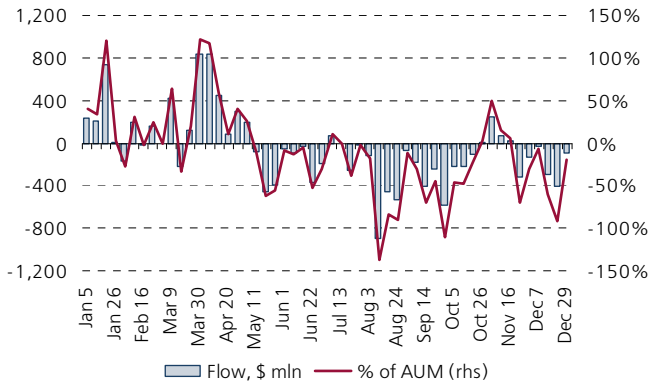


# Weekly Fund Flow Analysis

## EM Portfolio Allocations to Russia Turn Net Positive

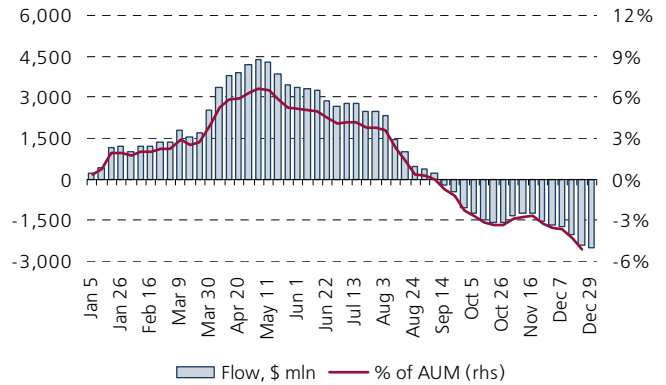
- **Investors remain wary of EM risk.** Investors cut exposure to emerging market equity funds again last week, extending the run of redemptions to a sixth straight week. Even though economic indicators in the US and elsewhere have generally been positive in recent months, investors clearly fear that the Eurozone debt crisis may escalate and affect all major global economies. But the net total taken out last week was only \$308 mln, a big improvement on the \$4.3 bln redeemed the previous week.
- **Portfolio managers reversed a long negative trend.** For a sixth straight week, investors in Russia-dedicated funds also reduced exposure, withdrawing \$109 mln versus \$139 mln the week earlier. But an encouraging sign is the fact that portfolio managers in the big EM regional and thematic funds allocated new money to Russia last week for the first time in eight weeks. The allocation was small at \$18 mln but compares with a net withdrawal of \$274 mln the week earlier. Portfolio manager allocations have always been a leading indicator of fund investor activity in subsequent weeks.
- **EM investors moved to safety of Balanced funds.** According to the EPFR Global report, for the week ended Wednesday – traditionally one of the quietest of the year – investors allocated new money to EM Balanced funds (\$759 mln, or 0.25% of AUM) in a move toward safety away from country-specific bets. Asian regional funds lost \$703 mln (0.36% of AUM), LatAm funds lost \$176 mln (0.4% of AUM) and EMEA lost a total of \$188 mln (0.6% of AUM). All major country funds reported net redemptions equal to approximately 1.0% of AUM.
- **Russia attracted over \$4.4 bln in early 2011.** For the year (see graphs on next page), Russia country funds were significantly less affected by investor redemptions than their major EM peers. India country funds lost \$3.8 bln in redemptions through 2011, China funds lost \$3.2 bln and Brazil country funds lost \$2.2 bln. In contrast, Russia country funds only lost \$166 mln for the full year, mainly because these funds attracted over \$4.4 bln in the first four months of 2011, while peer group funds have seen a steady flow of redemptions all year.
- **Russia EM allocations have been a lot more volatile.** Russia's allocations with the big EM funds have been much more volatile, as portfolio managers have been quicker to react to global market trends and influences. In total, EM portfolio allocations to Russia have been negative in 26 out of the past 52 weeks. The aggregate withdrawal from Russia within the EM Balanced, regional and thematic funds totaled \$2.5 bln, or 5.3% of total Russia AUM in this category. We do not as yet have comparable data for other big EM countries under this category.

**Aggregate weekly Russia country flows**



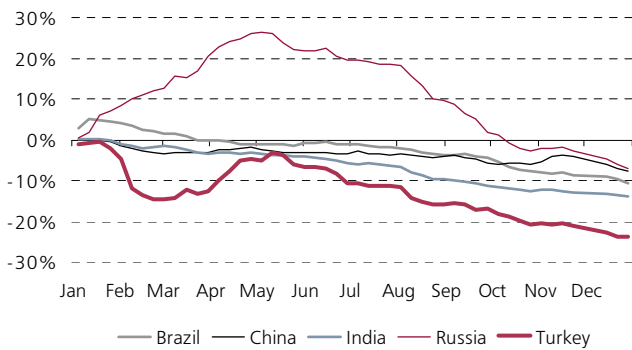
Source: EPFR Global

**Cumulative weekly Russia country flows**



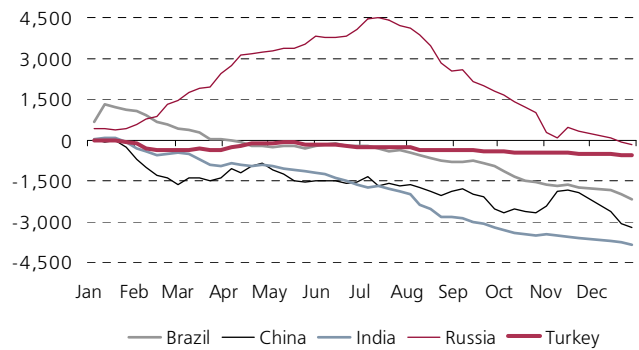
Source: EPFR Global

**Cumulative weekly fund flows into BRIC and Turkey, \$ mln**



Source: EPFR Global

**Cumulative fund flows as % of AUM in BRIC and Turkey**



Source: EPFR Global

**Weekly country fund flows\***

	Russia		China***		India		Brazil	
	\$ mln	% of AUM	\$ mln	% of AUM	\$ mln	% of AUM	\$ mln	% of AUM
Jan '11	1,352	7.3%	(457)	-0.5%	246	6.0%	1,032	4.0%
Feb '11	806	3.9%	(1,719)	-2.0%	(157)	-0.4%	(648)	-2.6%
Mar '11	1,440	6.6%	437	0.5%	(615)	-1.6%	(516)	-2.1%
Apr '11	785	3.4%	722	0.7%	(329)	-0.8%	(223)	-0.9%
May '11	(772)	-3.1%	(1,040)	-1.0%	(45)	-0.1%	104	-0.4%
Jun '11	(442)	-1.9%	632	0.8%	(468)	-1.2%	(55)	-0.2%
Jul '11	(124)	-0.6%	182	0.4%	(408)	-1.0%	(199)	-0.8%
Aug '11	(1,471)	-6.5%	(1,332)	-1.2%	(1,104)	-2.9%	(414)	-1.8%
Sep '11	(929)	-5.2%	(1,241)	-1.2%	(501)	-1.5%	(140)	-0.7%
Oct '11	(487)	n/a	(605)	n/a	(319)	n/a	(608)	n/a
Nov '11	(47)	n/a	212	n/a	(177)	n/a	(84)	n/a
Dec '11**	(478)	n/a	(895)	n/a	(121)	n/a	(517)	n/a
<b>YTD**</b>	<b>(367)</b>	<b>-</b>	<b>(5,104)</b>	<b>-</b>	<b>(3,998)</b>	<b>-</b>	<b>(2,268)</b>	<b>-</b>

\* data from funds that report weekly only

\*\* to December 29

\*\*\* China includes Greater China

Source: EPFR Global

**Analyst certification**

The following analyst(s) hereby certify that the views expressed in this research report accurately reflect such research analyst's personal views about the subject securities and issuers and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report: Chris Weafer.



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