed by North American investors who have added 1.8% (\$8.9bn) to their existing exposure in Q1 2010. Domestic Asian investors' net holdings remained flat throughout the period, up just 0.4% despite the overall value being driven up by 9.1% thanks to strong equity markets.

In the following two slides we will provide an overview of the top holders, buyers and sellers across the five markets and review specific firms who have been particularly active in the latest quarter any try to identify key trends.

Q1 2010 Regional Investment Change



Top Holders, Buyers & Sellers



Top Holders- Q1 2010

Investor Name	City	Style	Q1 '10 Value (\$k)	Q1 '10 Net Change (\$k)
China Investment Corporation, LTD (CIC)	Beijing	Growth	198,107,824	1,529
China Life Insurance Asset Management Co., Ltd.	Beijing	-	90,503,285	-479,799
Temasek Holdings Pte., LTD	-	Specialty	76,842,813	-79,381
BlackRock Fund Advisors (formerly Barclays Global)	San Francisco	Index	45,110,794	-1,257,527
Capital Research Global Investors (U.S.)	Los Angeles	GARP	34,857,207	2,438,731
Nomura Asset Management Company, LTD	Tokyo	Growth	32,114,837	1,370,168
Fidelity Management & Research Company	Boston	Growth	31,618,537	989,299
The Vanguard Group, Inc.	Malvern	Index	31,093,566	4,868,628
Dai-ichi Mutual Life Insurance Company	Tokyo	Growth	28,443,068	21
Norges Bank Investment Management (Norway)	Oslo	Value	28,229,816	13,963

Top Buyers - Q1 2010

Investor Name	City	Style	Q1 '10 Value (\$k)	Q1 '10 Net Change (\$k)
The Vanguard Group, Inc.	Malvern	Index	31,093,566	4,868,628
Capital Research Global Investors (U.S.)	Los Angeles	GARP	34,857,207	2,438,731
Nomura Asset Management Company, LTD	Tokyo	Growth	32,114,837	1,370,168
Wellington Management Company, LLP	Boston	Value	11,423,659	1,173,320
Thornburg Investment Management, Inc.	Santa Fe	GARP	6,536,912	1,123,675
Baillie Gifford & Company, LTD	Edinburgh	Growth	6,220,660	1,111,244
Fidelity Management & Research Company	Boston	Growth	31,618,537	989,299
BlackRock Advisors (U.K.), LTD (formerly Barclays Glob)	London	Index	9,959,974	975,412
Artisan Partners, L.P.	Milwaukee	Growth	3,502,634	781,514
Capital World Investors (U.S.)	Los Angeles	Value	16,776,509	754,925

Top Sellers - Q1 2010

Investor Name	City	Style	Q1 '10 Value (\$k)	Q1 '10 Net Change (\$k)
Kohlberg Kravis Roberts & Co.	New York	Private Equity	1,196,423	-1,893,595
BlackRock Fund Advisors (formerly Barclays Global)	San Francisco	Index	45,110,794	-1,257,527
Artio Global Management, LLC	New York	Growth	3,526,885	-774,409
Waddell & Reed Investment Management Company	Overland Park	Aggr. Growth	7,442,370	-609,707
Daiwa Asset Management Company, LTD	Tokyo	Growth	14,609,311	-558,395
China Life Insurance Asset Management Co., Ltd.	Beijing	-	90,503,285	-479,799
Fidelity Investments Japan, LTD	Tokyo	Growth	21,561,235	-437,486
Third Avenue Management, LLC	New York	Value	4,353,616	-366,808
BlackRock Investment Management (U.K.), LTD	London	Growth	3,505,340	-332,998
Dodge & Cox	San Francisco	Deep Value	8,598,899	-302,875

Seeing two major index investors among the top buyers of Asian equities in Q1 2010 highlights the benefits of inclusion in major equity indices to capture some of this inflowing capital. Since the credit crisis, ever more money is flowing into passive investment funds as investors remain unconvinced that the higher fees of active funds are justified by their relative performance - Blackrock for example saw global net inflows into its index equity and fixed income products of \$18.2bn in Q1 2010, whilst active equity and fixed income portfolios experienced outflows of \$22.3bn.

In addition to the above tables on the top holders, buyers and sellers of the five Asian equity markets analysed, Ipreo can provide further data providing more detail of investment changes within each country.

Investor Activity Analysis



Top Holders

Amongst all investors with over \$1bn invested in major Asian equity markets, 135 made net increases to their holdings in Q1 2010, 78 have made net sells and 57 made no change to their holdings. Of all these investors, 20 have made net increases of over 10%, 11 of which are domiciled in the US, six in the UK and the remaining three in Asia - highlighting the importance of non-domestic investors within Asia.

Across the top ten investors in this report, holdings are heavily concentrated across the Financials, Technology and Industrials sectors, which account for a combined 75% of all equity investment among the ten, as per the previous slide.

Top Buyers

Capital Research Global Investors (U.S.) has total publicly disclosed holdings in Asia of \$34.9bn and was the biggest buyer in Q1 2010, having added \$3.7bn to their holdings across the five markets, and made net increases of \$2.2bn in Q4 2009 too. The firm has a strong preference for Asian technology stocks, holding over twice as much in this sector than any other (\$13.2bn), and has added almost \$1bn in the most recent period (+8%). Consumer services stocks have been the next most favoured, with an additional \$780m flowing to these stocks. Regionally, whilst the firm has increased its holdings across all five markets, Taiwan has been the standout choice, receiving \$951m of net inflows as per latest filings.

Nintendo is the firm's largest holding at \$2bn and was also the most heavily bought stock in Q1, up \$458m. Quanta Computer, China Construction bank and Esprit Holdings were the next biggest buys, up \$437m, \$293m and \$257m respectively.

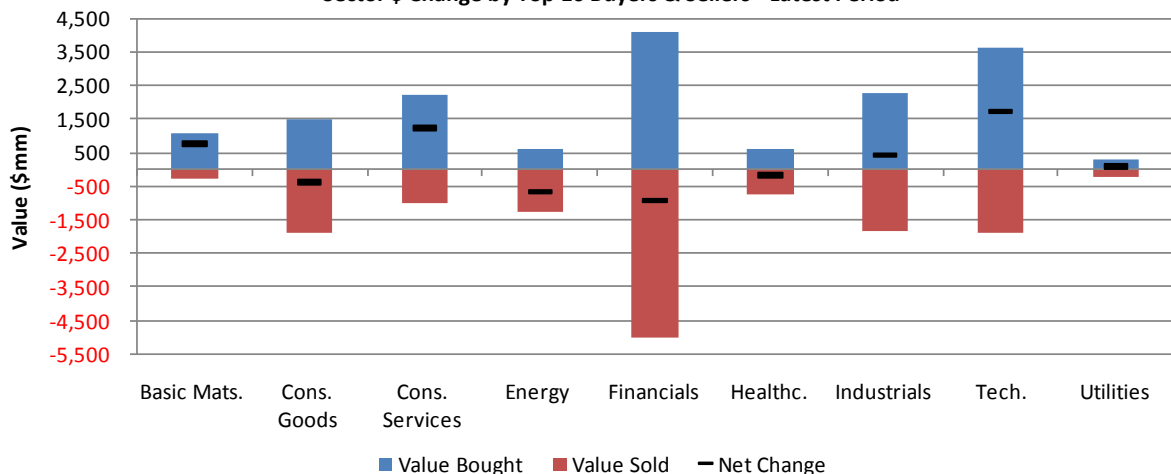
Nomura, Wellington, Thornburg (US) and Baillie Gifford were the only other active managers to add over \$1bn in Q1 2010.

Top Sellers

Whilst 13 investors added over \$500m across the five markets in Q1, only five investors sold over \$500m. **Artio Global Management, LLC** was the largest active seller, cutting its holdings by 18%, down \$774m to \$3.5bn. Despite increasing its holdings in Taiwan, up \$137m as per Q1 filings, the firm sold Chinese equities heavily, down \$627m. This was its most heavily sold country with Hong Kong third where it made net sells totalling \$272m. The firm moved more money into its home US market, where net inflows totalled almost \$250m, the largest increase during the quarter. The firm's largest buys in the quarter were both into Gold stocks, initiating a \$344m position into a Gold ETF and increasing its holdings in Barrack Gold by \$259m as per 31st March filings. This supports the view that the firm is taking a more bearish stance, particularly towards financials which accounted for four of the five largest sells (and two of them in Asia), and illustrates the general trend of a flight to domestic stocks which stronger US growth, US dollar strength and Eurozone fears have generated.

Interestingly, there are many more Asian firms among the top sellers than buyers, with Daiwa Asset Management, China Life Insurance and Fidelity Japan all selling around 3.7% on average, down \$558m, \$480m and \$437m respectively.

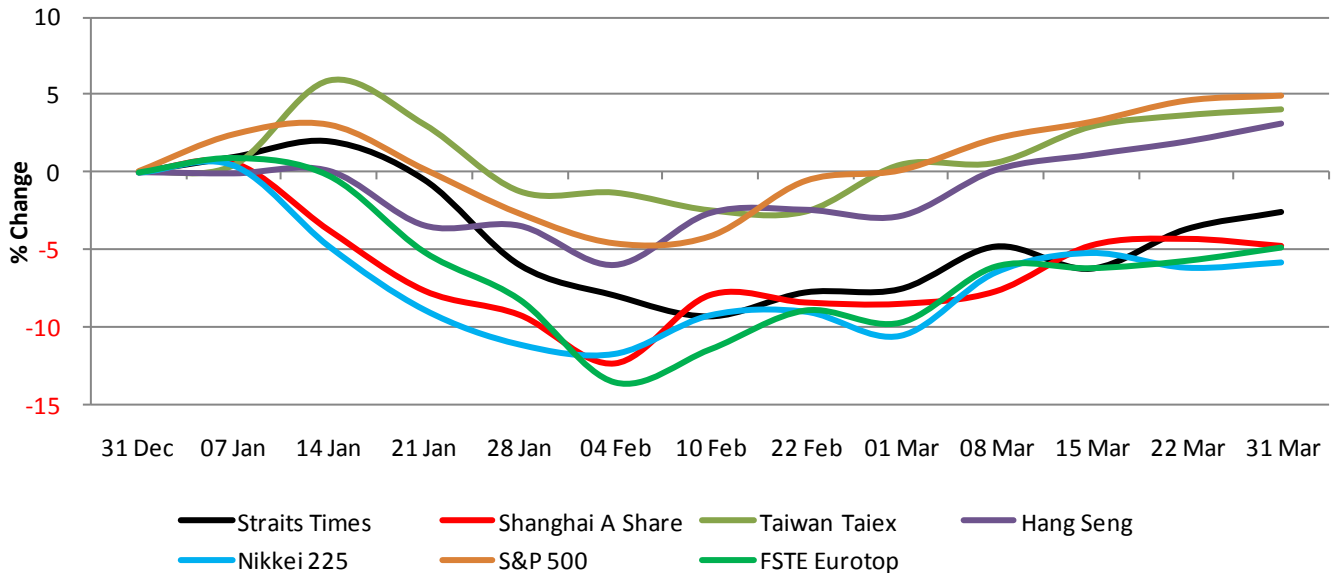
Sector \$ Change by Top 10 Buyers & Sellers - Latest Period



Market Performance & News



Equity Market Performance



Major Market News

Asian equity markets drifted lower in the first quarter of 2010 as global macro trends restrained long term growth prospects, as the scale of fiscal deficits in Europe came to the fore and the Chinese government took steps to slow economic growth and thus put the brakes on inflation. The Hang Seng and the Taiwan Taiex indices were the only indices to remain in positive territory in Q1 2010, up 3.2% and 4.2% respectively, trailing the S&P 500 which rose 4.9%, but has since fallen back to be flat YTD.

Given the scale of the Greek crisis which has emerged, markets globally have since suffered some of their heaviest losses since 2008, nonetheless, there are still good opportunities to be had given that China's consumers still hold significant savings (standing at 40% of GDP), as per Gigi Chan of Threadneedle's China Opportunities Fund:

"Chinese markets have been dogged by concerns over the duration and the extent of macroeconomic tightening policies, but the underlying fundamentals of the Chinese economy continue to be robust. As the Chinese economy transitions from an export-led to a consumer driven economy, sectors benefiting from the strong structural trends of domestic spending growth continue to offer some of the more attractive investment opportunities."

Whilst equity investments returned gains in the first three months of 2010, the picture in Q2 is likely to be far different as investors withdraw to safe havens, moving more money into commodities and cash as well as towards the US Dollar to hedge European exposure. The challenge for Asian issuers will be to ensure to remain in regular communication with major shareholders to avoid becoming the subject of regional or asset class reallocations as investors become more bearish. That said, the issues plaguing developed markets should also be regarded in a positive light by Asian issuers as an opportunity to sell the domestic growth story, which is likely to resonate ever more with those houses happy to take on a higher level of risk.

"Our [Carmignac] distrust in the euro currency has led us to hedge all our positions in Europe by buying the dollar equivalent: as a result, the entire Carmignac Investissement portfolio is exposed either to the dollar or to emerging currencies," Le Coz, the firm's portfolio management spokesperson and member of its investment committee said."

Citywire, 18th May 2010.

* Background tables to support the data displayed in the report can be provided on request.