

IPREO REGIONAL FLOW OF FUNDS SERIES

Scandinavia

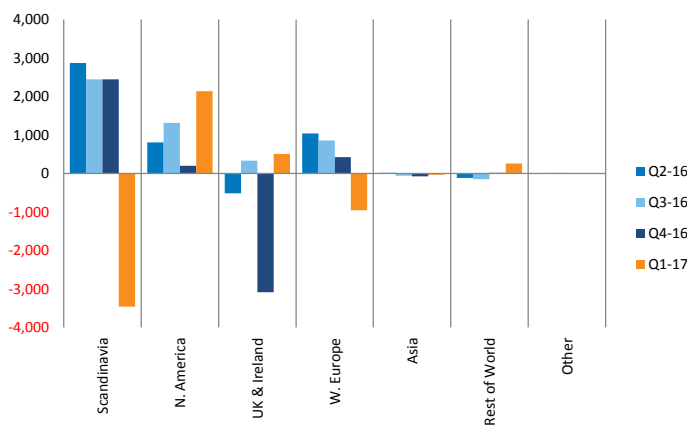
Q1-2017

## Market Overview

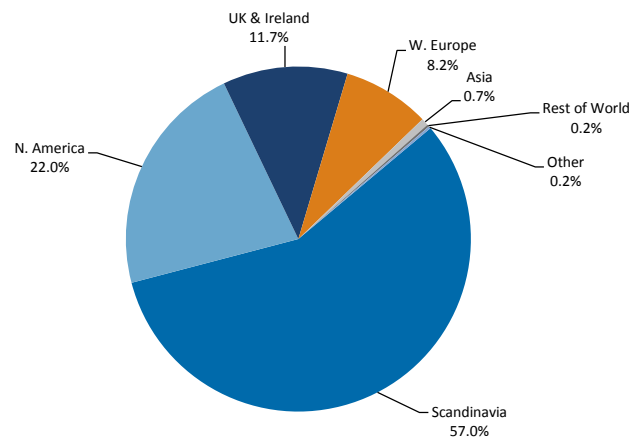
- Allocations into **North American** equities have reaching lowest levels “in a decade” and 83.0% of fund managers in the **Bank of America Merrill Lynch** survey believe that **US** stocks are overvalued.
- **European** and **Emerging Markets** equities are the beneficiaries – **Eurozone** equity allocations rose from net 27% to 48% overweight in April 2017.
- That said the inflows into **Europe** are geographically focused: **Southern Europe** has seen some 50% of net inflows into **Europe** as a whole, **Scandinavia** and **France** saw net outflows (even if both **France** and **Germany** have seen substantial equity inflows in May following the French election result). Sales of **Scandinavia** were domestically driven, reversing a 9 month trend of heavy local investment and overpowering **North American** and **UK** inflows
- In line with **Western Europe (WEU)** as a whole, inflows into **Scandinavia** were almost entirely **Index** driven in Q1.
- **Scandinavia** saw a very different sector picture in Q1 from the rest of **Europe** with **Consumer Services** the most bought sector (the only heavily bought sector, down to **H&M**), and **Healthcare** and **Financials** the most sold. **Financials** continued to be the most bought Western European sector in Q1. Within **Financials** the bulk of the selling was in **SE Banken**, **Swedbank** and **Handelsbanken**, of which **SE Banken** and **Handelsbanken** saw increased shorting (**SE Banken** from 0.5% to 1.1% of shares outstanding, **Handelsbanken** from 0.7% to 1.6%). **Financial Services** provider **Ratos** saw shorting initiated in Q1 reaching 3.4% of shares outstanding, the highest in the sector.
- Scandinavian **Industrials** saw outflows but short positions declined in a number of **Scandinavian industrial** stocks: **Sandvik** saw shorting fall by three-quarters to 0.5% of shares outstanding and was 4<sup>th</sup> most sold **Scandinavian** stock, most sold **Industrials** where **Metso Corp**, **Stora Enso**, **Metsa Board** and **Valmet** which all saw their short positions decline substantially. **ISS**, **Holmen** and **UPM-Kymmene** all saw new short positions initiated (but all below 1% of shares outstanding in total).

## Institutional Investment Flow Highlights

Net Change (\$M Value) by Region

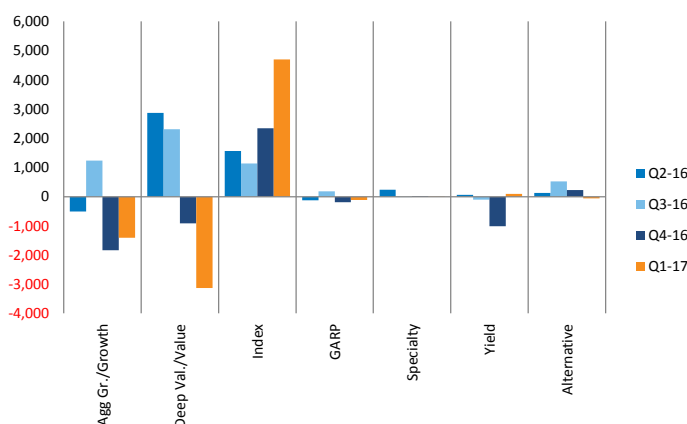


Ownership by Region

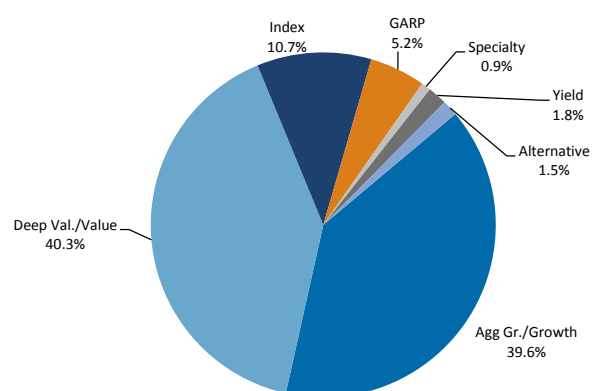


- From a regional perspective Q1 saw two positive and two negative changes. On the positive, **North American** investment came back to the highest level seen for a year, and heavy **UK** selling converted to slight net buying. On the negative, local **Scandinavian** investment sank like a stone, and **Western European** investment also went sharply negative.
- **North American** inflows were **Index** driven - the biggest change from active investors came from **Capital World Investors** selling \$3B of **Scandinavian** equities (they sold \$8B across **WEU** as a whole), \$2.2B of it in **Novo Nordisk**, \$415M in **KONE**, \$263M in **Nokia** and \$134m in **Asa Abloy**.

Net Change (\$M Value) by Style



Ownership by Style



- **Index** saves the day - apart from minimal inflows from **Yield** and **Specialty** investors, inflows are confined to **Index** investors led by **SSgA**, **Vanguard** and **BlackRock**.
- **Scandinavia** sees an exponential increase in Q1 in sales by the key active driver, **Value** investors, specifically **Capital World** but also the notable absence of any non-local **Value** investors (all **Value** buyers in top 10 buyers were local market, no **US / UK / other European Value** buyers).

## Top Invested Cities

Country / City	Most Invested			
	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
Sweden (Stockholm)	325,179	172,559	-1,242	95
United Kingdom (London)	2,067,909	54,221	-64	202
Norway (Oslo)	646,006	51,893	-1,035	27
Finland (Helsinki)	49,845	31,055	489	57
Sweden (Sundbyberg)	68,713	28,212	-458	1
United States (New York)	3,054,675	20,492	1,153	165
Denmark (Copenhagen)	107,929	19,631	-171	21
United States (Boston)	2,257,070	17,395	-511	51
United States (Los Angeles)	1,127,568	13,428	-3,487	18
United Kingdom (Edinburgh)	290,606	13,020	-300	19
<b>Excludes Passive/Index Investors</b>		<b>421,906</b>	<b>-5,626</b>	<b>656</b>

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	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	2,067,909	54,221	-64	202
United States (New York)	3,054,675	20,492	1,153	165
France (Paris)	394,026	11,465	-289	136
Sweden (Stockholm)	325,179	172,559	-1,242	95
Spain (Madrid)	63,129	1,817	197	60
Finland (Helsinki)	49,845	31,055	489	57
United States (Boston)	2,257,070	17,395	-511	51
Germany (Frankfurt)	295,372	9,886	-318	43
Canada (Toronto)	636,931	5,557	221	40
Switzerland (Zürich)	257,519	3,022	6	40
<b>Excludes Passive/Index Investors</b>		<b>327,469</b>	<b>-358</b>	<b>889</b>

## Top Holders, Buyers & Sellers

Top Holders	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Port.	Chg
Swedbank Robur Fonder AB	Sweden	Growth	Low	68,713	28,212.4	-458.1	41.1	-1.6
Norges Bank Investment Management (Norway)	Norway	Value	Low	590,245	21,090.3	-817.7	3.6	-3.7
Investor AB	Sweden	Growth	Low	29,167	18,988.5	-34.2	65.1	-0.2
Alecta Pensionsförsäkring AB (Asset Management)	Sweden	Value	Low	40,203	18,667.3	-146.3	46.4	-0.8
Handelsbanken Asset Management (Sweden)	Sweden	Value	Medium	33,479	15,496.9	-157.7	46.3	-1.0
AMF Fonder AB	Sweden	Growth	Low	18,472	14,099.7	189.3	76.3	1.4
Folketrygdfondet	Norway	Growth	Low	14,318	13,969.2	-860.6	97.6	-5.8
SEB Investment Management AB	Sweden	Value	Medium	32,100	12,143.1	102.5	37.8	0.9
AB Industrivärden	Sweden	Growth	Low	11,296	11,276.3	16.6	99.8	0.1
Nordea Investment Management AB (Sweden)	Sweden	Value	Low	16,433	9,645.3	-133.0	58.7	-1.4
					<b>102,455.4</b>	<b>-1,614.0</b>		

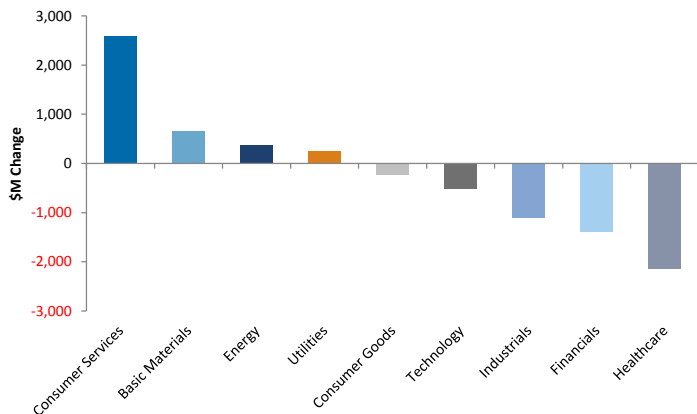
Top Buyers	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Port.	Chg
Harris Associates, L.P.	United States	Value	Low	96,963	2,413.7	862.8	2.5	55.6
J.P. Morgan Investment Management, Inc.	United States	Growth	Medium	254,922	1,362.6	594.2	0.5	77.3
DNB Asset Management AS	Norway	Deep Value	Medium	14,394	3,868.8	481.4	26.9	14.2
Nordea Investment Management (Finland)	Finland	Growth	Medium	4,726	1,646.6	447.3	34.8	37.3
Eaton Vance Management	United States	Value	Medium	39,407	604.2	383.5	1.5	173.8
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	105,035	4,666.5	298.6	4.4	6.8
AllianceBernstein, L.P. (U.S.)	United States	Value	Medium	149,844	1,407.5	219.4	0.9	18.5
Didner & Gerge Fonder AB	Sweden	Value	Low	6,932	6,017.2	215.9	86.8	3.7
OppenheimerFunds, Inc	United States	Growth	Medium	147,092	3,638.4	212.4	2.5	6.2
Caixabank Asset Management, S.G.I.I.C., S.A.	Spain	Growth	High	13,607	527.2	197.4	3.9	59.9
					<b>26,152.7</b>	<b>3,912.9</b>		

Top Sellers	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Port.	Chg
Capital World Investors (U.S.)	United States	Value	Low	590,228	7,305.7	-3,110.7	1.2	-29.9
Folketrygdfondet	Norway	Growth	Low	14,318	13,969.2	-860.6	97.6	-5.8
Norges Bank Investment Management (Norway)	Norway	Value	Low	590,245	21,090.3	-817.7	3.6	-3.7
Nordic Capital AB	Sweden	Venture Capita	Medium	1,648	554.4	-521.4	33.6	-48.5
Swedbank Robur Fonder AB	Sweden	Growth	Low	68,713	28,212.4	-458.1	41.1	-1.6
Fidelity Management & Research Company	United States	Growth	Low	842,526	5,558.9	-428.2	0.7	-7.2
Foundation Asset Management Sweden AB	Sweden	Value	Medium	2,403	2,266.9	-367.1	94.3	-13.9
Capital Research Global Investors (U.S.)	United States	GARP	Low	413,715	4,464.5	-366.1	1.1	-7.6
Standard Life Investments, LTD (U.K.)	United Kingdom	Growth	Medium	68,069	3,822.8	-353.1	5.6	-8.5
Allianz Global Investors GmbH	Germany	Growth	Medium	69,143	3,700.7	-352.1	5.4	-8.7
					<b>90,945.8</b>	<b>-7,635.1</b>		

- "We exited our position in **Novo Nordisk** as the insulin market in the U.S. was becoming more competitive. Over the past year, the competitive pressures have risen significantly and we believe the company no longer offers the earnings growth profile it once had." **Vontobel, April 2017.**

## Most Bought & Sold Stocks

### Most Bought & Sold Sectors



BOUGHT Securities	Industry	Change (\$M)
H&M Hennes and Mauritz AB	Consumer Services	2,547.3
Investor AB(Sweden)	Financials	352.1
DONG Energy A/S	Utilities	283.2
Norsk Hydro ASA	Basic Materials	282.7
Boliden AB	Basic Materials	279.0

SOLD Securities	Industry	Change (\$M)
Novo Nordisk A/S	Healthcare	-2,319.3
Skandinaviska Enskilda Banken	Financials	-1,521.4
Marine Harvest ASA	Consumer Goods	-739.1
Swedbank AB (publ)	Financials	-717.9
KONE Corporation	Industrials	-430.7

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