



Ongoing rotation from bonds into equities: US debt (-), DM equity (+)

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This weekly publication provides an overview of the latest flows in and out of funds on an international basis.

With the markets now more complacent about tapering fears and the focus shifting towards fundamentals and Q3 reporting, Total Equity funds continued to see inflows for a third straight week (helped by unabated flows into DM equity funds), while Total Bond funds suffered outflows over the past week (US Bond funds in particular, see p.5). Relative to their US counterparts, flows into Western Europe equity funds have slightly lost momentum since last Friday – in our view, also because US earnings have been the only positive surprise globally in the ongoing Q3 reporting season so far. With flows into Western Europe Equity funds reaching record levels last week, we highlight how the recent EUR rally is backed by fund flows (see Special Topic on p.2). With international investors moving away from US debt investments in particular, the recent resurrection of European economies offers an attractive story which might well continue to draw foreign funds, in our view.

Ongoing rotation from bonds into equities still helps DM equity funds: Total equity funds saw third straight week of high inflows (+0.2% of NAV, >\$12.8bn in our sample) as flows into DM equity funds remained unabated. With tapering concerns being somewhat muted and markets expecting a delayed and slower tapering in 2014, the focus now shifts to fundamentals and the ongoing Q3 reporting where we have observed below historical average beat proportions for both EPS and Sales across all regions so far, with the only positive exception being EPS beats in the US (see: Q3 Reporting Review, dated 30 Oct'13 for details). However, a continuation of the rotation from bonds into equities helped DM equity funds attract fresh money (+0.2%). Within the DM space, US equity funds led the pack with sizeable inflows (+0.2%) over the past week. Liquid flows dominate the scene as 81% of flows into US equities came from ETFs.

The recent “rediscovery of Europe” which started around June'13 still helps Western Europe equity funds - they extended their inflow streak to 18 weeks. In contrast to US funds, flows into European equities came mainly via mutual funds (92% of total flows). While the overall flows into Western Europe funds continued to be broad-based, Germany equity funds posted huge outflows (-2.3%, highest since Q2'12) following previous week's positive flows. Flows into Japan equity funds continued this week, too (+0.5%).

Flows into EM equity funds turned negative (again): Just when reduced liquidity pressure and fundamental developments seemed to revive flows back into EM equities, Total EM equity funds posted outflows (-0.1%) again over the past week. Weakness in EMs appeared broad-based with all 3 regional and diversified GEM funds suffering redemptions. Regionally, Asia x-Japan (-0.1%), Lat-Am (-0.6%) & EMEA funds (c-0.1%).

Investors continued to shy-away from US debt funds: Total bond funds continued their poor run with net redemptions of -0.1% over the past week. Outflows from US debt funds reached an 18-week high (-0.3%). Similarly, outflows from EM debt funds (-0.2%) continued (redemptions in 22 of the last 23 weeks). Among all bond fund categories, Corporate HY funds remain the only positive exception with sustained inflows (+0.4%).

Flow data on funds (all including ETFs)

	Total assets in the sample (\$bn)	12m cum. flow as % of total assets	4wk avg. flow as % of total assets
Total Equity Funds	6,732	4.6	0.2
Total Developed Market Equity Funds	5,854	4.9	0.2
International Equity Funds	1,588	5.3	0.1
US Equity Funds	3,186	3.7	0.2
Western Europe Equity Funds	835	4.3	0.4
Japan Equity Funds	195	28.4	0.4
Pacific Equity Funds	50	4.9	0.0
Total Emerging Market Equity Funds	879	2.5	0.1
Global Emerging Market Equity Funds	471	5.8	0.1
EMEA Equity funds	46	-10.7	0.1
Latin America Equity Funds	45	-12.1	-0.3
Asia ex-Japan Funds	316	2.3	0.1
Total Bond Funds	3,037	1.6	-0.1
International Bond Funds	890	1.6	-0.1
Corporate High Yield Funds	414	1.0	0.5
US Bond Funds	1,289	5.4	-0.2
Western Europe Bond funds	96	-0.5	0.3
Germany Bond funds	11	-11.7	-0.4
Switzerland Bond funds	29	-6.4	-0.1
United Kingdom Bond funds	37	-5.1	-0.2
Emerging Markets Bond Funds	247	1.1	-0.3
Asia ex-Japan Bond funds	18	-2.6	-0.5
Emerging Europe Bond funds	4	-0.3	-0.1
Lat-Am Bond funds	2	-5.9	-0.6
Money Market Funds	3,266	-0.8	-0.2
Global Sector Funds			
Commodities / Materials Sector Funds	196	-12.5	-0.3
Consumer Goods Sector Funds	40	14.6	0.8
Energy Sector Funds	114	7.1	0.3
Financials Sector Funds	65	7.9	0.0
Healthcare & Biotech Sector Funds	51	15.7	0.0
Real Estate Sector Funds	227	4.9	0.0
Technology Sector Funds	52	5.0	0.3
Telecom Sector Funds	4	-1.1	2.1
Utilities Sector Funds	34	-3.1	-0.3
European country funds			
UK	184	1.7	0.2
Germany	75	-10.0	-1.0
France	36	-4.6	0.3
Italy	6	29.9	1.8
Switzerland	72	-5.1	0.0
Netherlands	2	-11.2	-0.8
Thematic Funds			
Inflation Protected Bond Funds	72	-15.2	-0.3
Convertible Bond Funds	54	17.1	0.5
Currency Funds	6	-3.8	1.8

Source: EPFR / Deutsche Bank Calculations

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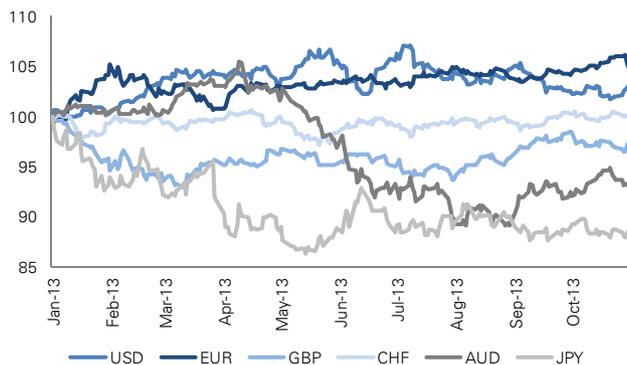


Special Topic: Strong EUR backed by record inflows in Western European equities

The EUR having gone stronger against large parts of the currency universe this year easily makes it the best performing currency among major DM economies YTD on a trade weighted basis (see Figure 01). EUR/USD climbed to 1.38 last week - a level not seen in almost 2 years - coinciding with record flows into Western European equity funds as highlighted in last week's note (Weekly Fund Flows, dated 25 October). Also, on a longer time-line, fund flows into Western Europe and the EUR/USD trend appear closely linked as Figure 2 below shows, suggesting that foreign investors' appetite for European equities has been one of the forces driving up the Euro over the past months.

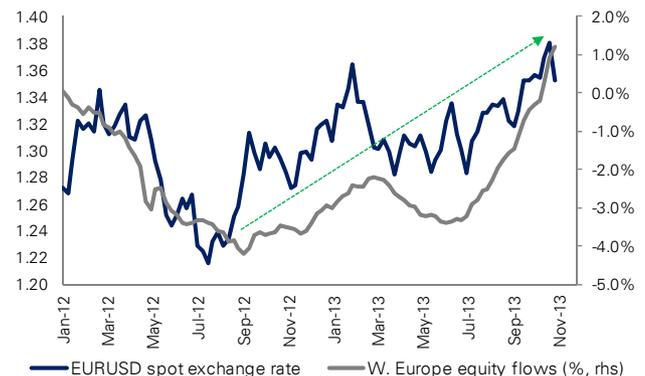
We also witnessed sustained outflows from US bonds, in particular from foreign investors, as highlighted in our previous reports. As funds move away from US based investments, the recent resurrection of European economies offers an attractive story that draws foreign funds. As the EUR weakened slightly over the course of this week - finally as European exporters would say - our FX strategists note it would need more evidence of stronger US data and some evidence of a dovish ECB before they would see this as the beginning of a more enduring EUR/USD move (see FX Strategy Weekly, 31 Oct '13).

Figure 1: Trade Weighted Index of major DM currencies



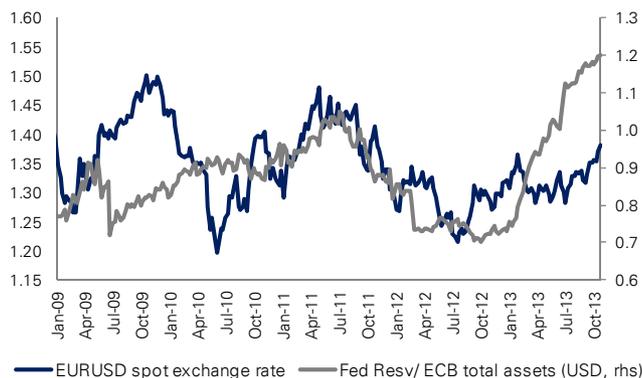
*DB Trade Weighted Index (TWI) of major currencies are re-based to 100
Source: Bloomberg Finance LP, Deutsche Bank

Figure 2: EURUSD spot rate vs. fund flows into Western European equities



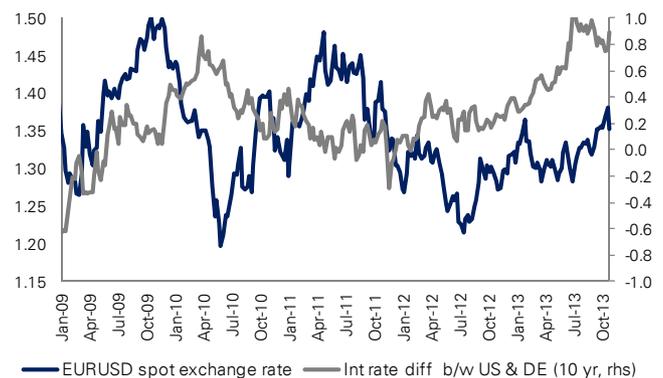
Source: Bloomberg Finance LP, EPFR, Deutsche Bank

Figure 3: Relative size of FED's and ECB's balance sheets vs. EURUSD spot rate



Source: Bloomberg Finance LP, Deutsche Bank

Figure 4: Interest rate differential b/w US & Germany vs. EURUSD spot rate



Source: Bloomberg Finance LP, Deutsche Bank

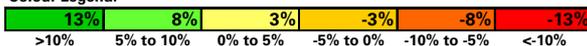


Flows into all fund classes (all, including ETFs) – a time series

Figure 5: Heat map* showing the flows as % of total assets into various fund classes (all including ETFs)

Fund Category	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 YTD
Total Equity Funds	4%	3%	3%	1%	-3%	2%	2%	-1%	1%	4.2%
Total Developed Market Equity Funds	4%	2%	2%	-1%	-3%	-1%	0%	0%	0%	4.9%
International Equity Funds	8%	6%	7%	6%	-4%	4%	1%	1%	1%	5.1%
US Equity Funds	1%	-1%	-1%	0%	0%	-4%	0%	0%	-1%	3.9%
Western Europe Equity Funds	1%	-1%	7%	-13%	-12%	1%	-3%	-2%	-2%	3.9%
Japan Equity Funds	52%	44%	0%	-27%	-18%	-19%	-3%	5%	10%	27.2%
Pacific Equity Funds	7%	-3%	12%	-1%	-16%	17%	8%	-8%	1%	4.2%
Total Emerging Market Equity Funds	3%	16%	11%	12%	-7%	27%	16%	-5%	7%	-0.3%
Global Emerging Market Equity Funds	-10%	3%	4%	10%	-4%	32%	23%	-1%	12%	2.6%
EMEA Equity funds	27%	40%	-6%	-2%	-8%	11%	20%	-11%	-4%	-9.7%
Latin America Equity Funds	10%	81%	27%	46%	-12%	48%	4%	-12%	-1%	-12.0%
Asia Pacific Ex-Japan Funds	21%	22%	27%	14%	-9%	21%	10%	-7%	3%	-1.1%
Total Bond Funds	14%	4%	8%	-2%	-10%	24%	16%	4%	11%	0.4%
International Bond Funds	12%	12%	10%	-2%	-24%	25%	23%	3%	6%	0.0%
Corporate High Yield Bond Funds	NA	-18%	-2%	-4%	-5%	40%	15%	4%	18%	4.7%
US Bond Funds	NA	-17%	-9%	4%	-2%	23%	10%	6%	12%	0.3%
Western Europe Bond funds	NA	1%	58%	-8%	-46%	29%	-7%	-28%	2%	-1.5%
Germany Bond funds	NA	NA	NA	NA	NA	NA	29%	25%	-13%	-10.2%
Switzerland Bond funds	NA	NA	NA	NA	NA	NA	-65%	-19%	-2%	-4.7%
United Kingdom Bond funds	NA	22%	-17%	-141%	-26%	64%	8%	-3%	0%	-5.3%
Emerging Markets Debt Funds	12%	24%	18%	9%	-21%	19%	54%	7%	25%	-2.2%
Asia ex-Japan Bond funds	NA	4%	3%	16%	-10%	2%	71%	25%	12%	-5.4%
Emerging Europe Bond funds	NA	40%	-12%	-18%	-37%	-19%	-8%	-39%	-9%	-1.8%
Lat-Am Bond funds	NA	-28%	-22%	-33%	-30%	19%	46%	38%	68%	-9.5%
Money Market Funds	NA	NA	NA	NA	31%	-17%	-15%	-4%	-1%	-2.2%

Colour Legend:



Source: EPFR, Deutsche Bank calculations

Flows into all fund classes (ex-ETF flows only) – a time series

Figure 6: Heat map* showing the flows as % of total assets into various fund classes (ex-ETF flows)

Fund Category	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 YTD
Total Equity Funds	0%	1%	0%	-4%	-9%	0%	0%	-3%	-2%	2.1%
Total Developed Market Equity Funds	0%	0%	0%	-5%	-8%	-2%	-2%	-3%	-2%	2.1%
International Equity Funds	5%	4%	5%	3%	-7%	2%	0%	-2%	0%	3.7%
US Equity Funds	-3%	-2%	-3%	-6%	-6%	-3%	-3%	-2%	-3%	0.7%
Western Europe Equity Funds	-1%	-2%	4%	-17%	-20%	-5%	-8%	-8%	-4%	2.2%
Japan Equity Funds	40%	38%	-2%	-30%	-23%	-26%	-9%	-12%	-5%	11.8%
Pacific Equity Funds	7%	-3%	5%	-11%	-22%	-2%	2%	-12%	3%	4.8%
Total Emerging Market Equity Funds	-1%	10%	6%	7%	-12%	18%	12%	-6%	3%	1.8%
Global Emerging Market Equity Funds	-14%	-3%	1%	0%	-10%	18%	15%	-1%	7%	4.5%
EMEA Equity funds	27%	40%	-7%	-5%	-11%	6%	14%	-13%	-7%	-15.4%
Latin America Equity Funds	7%	61%	16%	45%	-17%	35%	4%	-16%	-7%	-11.3%
Asia Pacific Ex-Japan Funds	16%	17%	22%	15%	-15%	19%	8%	-9%	0%	1.0%

Source: EPFR, Deutsche Bank calculations



Flow momentum charts

Figure 7: Flow momentum into major fund classes

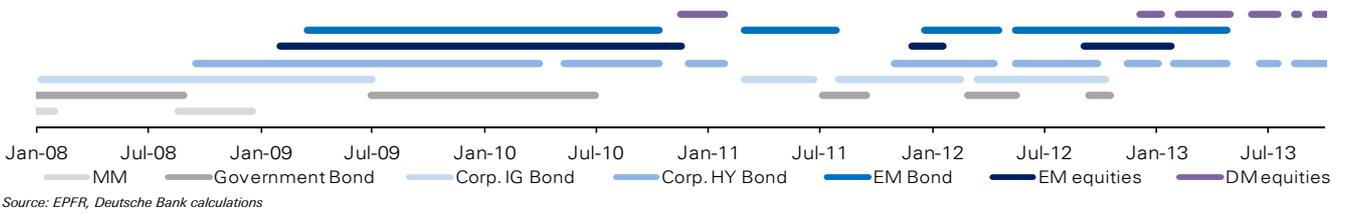


Figure 8: Flow momentum into major bond fund categories across regions

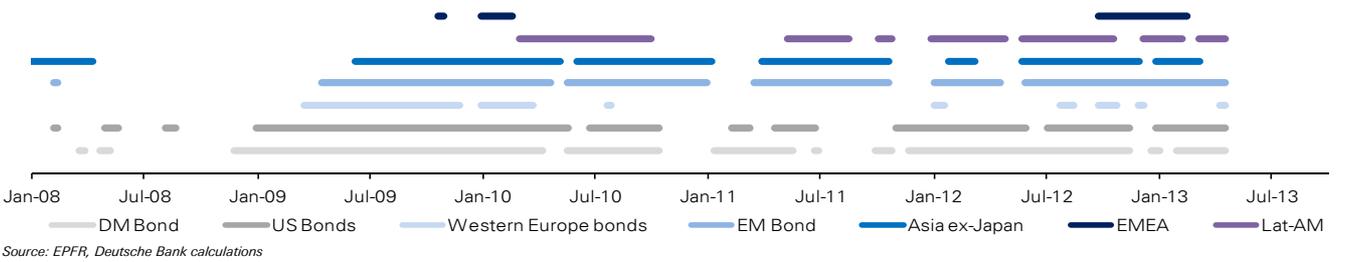


Figure 9: Flow momentum into bond funds across maturity

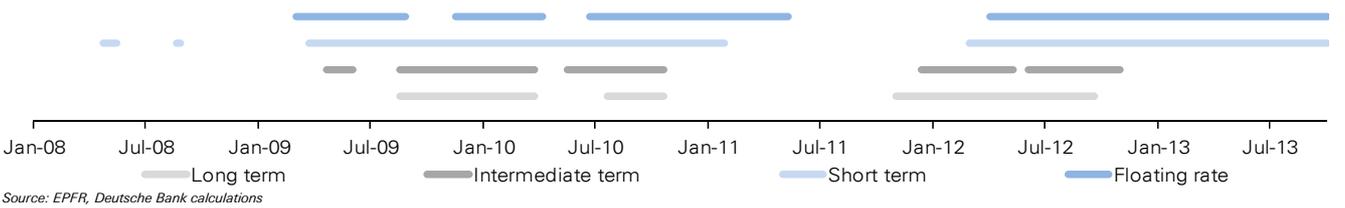


Figure 10: Flow momentum into major equity fund categories across regions

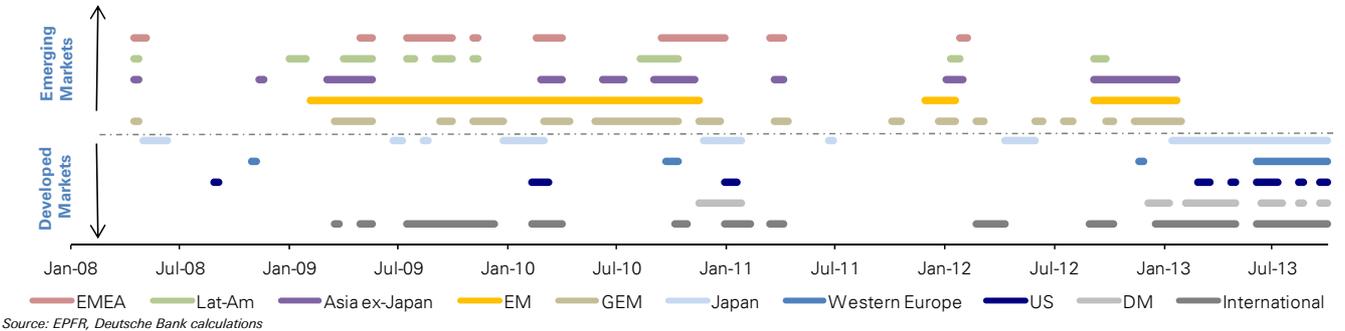
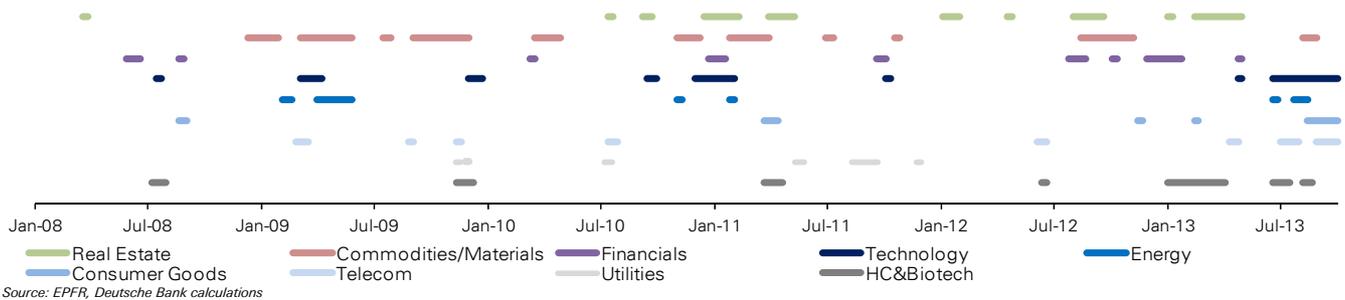


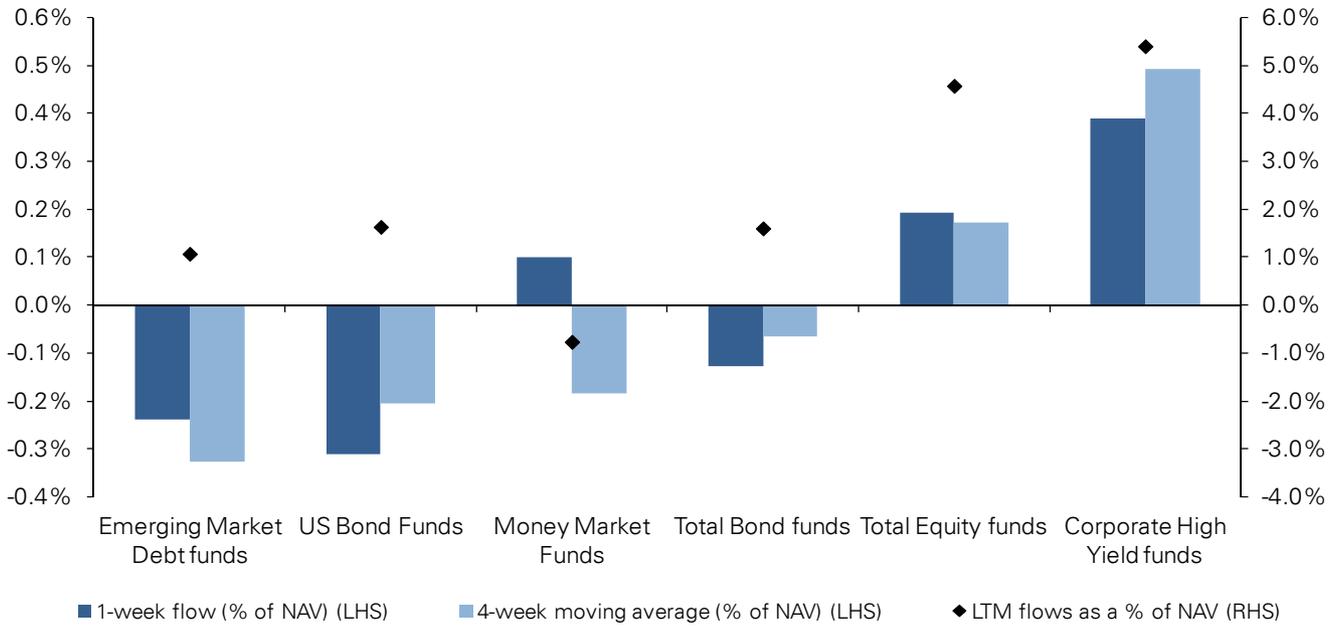
Figure 11: Flow momentum into major equity sector funds





Flows by asset class funds (all including ETFs)

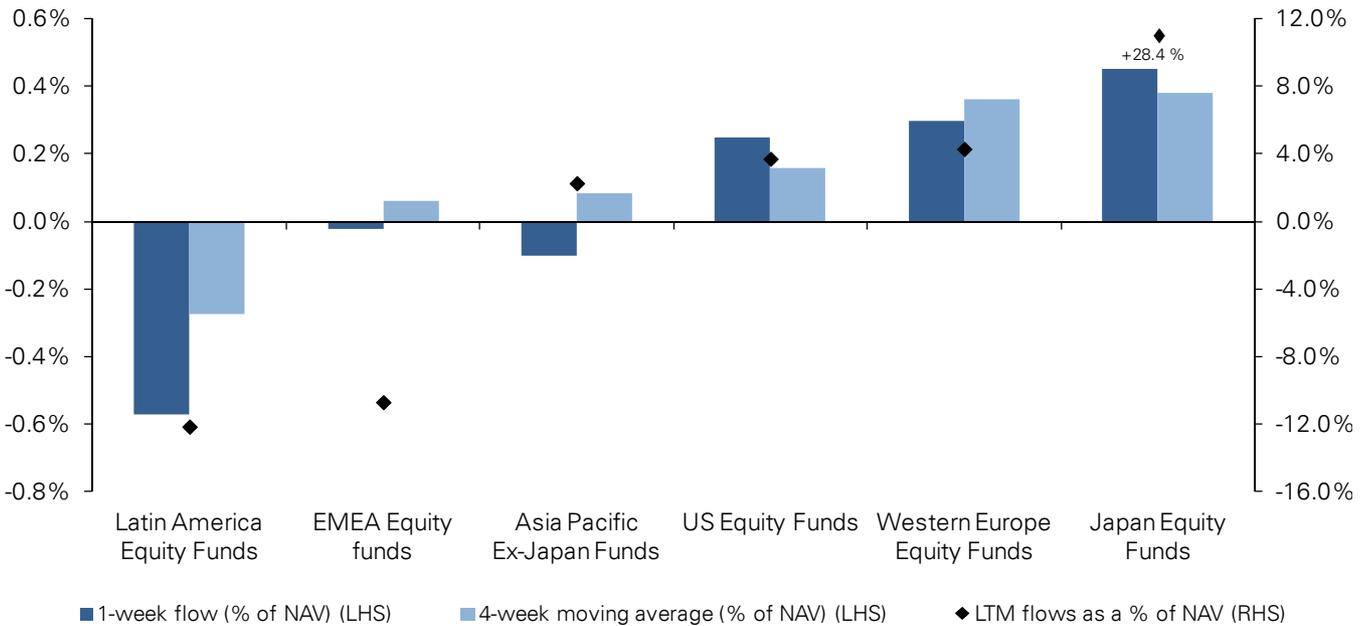
Figure 12: Funds by asset classes – 1-week, 4-week average and year-to-date flows



Source: EPFR / Deutsche Bank calculations

Flows by regional equity funds (all including ETFs)

Figure 13: Equity funds by region – 1-week, 4-week average and year-to-date flows

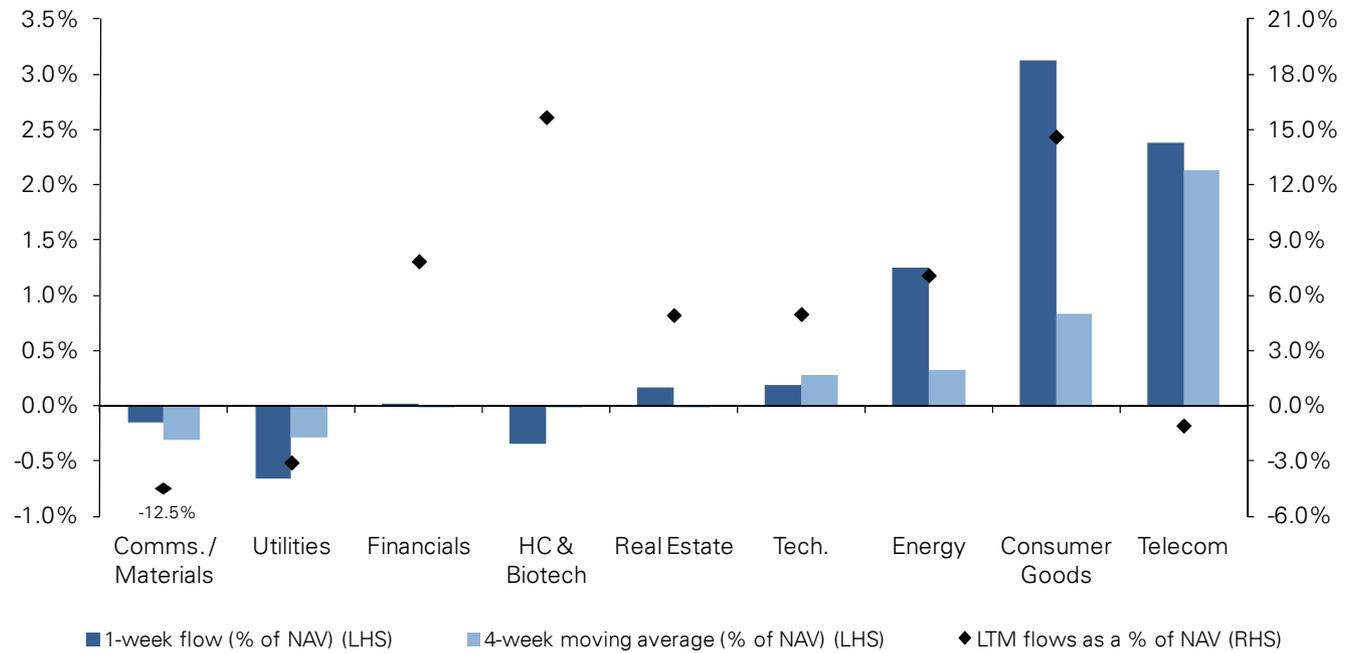


Source: EPFR / Deutsche Bank calculations



Flows by Global equity sector funds (all including ETFs)

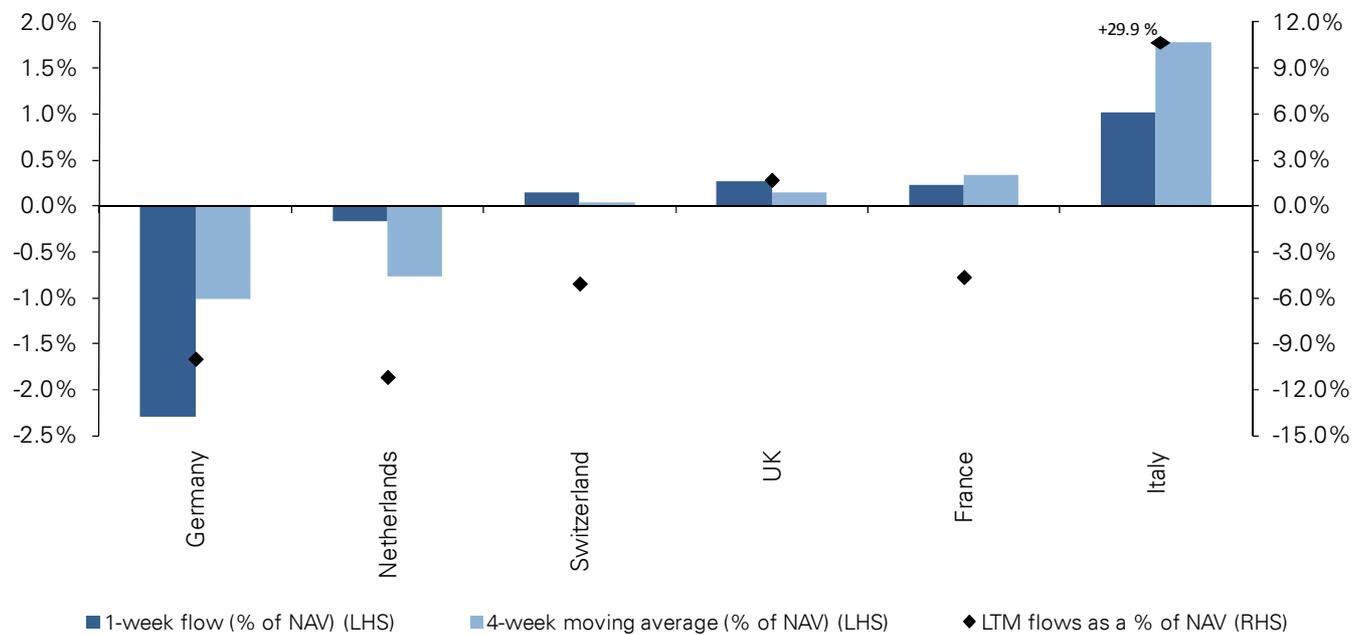
Figure 15: Equity funds by sector – 1-week, 4-week average and year-to-date flows



Source: EPFR / Deutsche Bank calculations

Flows by European country funds (all including ETFs)

Figure 16: Equity funds by European country – 1-week, 4-week average and year-to-date flows

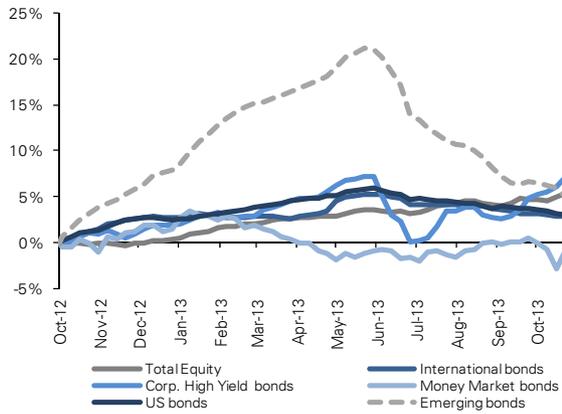


Source: EPFR / Deutsche Bank calculations



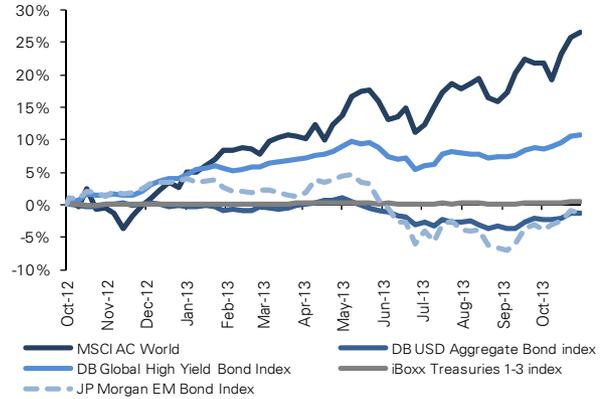
Flows and Performance

Figure 17: Cumulative 12M flow by assets (%of assets)



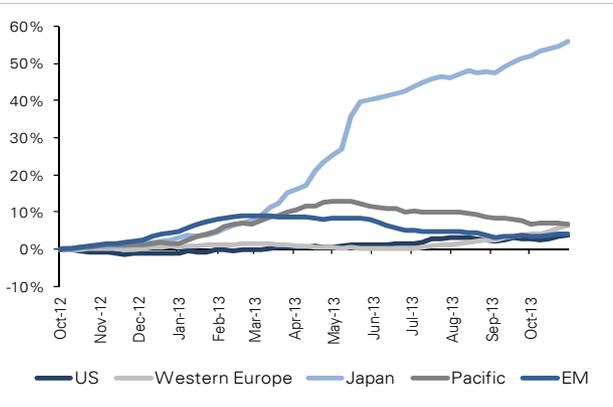
Source: EPFR/ Deutsche Bank Equity Strategy

Figure 18: Cumulative 12-month total return of assets



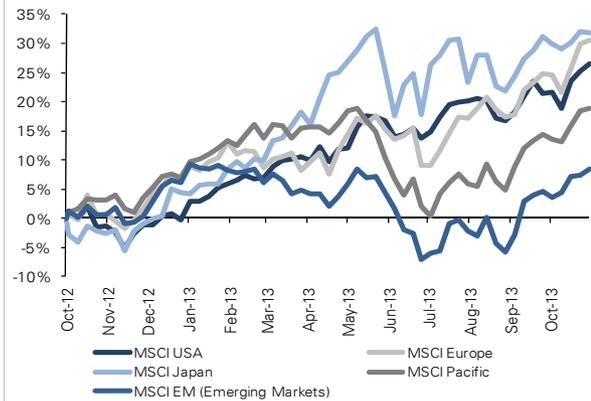
Source: EPFR/ Deutsche Bank Equity Strategy

Figure 19: Cumulative 12M flow by equity regions (% of assets)



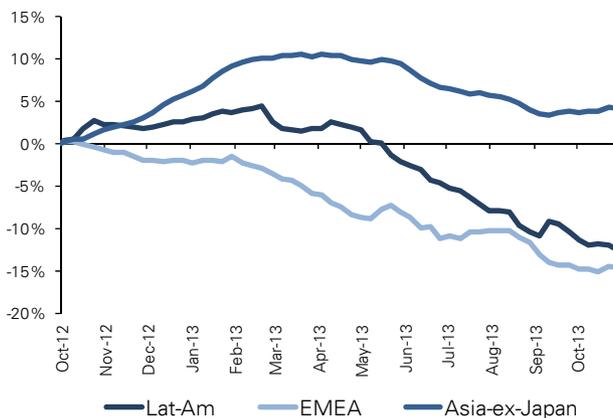
Source: EPFR/ Deutsche Bank Equity Strategy

Figure 20: Cumulative 12-month total return of equity regions



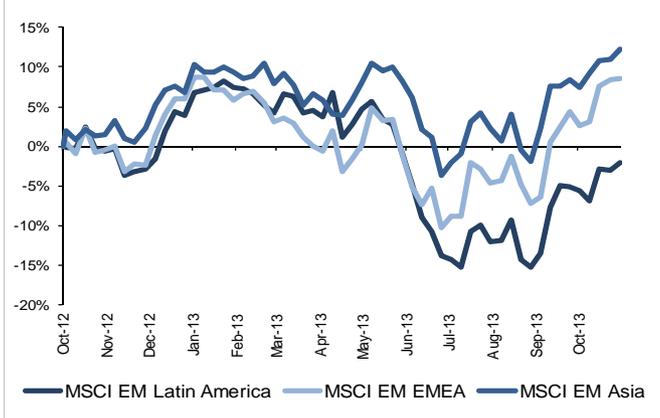
Source: EPFR/ Deutsche Bank Equity Strategy

Figure 21: Cumulative 12M flow by EM equity regions (% of assets)



Source: EPFR/ Deutsche Bank Equity Strategy

Figure 22: Cumulative 12-month total return of EM equity regions

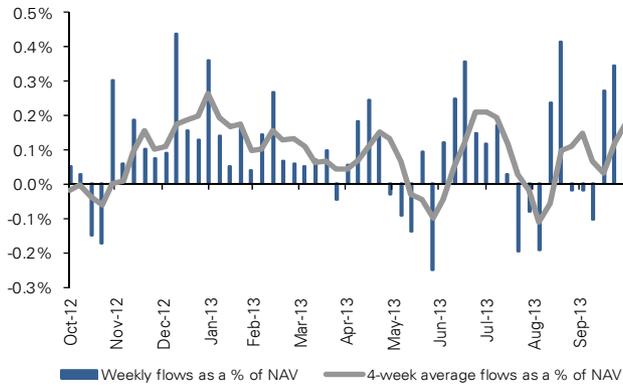


Source: EPFR/ Deutsche Bank Equity Strategy



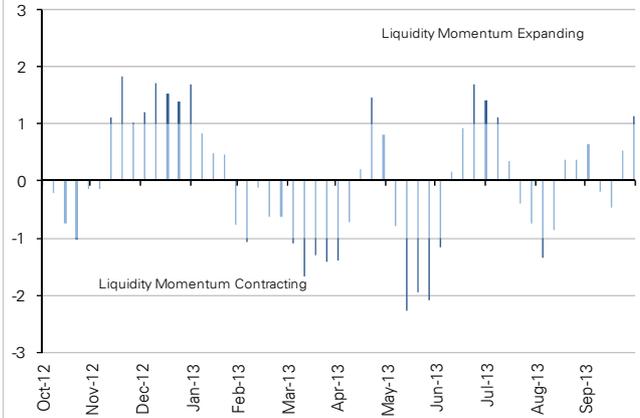
Flows into Equity funds (all including ETFs)

Figure 23: Flow into Total Equity Funds (% of assets)



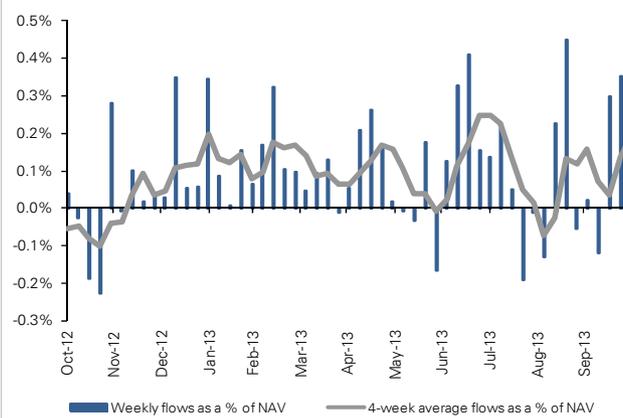
Source: EPFR/ Deutsche Bank calculations

Figure 24: Total Equity Market Liquidity Pulse



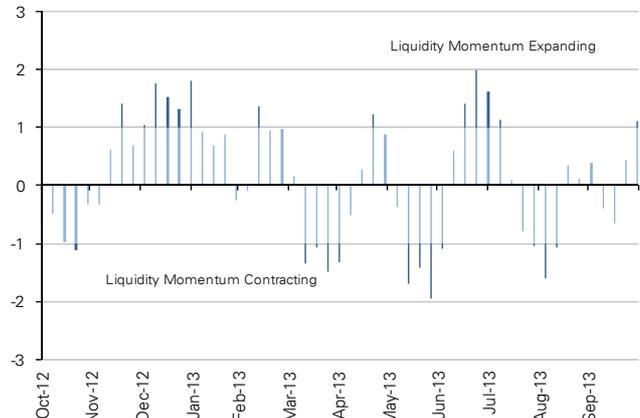
Source: EPFR/ Deutsche Bank calculations

Figure 25: Flow into Total Developed Market Equity Funds (% of assets)



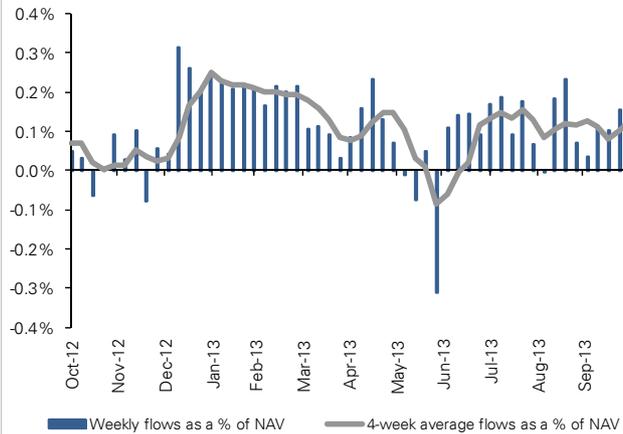
Source: EPFR/ Deutsche Bank calculations

Figure 26: Total Developed Equity Market Liquidity Pulse



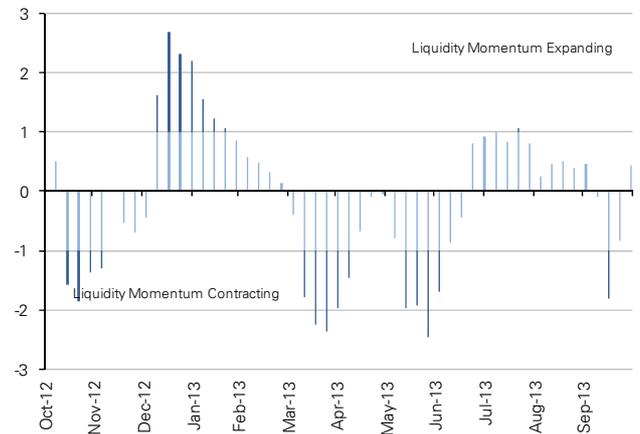
Source: EPFR/ Deutsche Bank calculations

Figure 27: Flow into Intl. Equity Funds (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 28: International Equity Market Liquidity Pulse

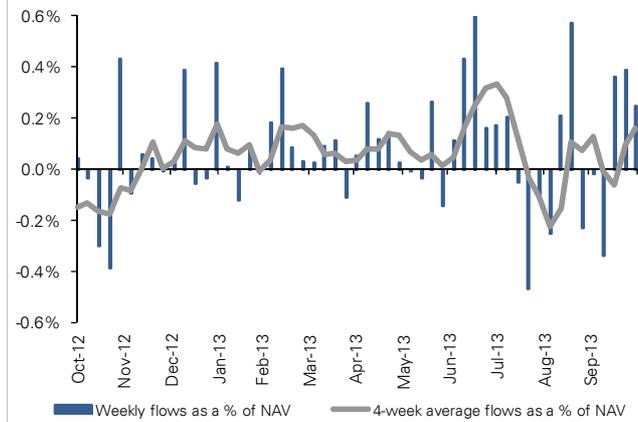


Source: EPFR/ Deutsche Bank calculations



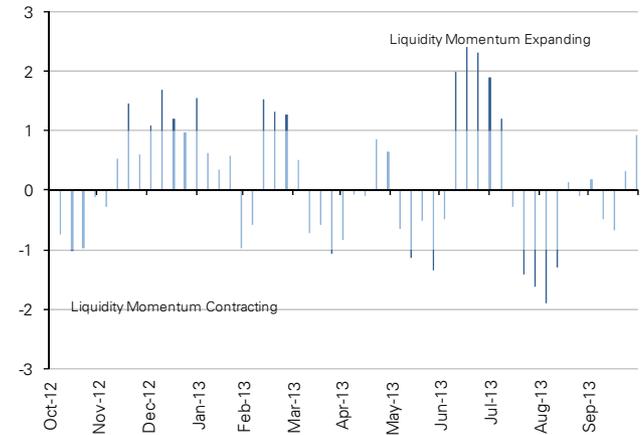
Flows into Equity funds (all including ETFs)

Figure 29: Flow into US Equity Funds (% of assets)



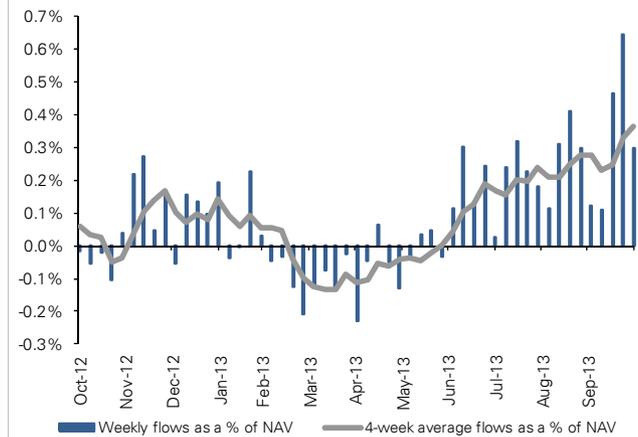
Source: EPFR/ Deutsche Bank calculations

Figure 30: US Equity Market Liquidity Pulse



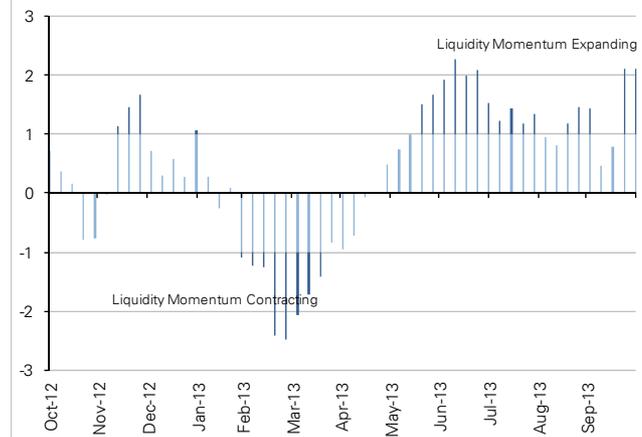
Source: EPFR/ Deutsche Bank calculations

Figure 31: Flow into Western Europe Equity Funds (% of assets)



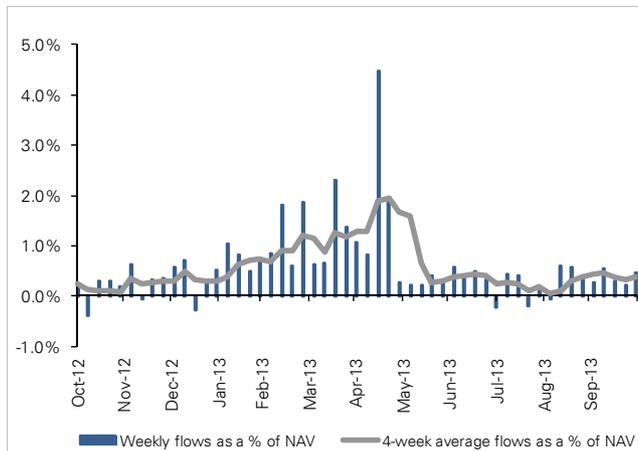
Source: EPFR/ Deutsche Bank calculations

Figure 32: Western Europe Equity Market Liquidity Pulse



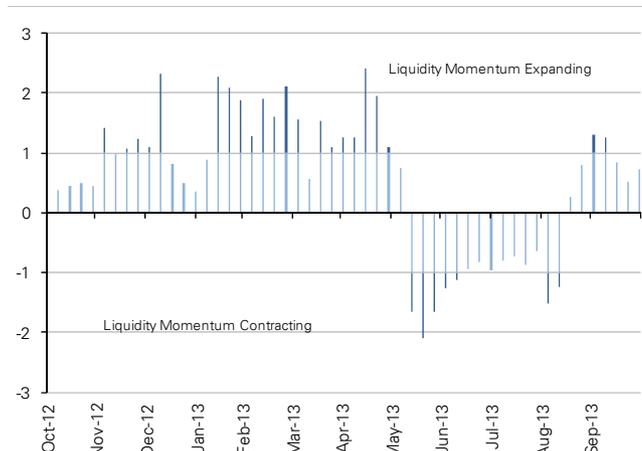
Source: EPFR/ Deutsche Bank calculations

Figure 33: Flow into Japan Equity Funds (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 34: Japan Equity Market Liquidity Pulse

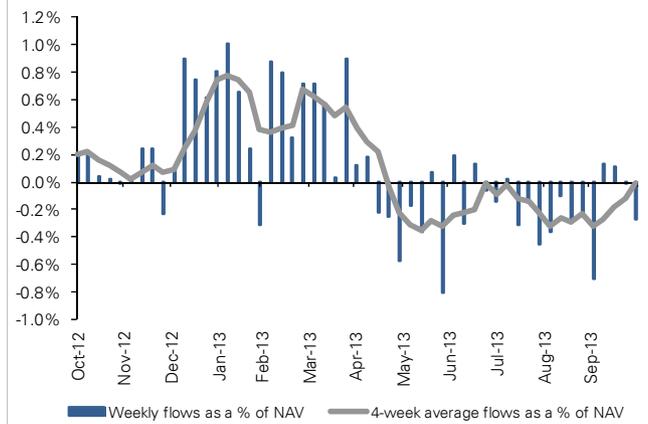


Source: EPFR/ Deutsche Bank calculations



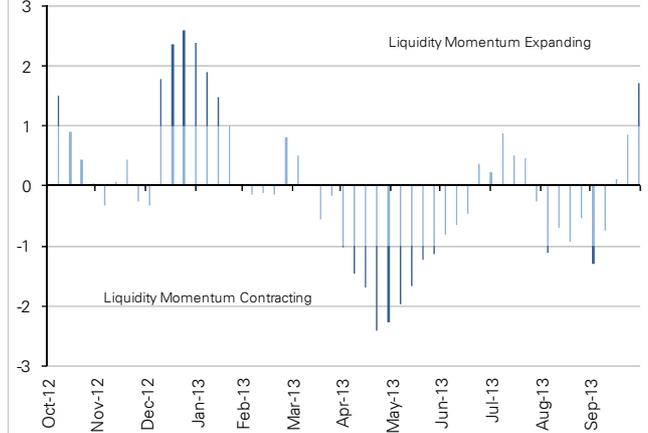
Flows into Equity funds (all including ETFs)

Figure 35: Flow into Pacific Equity Funds (% of assets)



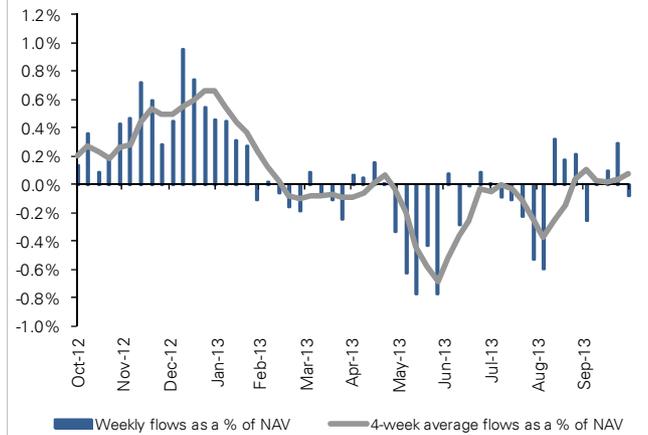
Source: EPFR/ Deutsche Bank calculations

Figure 36: Pacific Equity Market Liquidity Pulse



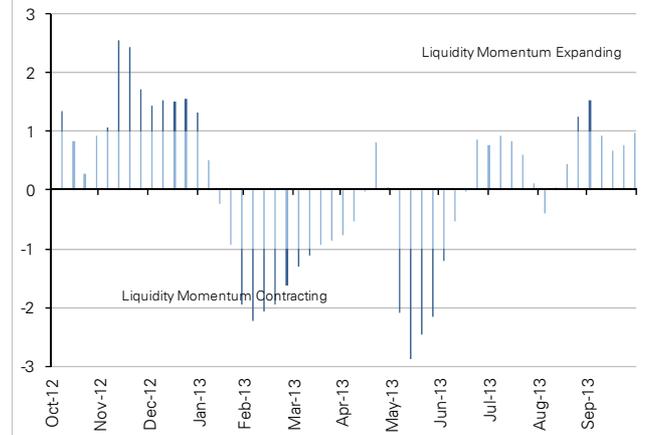
Source: EPFR/ Deutsche Bank calculations

Figure 37: Flow into Total EM Equity Funds (% of assets)



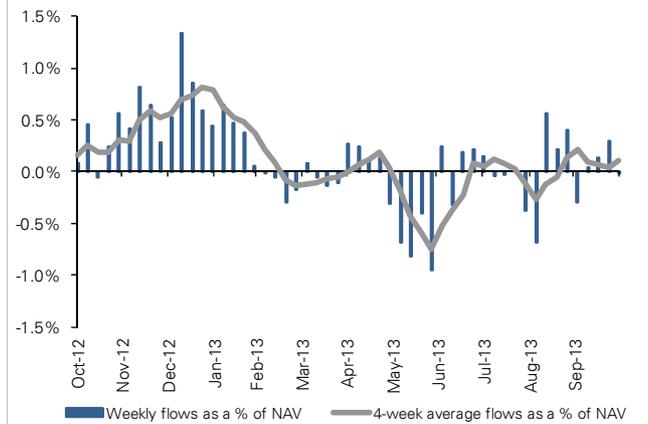
Source: EPFR/ Deutsche Bank calculations

Figure 38: Total Emerging Equity Market Liquidity Pulse



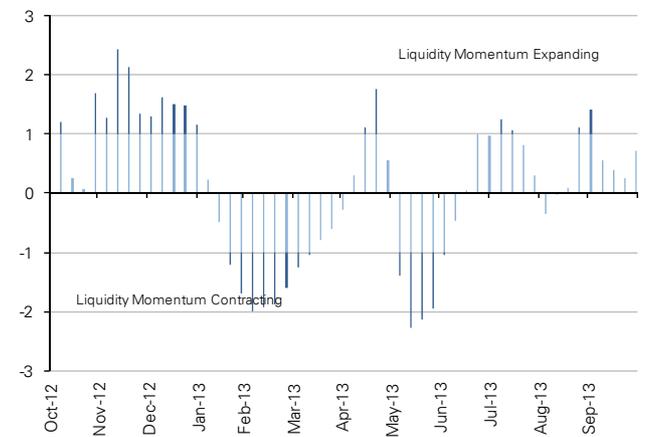
Source: EPFR/ Deutsche Bank calculations

Figure 39: Flow into GEM Equity Funds (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 40: GEM Equity Market Liquidity Pulse

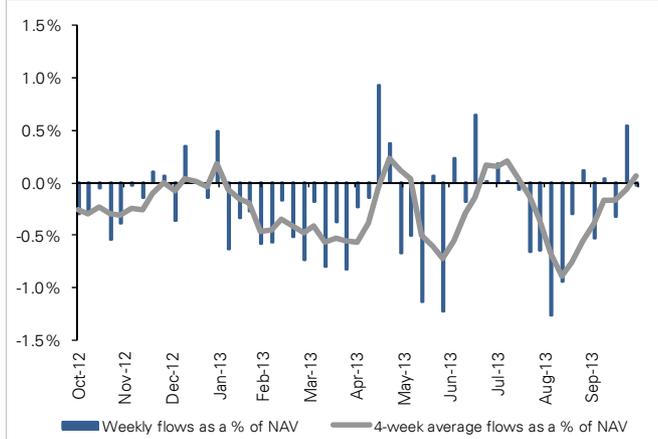


Source: EPFR/ Deutsche Bank calculations



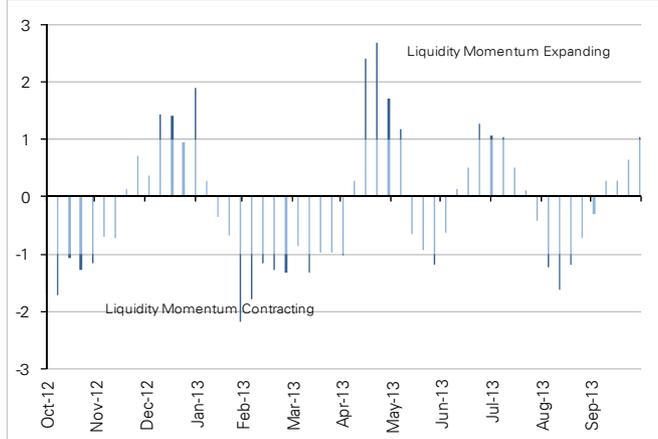
Flows into Equity funds (all including ETFs)

Figure 41: Flow into EMEA Equity Funds (% of assets)



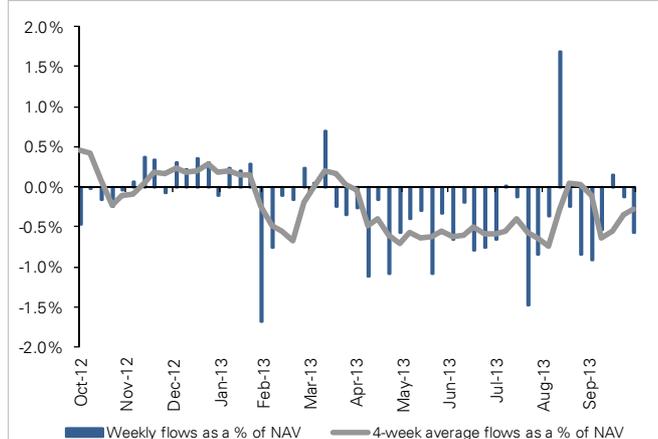
Source: EPFR/ Deutsche Bank calculations

Figure 42: EMEA Equity Market Liquidity Pulse



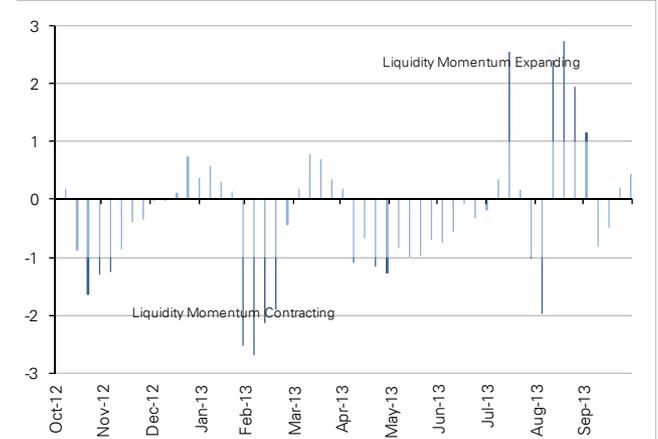
Source: EPFR/ Deutsche Bank calculations

Figure 43: Flow into Lat-Am Equity Funds (% of assets)



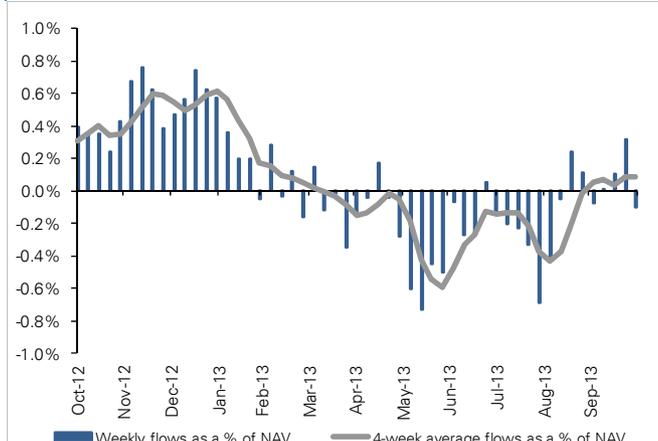
Source: EPFR/ Deutsche Bank calculations

Figure 44: Lat-Am Equity Market Liquidity Pulse



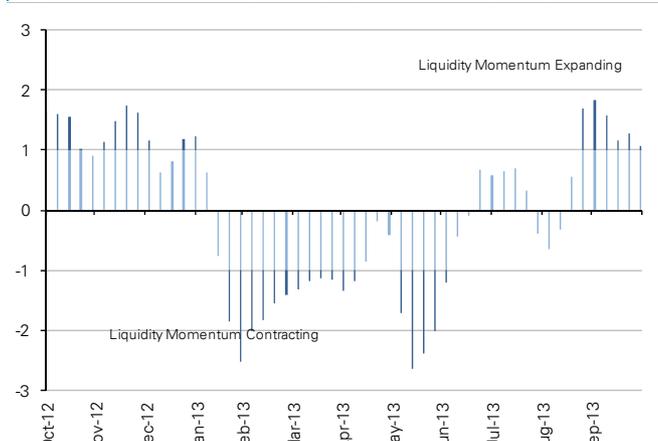
Source: EPFR/ Deutsche Bank calculations

Figure 45: Flow into AxJ Equity Funds (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 46: Asia ex-Japan Equity Market Liquidity Pulse

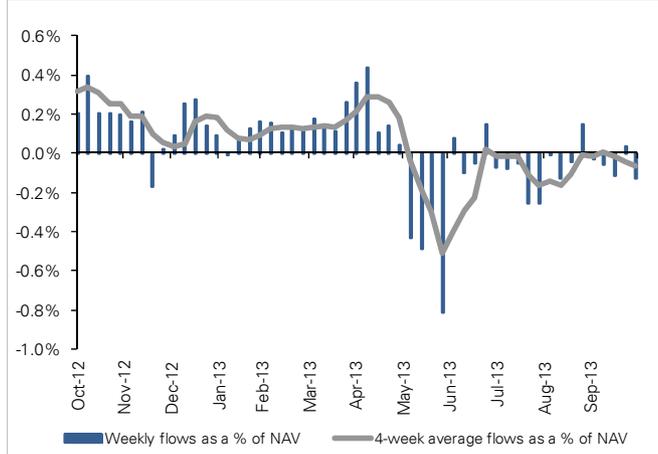


Source: EPFR/ Deutsche Bank calculations



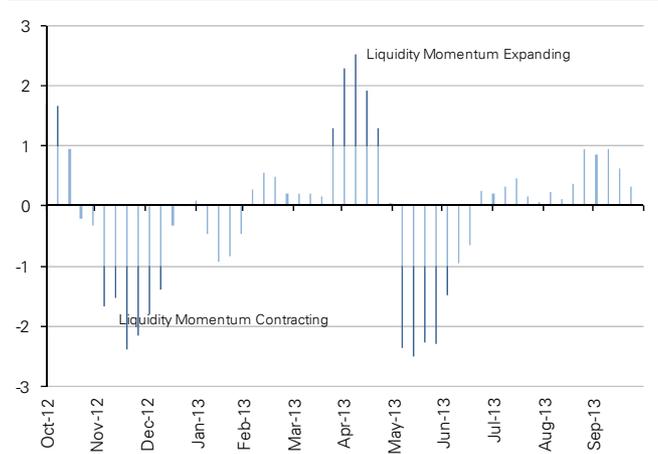
Flows into Bond funds (all including ETFs)

Figure 47: Flow into Total Bond Funds (% of assets)



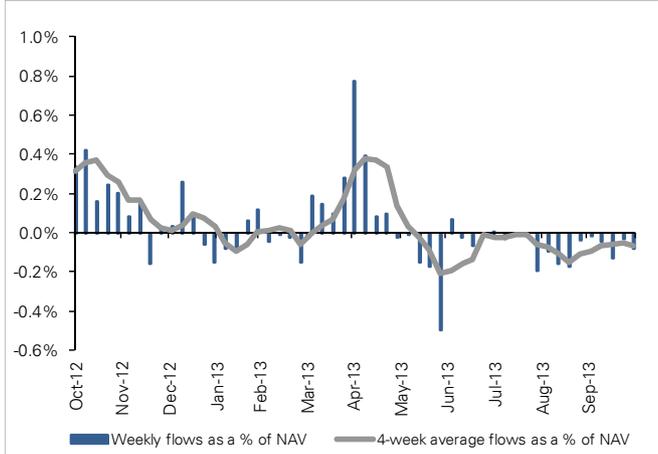
Source: EPFR/ Deutsche Bank calculations

Figure 48: Total Bond Market Liquidity Pulse



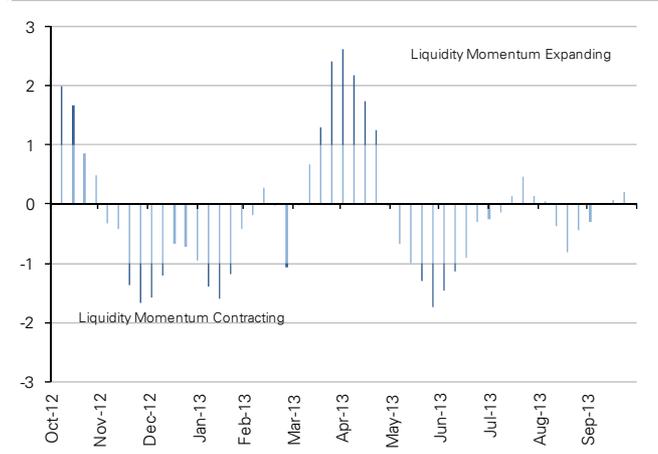
Source: EPFR/ Deutsche Bank calculations

Figure 49: Flow into Intl. Bond Funds (% of assets)



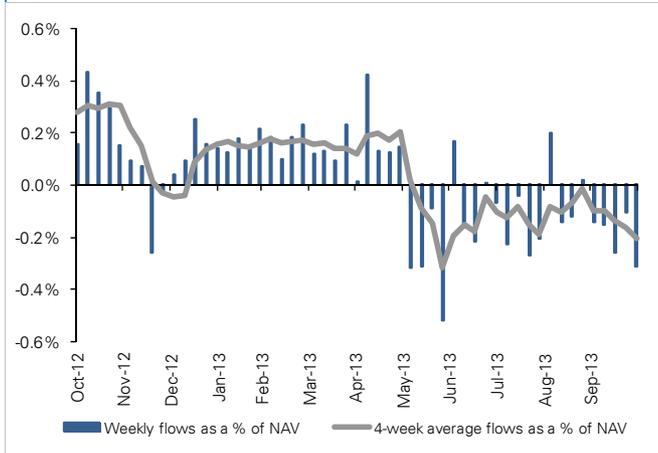
Source: EPFR/ Deutsche Bank calculations

Figure 50: International Bond Market Liquidity Pulse



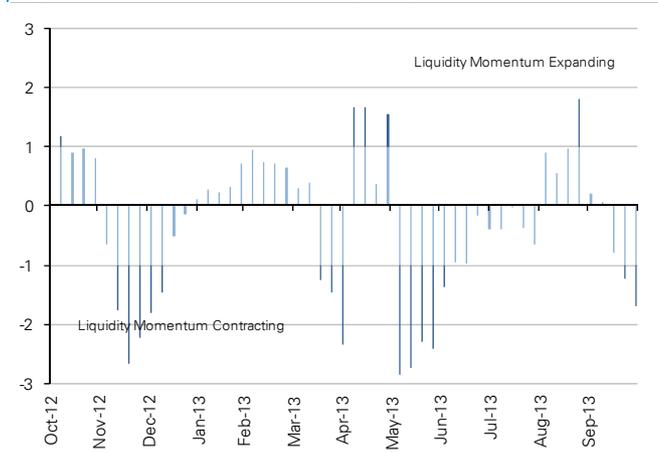
Source: EPFR/ Deutsche Bank calculations

Figure 51: Flow into US Bond Funds (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 52: US Bond Market Liquidity Pulse

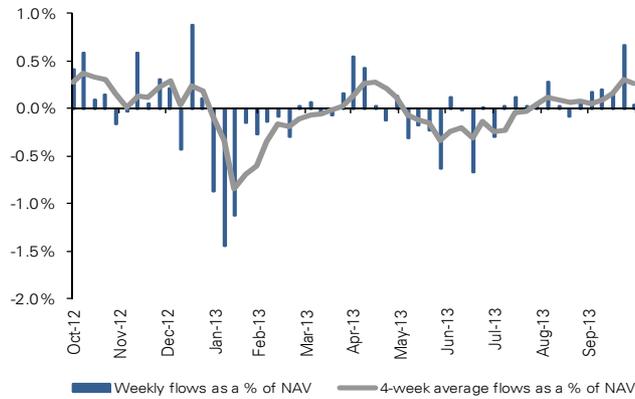


Source: EPFR/ Deutsche Bank calculations



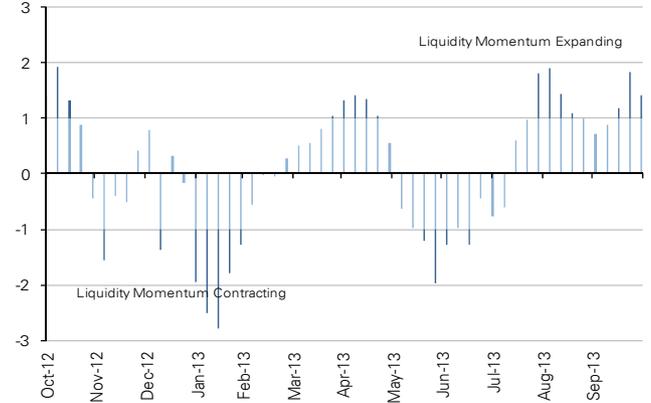
Flows into Bond funds (all including ETFs)

Figure 53: Flow into W. Europe Bond Funds (% of assets)



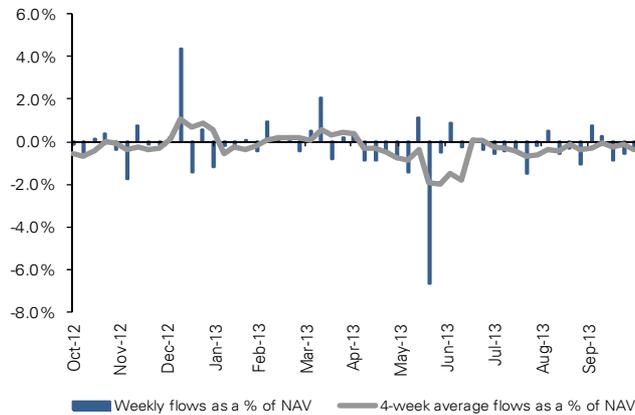
Source: EPFR/ Deutsche Bank calculations

Figure 54: Western Europe Bond Market Liquidity Pulse



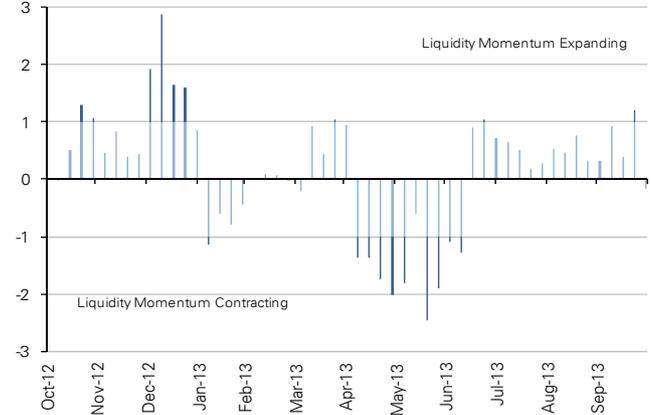
Source: EPFR/ Deutsche Bank calculations

Figure 55: Flow into German Bond Funds (% of assets)



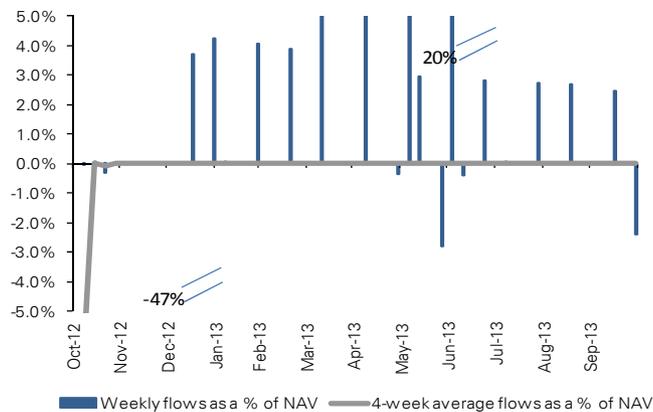
Source: EPFR/ Deutsche Bank calculations

Figure 56: Germany Bond Market Liquidity Pulse



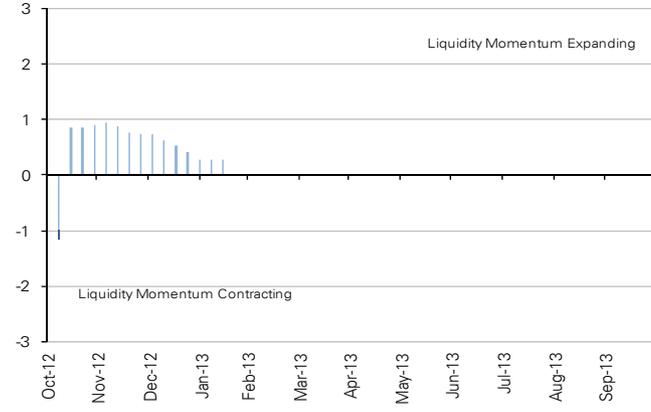
Source: EPFR/ Deutsche Bank calculations

Figure 57: Flow into France Bond Funds (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 58: France Bond Market Liquidity Pulse

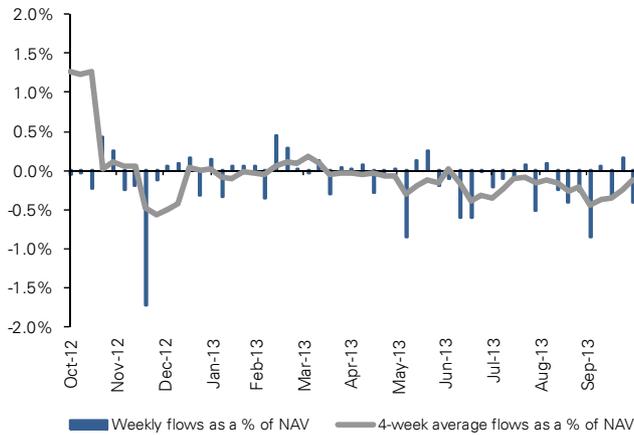


Source: EPFR/ Deutsche Bank calculations



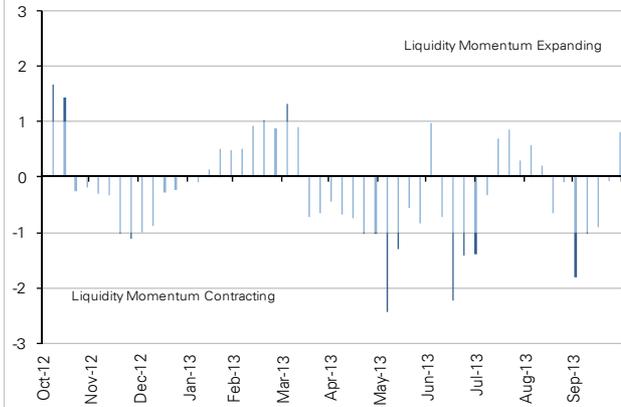
Flows into Bond funds (all including ETFs)

Figure 59: Flow into Swiss Bond Funds (% of assets)



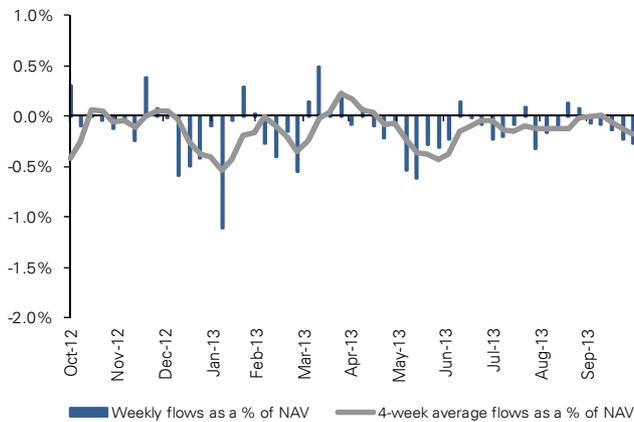
Source: EPFR/ Deutsche Bank calculations

Figure 60: Switzerland Bond Market Liquidity Pulse



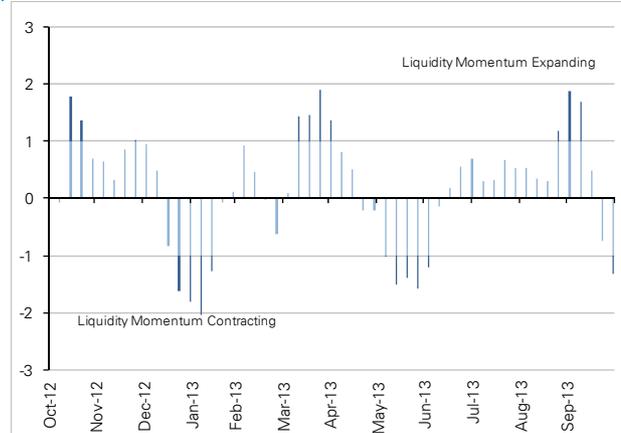
Source: EPFR/ Deutsche Bank calculations

Figure 61: Flow into UK Bond Funds (% of assets)



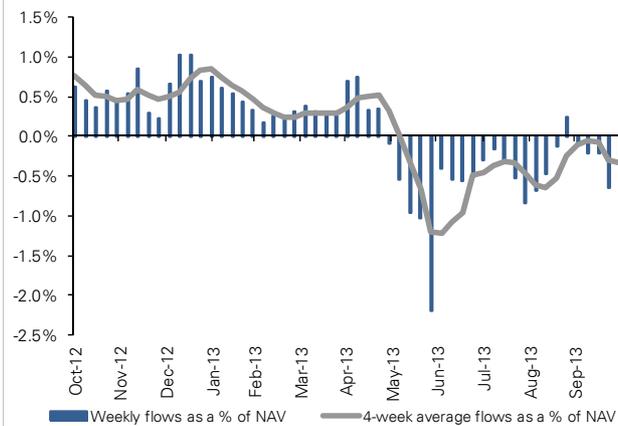
Source: EPFR/ Deutsche Bank calculations

Figure 62: UK Bond Market Liquidity Pulse



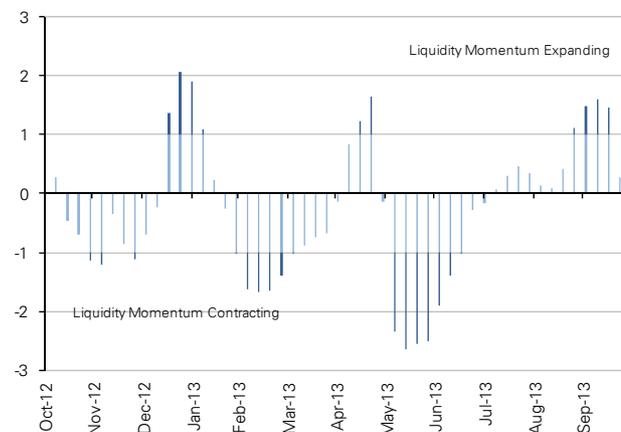
Source: EPFR/ Deutsche Bank calculations

Figure 63: Flow into EM Bond funds (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 64: Emerging Bond Market Liquidity Pulse

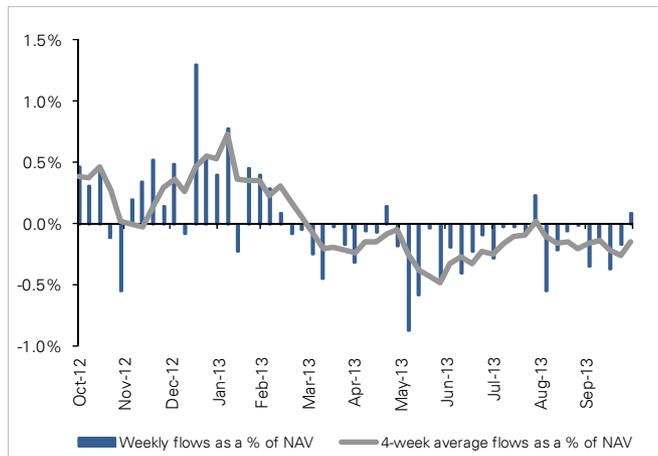


Source: EPFR/ Deutsche Bank calculations



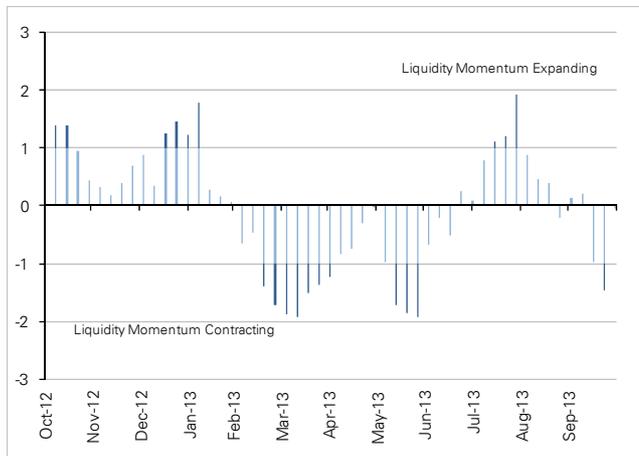
Flows into Bond funds (all including ETFs)

Figure 65: Flow into Emg Eur Bond Funds (% of assets)



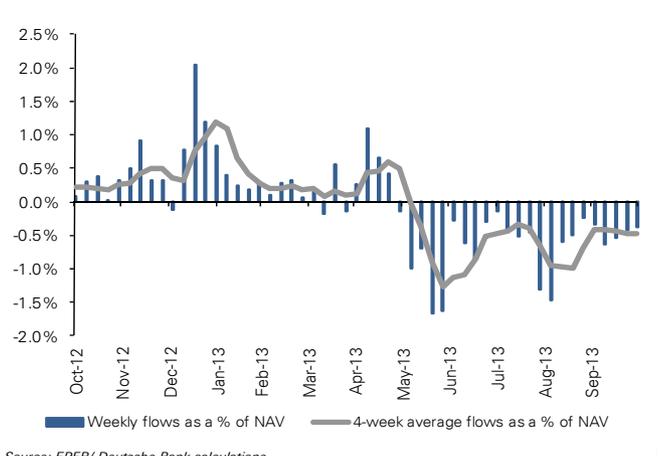
Source: EPFR/ Deutsche Bank calculations

Figure 66: Emg Europe Bond Market Liquidity Pulse



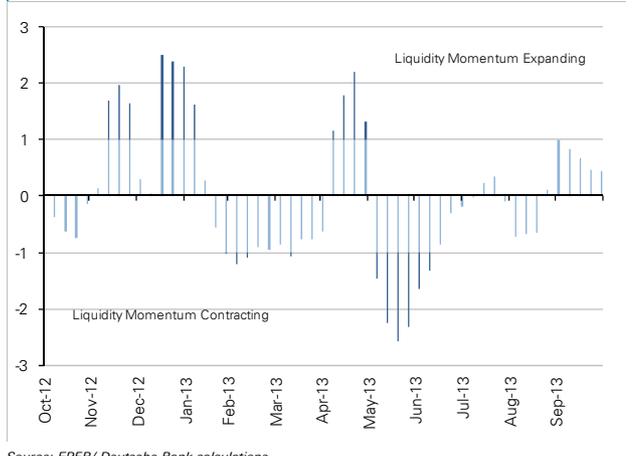
Source: EPFR/ Deutsche Bank calculations

Figure 67: Flow into Asia ex JP Bond Funds (% of assets)



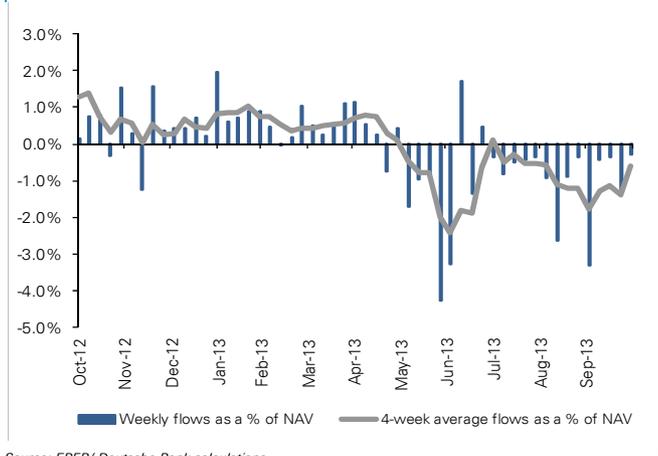
Source: EPFR/ Deutsche Bank calculations

Figure 68: Asia ex JP Bond Market Liquidity Pulse



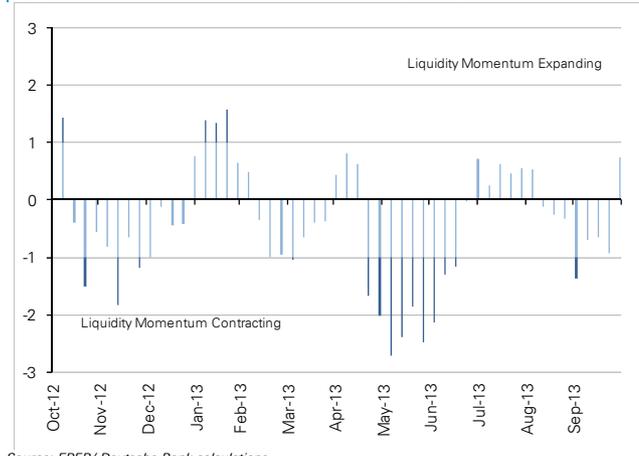
Source: EPFR/ Deutsche Bank calculations

Figure 69: Flow into Lat-Am Bond Funds (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 70: Lat-Am Bond Market Liquidity Pulse

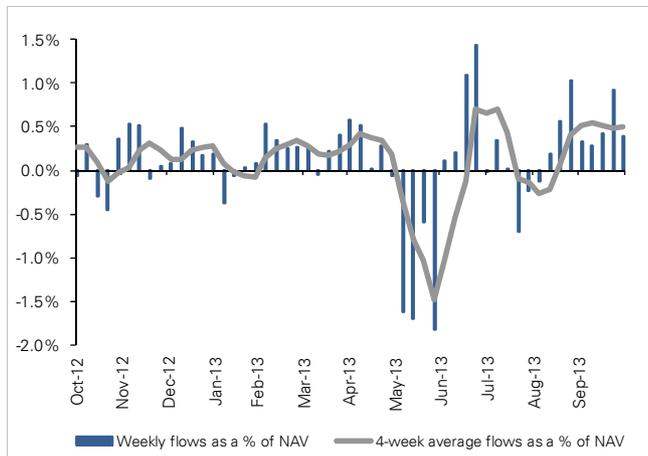


Source: EPFR/ Deutsche Bank calculations



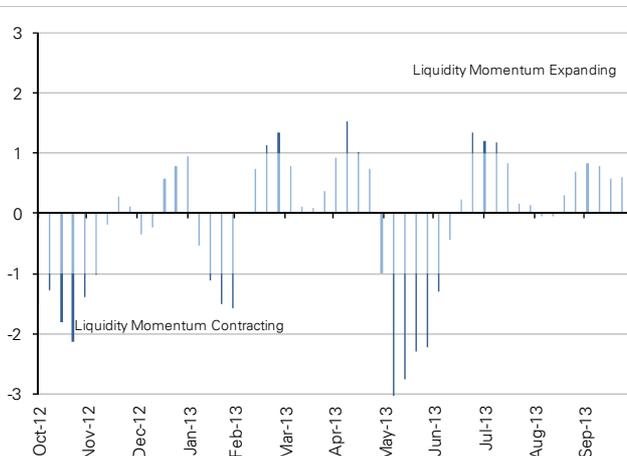
Flows into Bond funds (all including ETFs)

Figure 71: Flow into Corp. HY Bond Funds (% of assets)



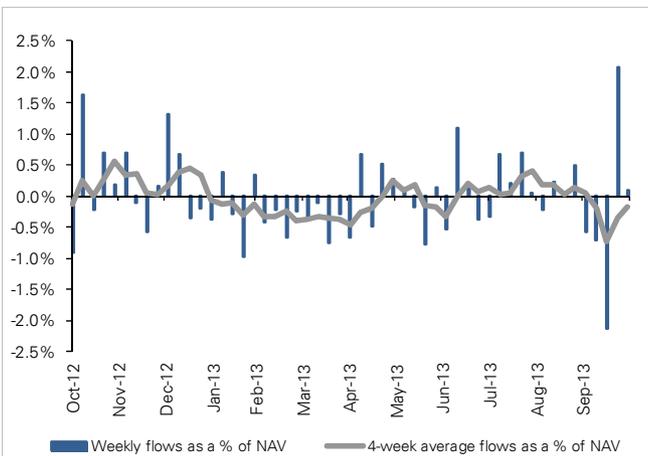
Source: EPFR/ Deutsche Bank calculations

Figure 72: Corp. High Yield Bond Market Liquidity Pulse



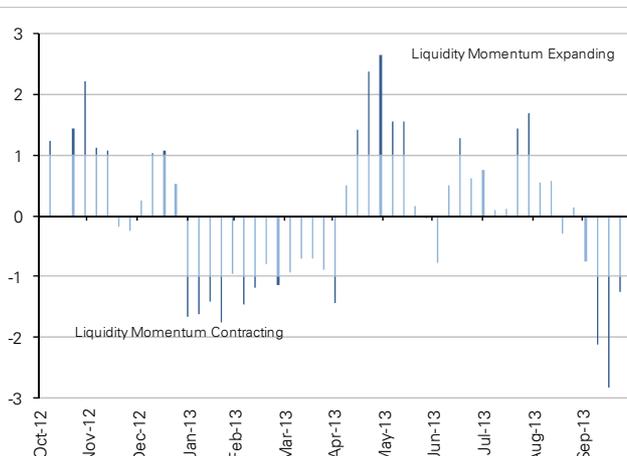
Source: EPFR/ Deutsche Bank calculations

Figure 73: Flow into Money Market funds (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 74: Money Market Liquidity Pulse

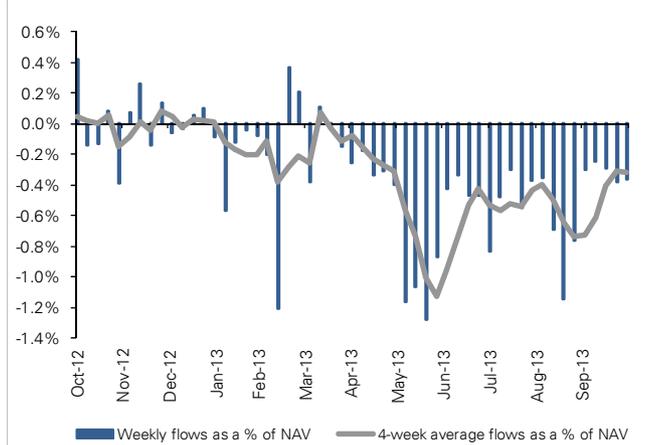


Source: EPFR/ Deutsche Bank calculations



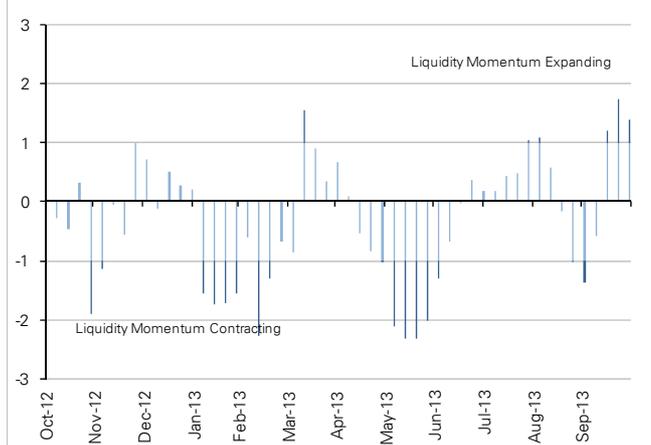
Flows into Thematic funds (all including ETFs)

Figure 75: Flow into Global Inflation Protected Bond Funds (% of assets)



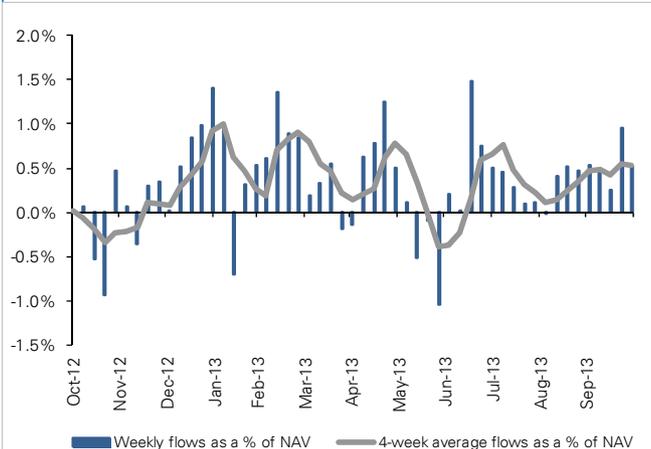
Source: EPFR/ Deutsche Bank calculations

Figure 76: Global Inflation Protected Bond Market Liquidity Pulse



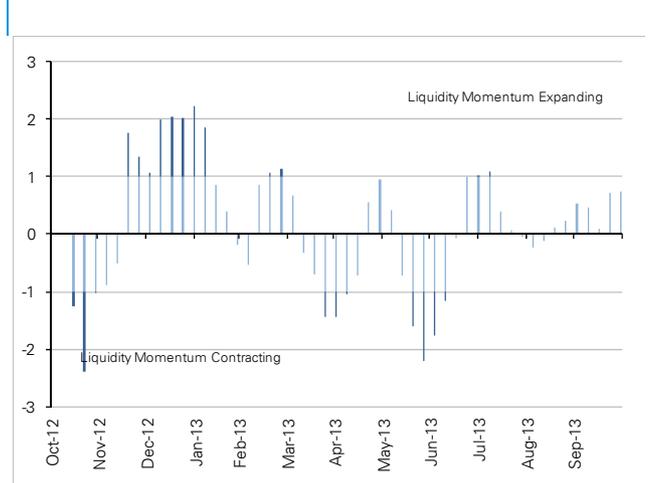
Source: EPFR/ Deutsche Bank calculations

Figure 77: Flow into Convertible Bond Funds (% of assets)



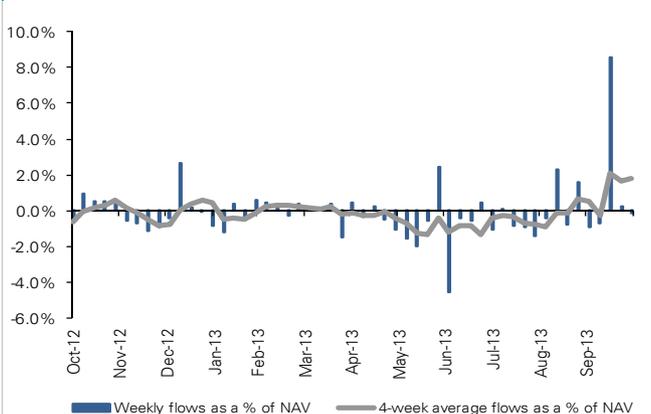
Source: EPFR/ Deutsche Bank calculations

Figure 78: Convertible Bond Market Liquidity Pulse



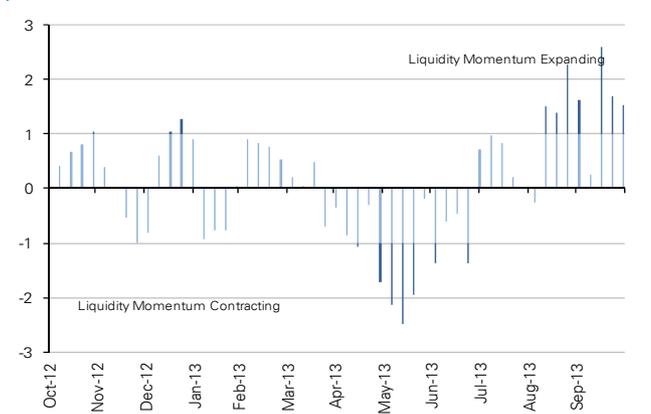
Source: EPFR/ Deutsche Bank calculations

Figure 79: Flow into Currency Funds (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 80: Currency Market Liquidity Pulse

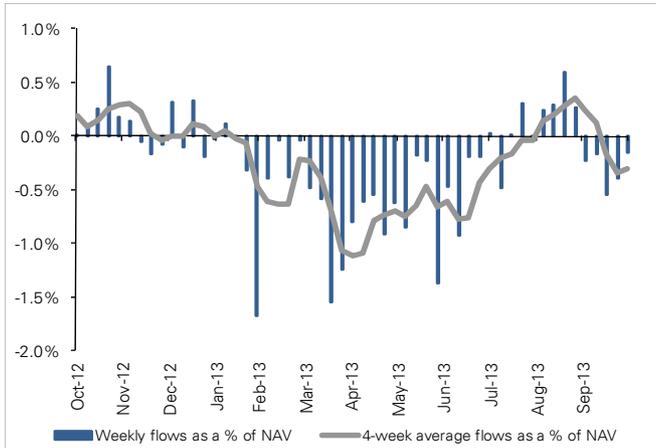


Source: EPFR/ Deutsche Bank calculations



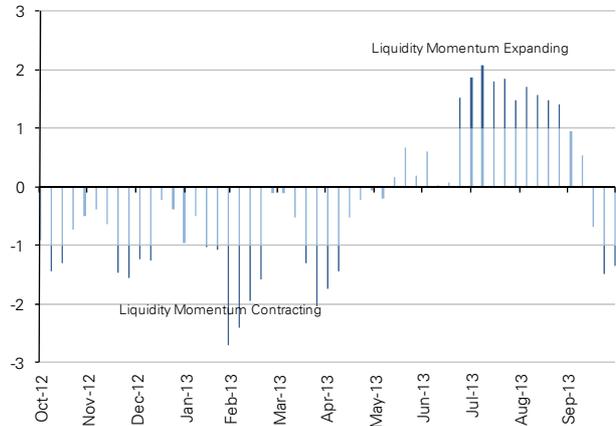
Flows into Global sector equity funds (all including ETFs)

Figure 81: Flow into Gbl Comm. Funds (% of assets)



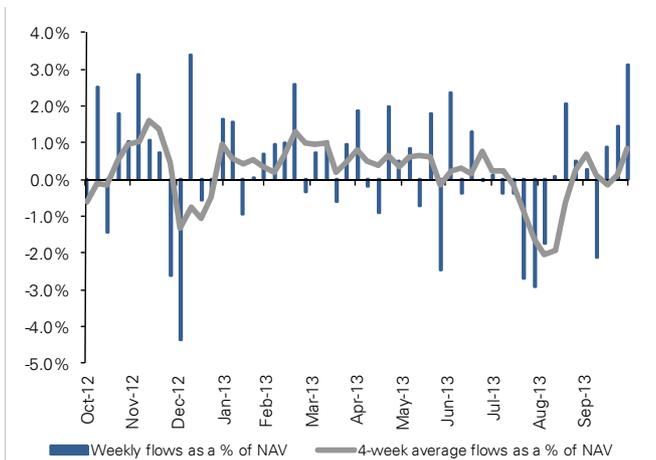
Source: EPFR/ Deutsche Bank calculations

Figure 82: Gbl Comms./Mats Sector Liquidity Pulse



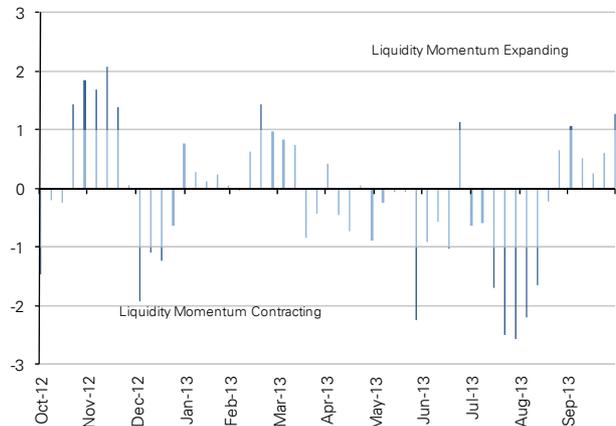
Source: EPFR/ Deutsche Bank calculations

Figure 83: Flow into Gbl Cons. Gds Funds (% of assets)



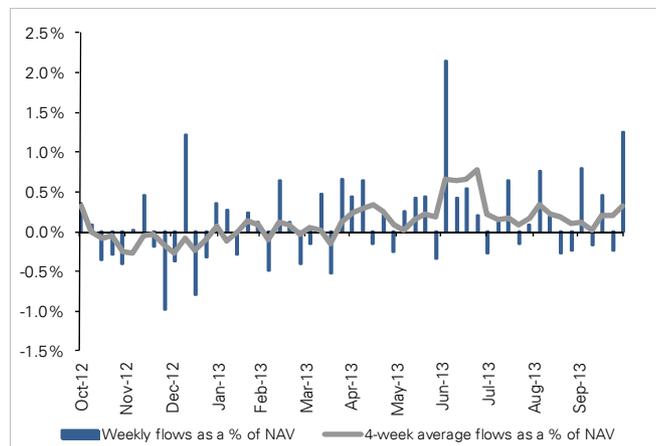
Source: EPFR/ Deutsche Bank calculations

Figure 84: Gbl Consumer Gds Sector Liquidity Pulse



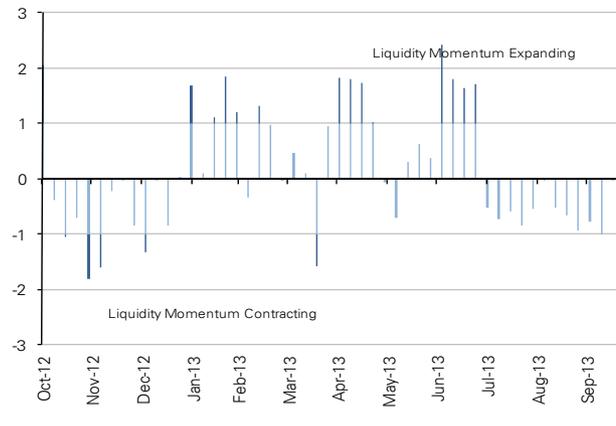
Source: EPFR/ Deutsche Bank calculations

Figure 85: Flow into Gbl Energy Funds (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 86: Gbl Energy Sector Liquidity Pulse

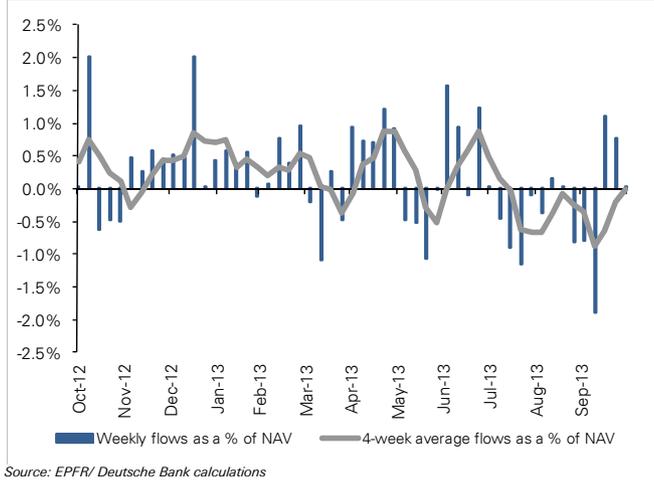


Source: EPFR/ Deutsche Bank calculations



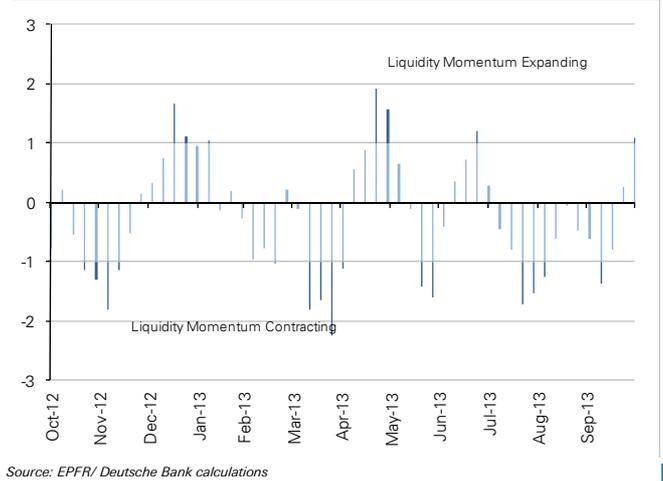
Flows into Global sector equity funds (all including ETFs)

Figure 87: Flow into Gbl Financials Funds (% of assets)



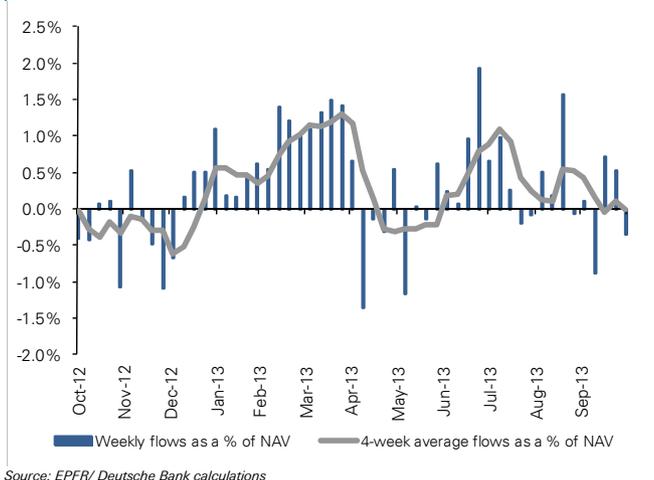
Source: EPFR/ Deutsche Bank calculations

Figure 88: Gbl Financials Sector Liquidity Pulse



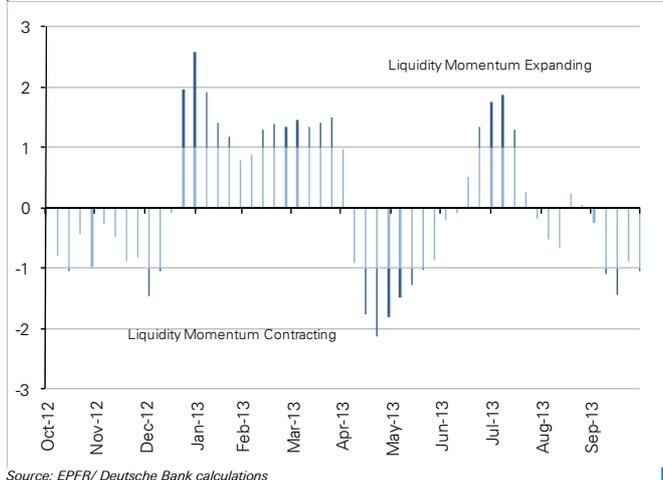
Source: EPFR/ Deutsche Bank calculations

Figure 89: Flow into Gbl HC & Bio. Funds (% of assets)



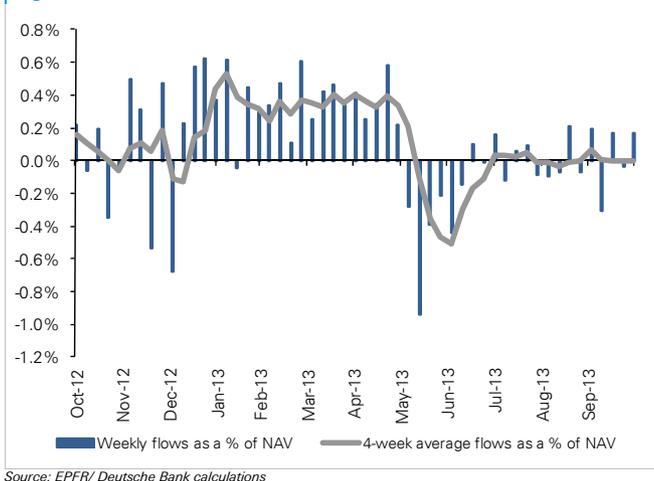
Source: EPFR/ Deutsche Bank calculations

Figure 90: Gbl HC & Biotech Sector Liquidity Pulse



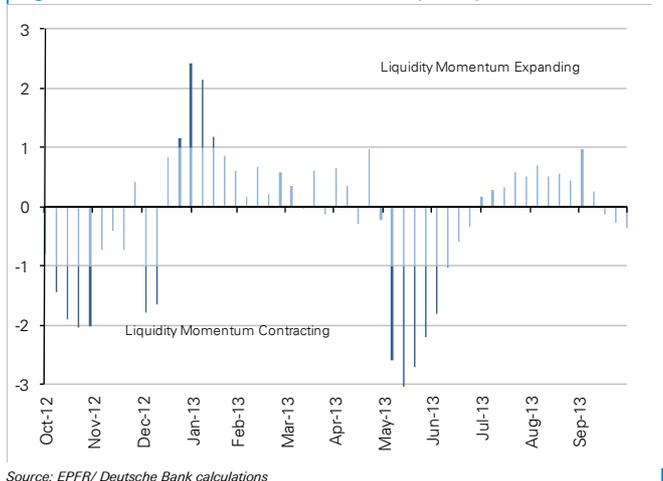
Source: EPFR/ Deutsche Bank calculations

Figure 91: Flow into Gbl Real Estate Funds (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 92: Gbl Real Estate Sector Liquidity Pulse

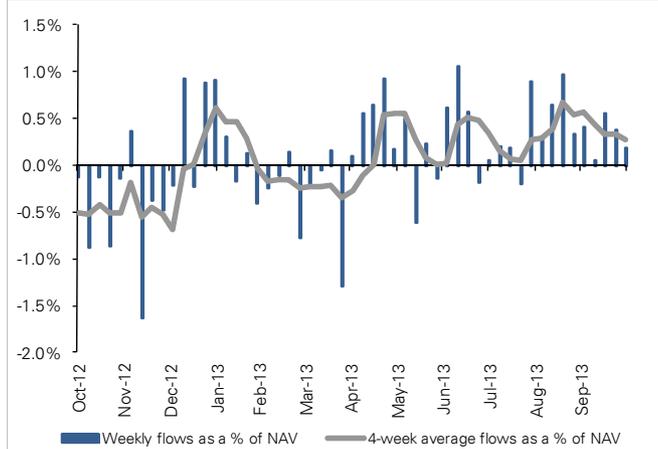


Source: EPFR/ Deutsche Bank calculations



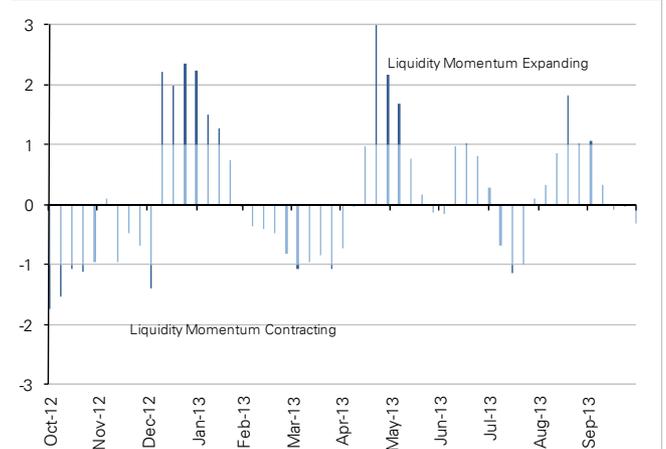
Flows into Global sector equity funds (all including ETFs)

Figure 93: Flow into Gbl Technology Funds (% of assets)



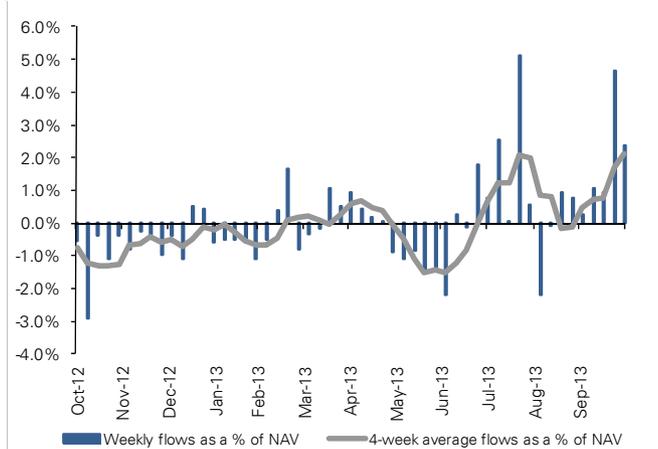
Source: EPFR/ Deutsche Bank calculations

Figure 94: Gbl Technology Sector Liquidity Pulse



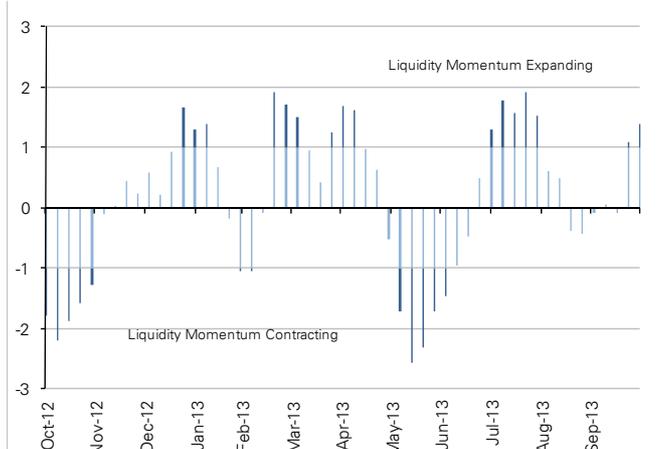
Source: EPFR/ Deutsche Bank calculations

Figure 95: Flow into Gbl Telecom Funds (% of assets)



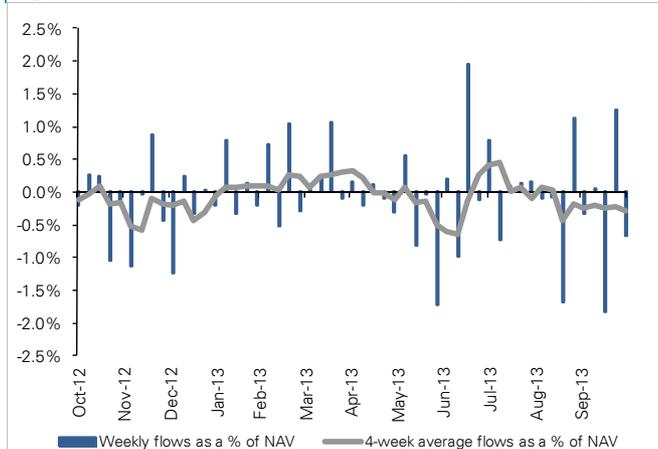
Source: EPFR/ Deutsche Bank calculations

Figure 96: Gbl Telecom Sector Liquidity Pulse



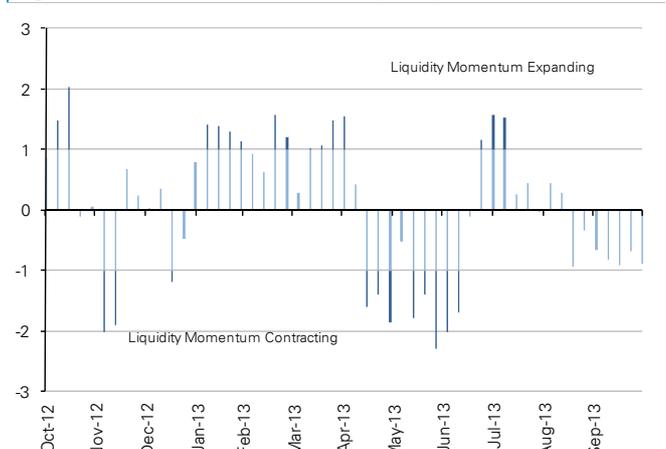
Source: EPFR/ Deutsche Bank calculations

Figure 97: Flow into Gbl Utilities Funds (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 98: Gbl Utilities Sector Liquidity Pulse

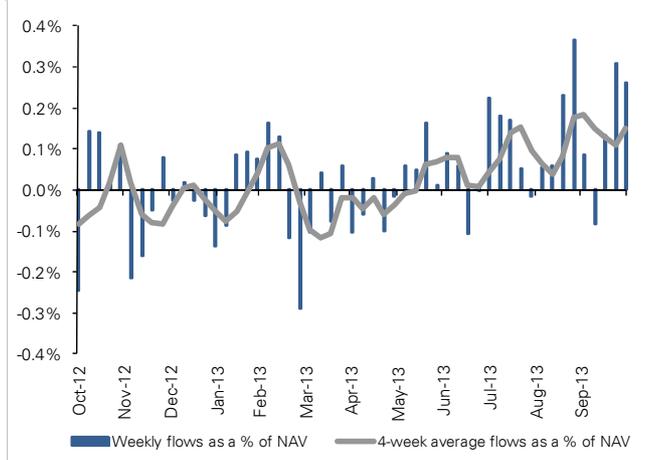


Source: EPFR/ Deutsche Bank calculations



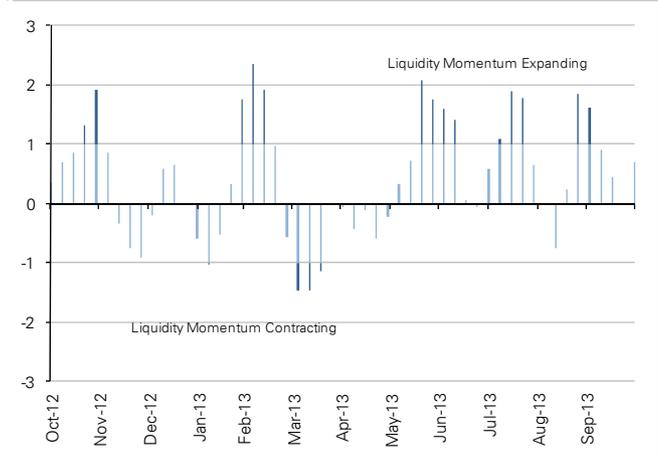
Flows into European country equity funds (all including ETFs)

Figure 99: Flow into UK Equity Funds (% of assets)



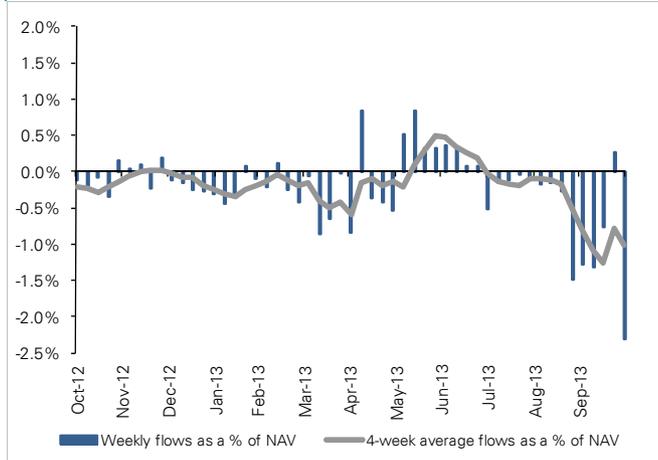
Source: EPFR/ Deutsche Bank calculations

Figure 100: UK Equity Market Liquidity Pulse



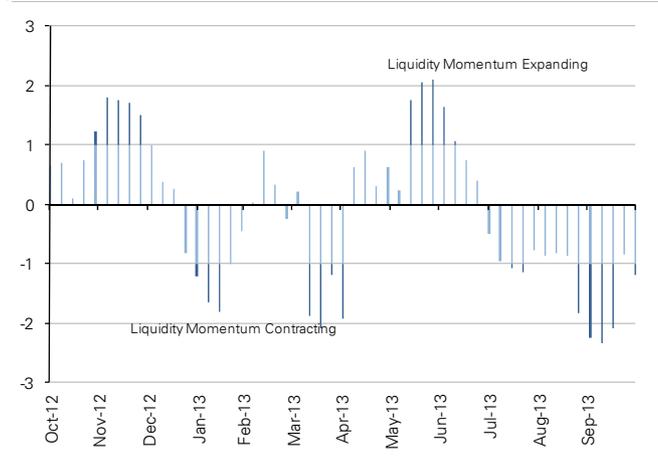
Source: EPFR/ Deutsche Bank calculations

Figure 101: Flow into Germany Equity Funds (% of)



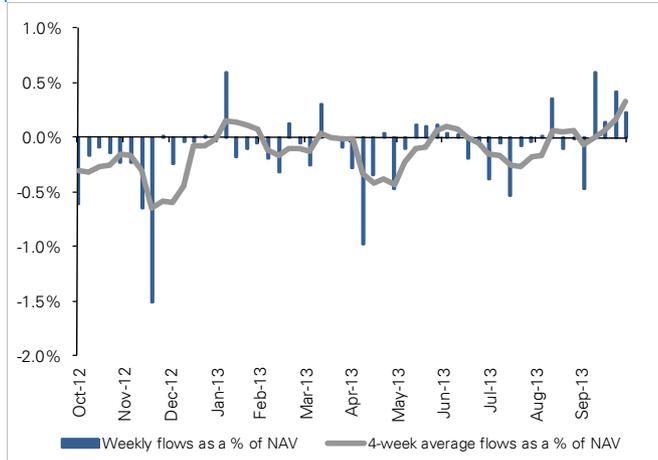
Source: EPFR/ Deutsche Bank calculations

Figure 102: Germany Equity Market Liquidity Pulse



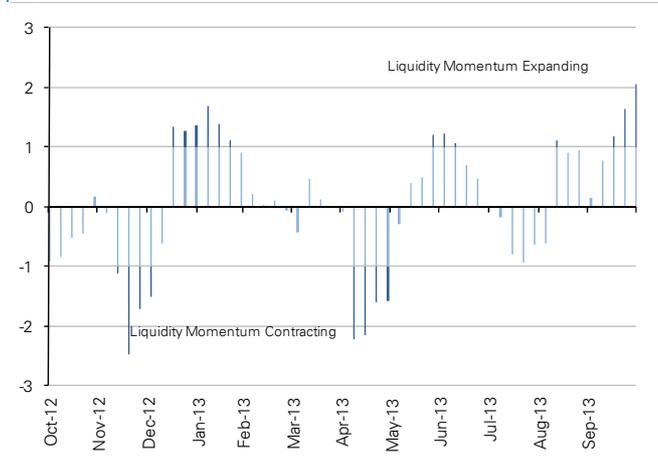
Source: EPFR/ Deutsche Bank calculations

Figure 103: Flow into France Equity Funds (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 104: France Equity Market Liquidity Pulse

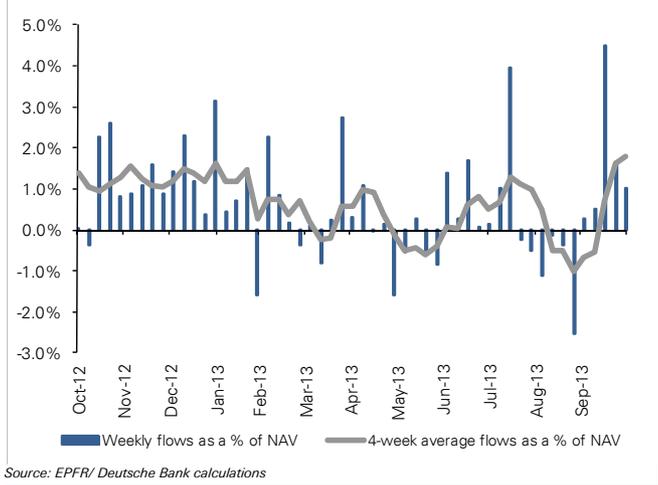


Source: EPFR/ Deutsche Bank calculations



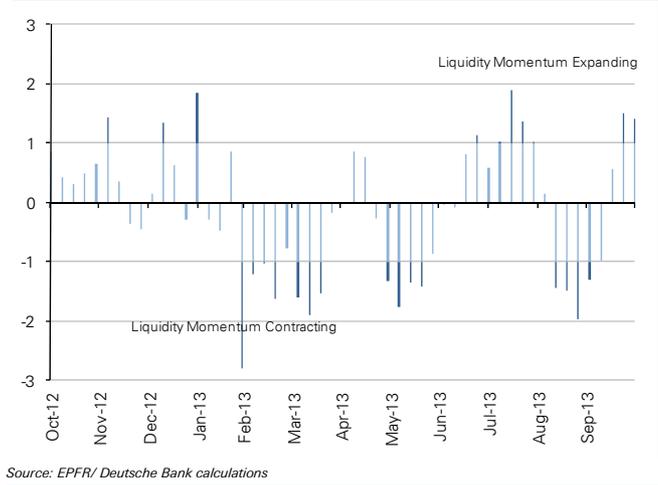
Flows into European country equity funds (all including ETFs)

Figure 105: Flow into Italy Equity Funds (% of assets)



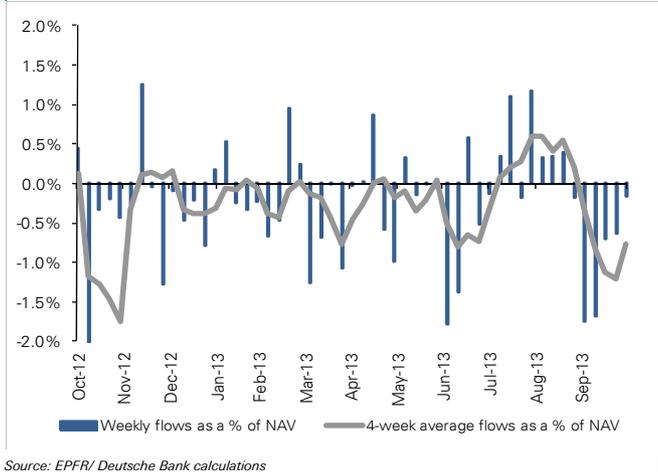
Source: EPFR/ Deutsche Bank calculations

Figure 106: Italy Equity Market Liquidity Pulse



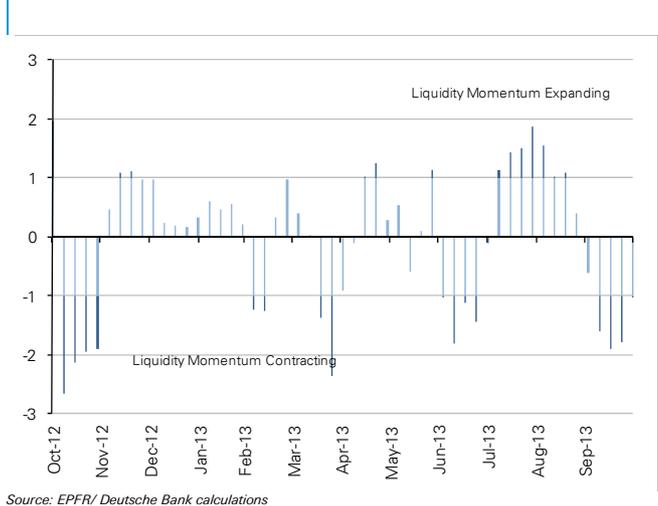
Source: EPFR/ Deutsche Bank calculations

Figure 107: Flow into Netherlands Equity Funds (% of assets)



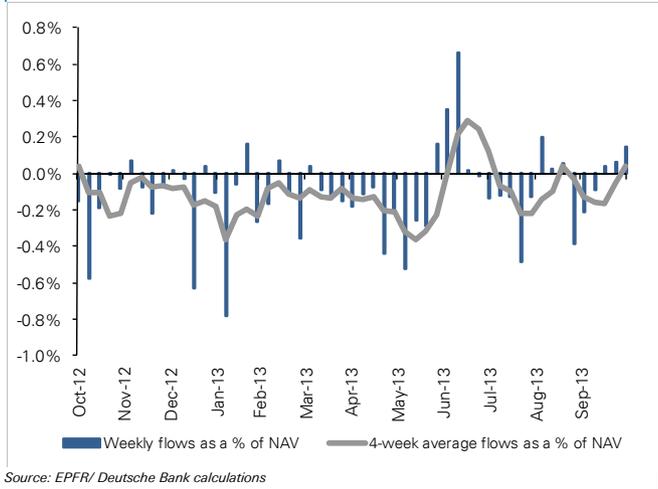
Source: EPFR/ Deutsche Bank calculations

Figure 108: Netherlands Equity Market Liquidity Pulse



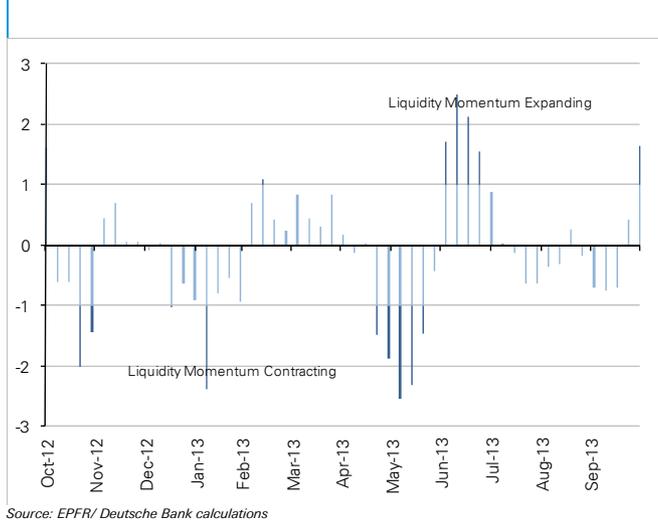
Source: EPFR/ Deutsche Bank calculations

Figure 109: Flow into Switzerland Equity Funds (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 110: Switzerland Equity Market Liquidity Pulse

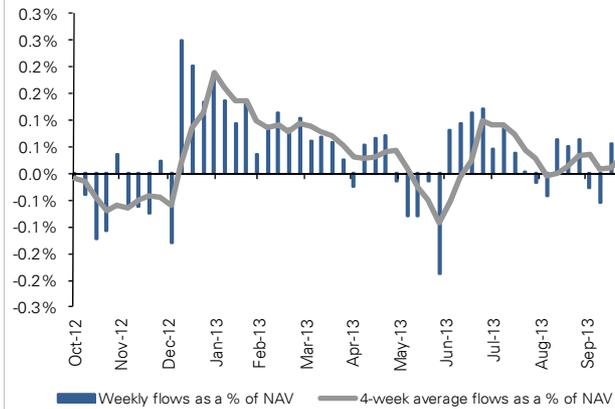


Source: EPFR/ Deutsche Bank calculations



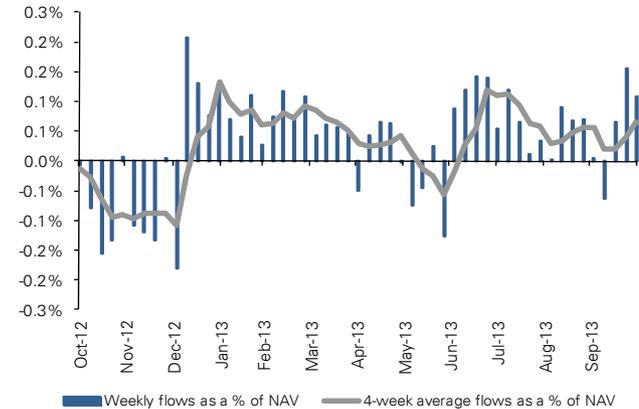
Flows into Equity funds (all ex ETFs)

Figure 111: Flow into Total Equity Funds ex ETFs (% of assets)



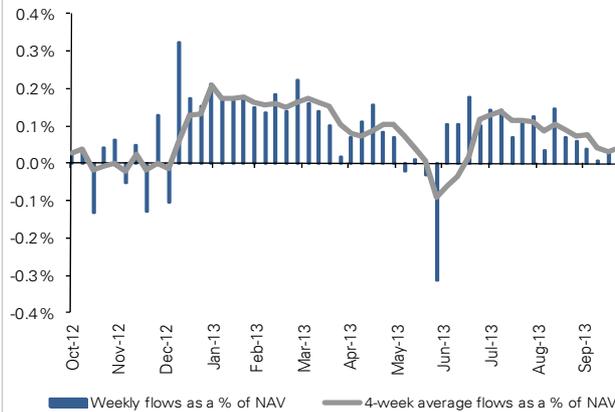
Source: EPFR/ Deutsche Bank calculations

Figure 112: Flow into Total Dev. Mkt. Equity Funds ex ETFs (% of assets)



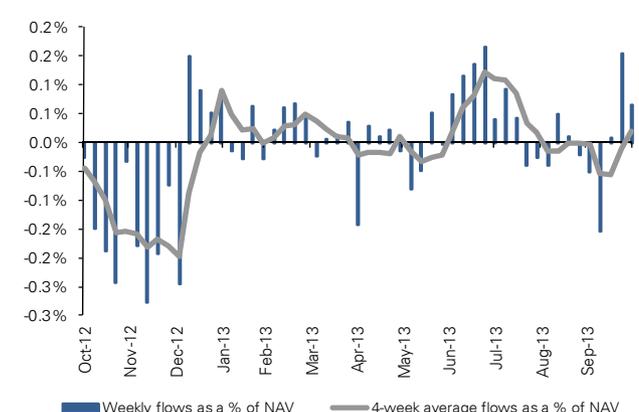
Source: EPFR/ Deutsche Bank calculations

Figure 113: Flow into International Equity Funds ex ETFs (% of assets)



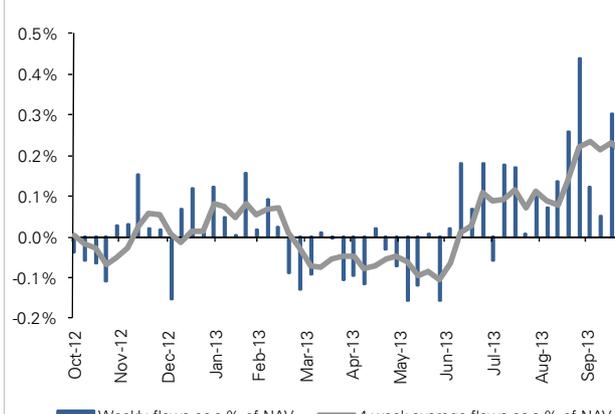
Source: EPFR/ Deutsche Bank calculations

Figure 114: Flow into US Equity Funds ex ETFs (% of assets)



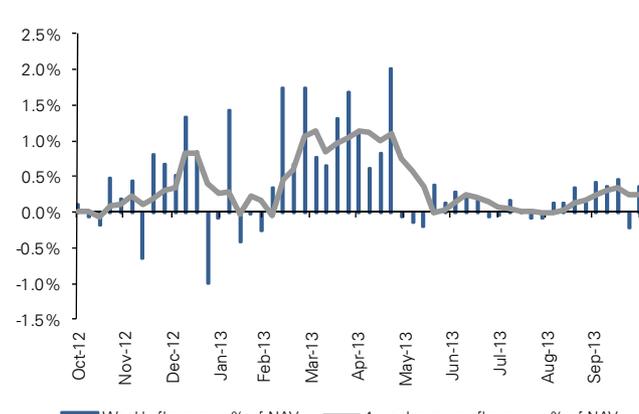
Source: EPFR/ Deutsche Bank calculations

Figure 115: Flow into Western Europe Equity Funds ex ETFs (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 116: Flow into Japan Equity Funds ex ETFs (% of assets)

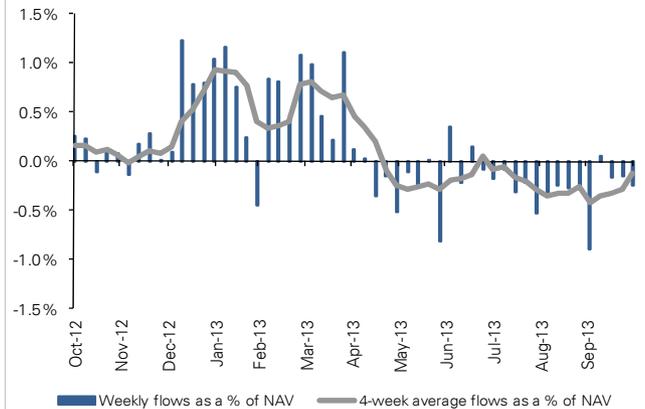


Source: EPFR/ Deutsche Bank calculations



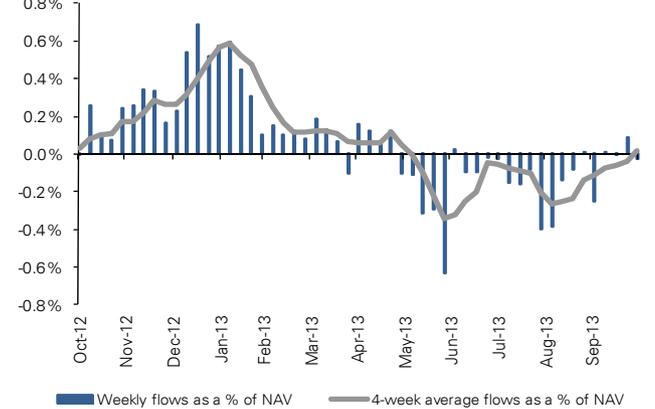
Flows into Equity funds (all ex ETFs)

Figure 117: Flow into Pacific Equity Funds ex ETFs (% of assets)



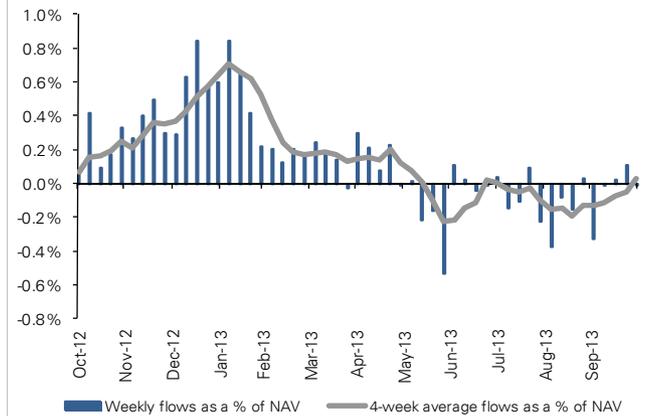
Source: EPFR/ Deutsche Bank calculations

Figure 118: Flow into Total EM Equity Funds ex ETFs (% of assets)



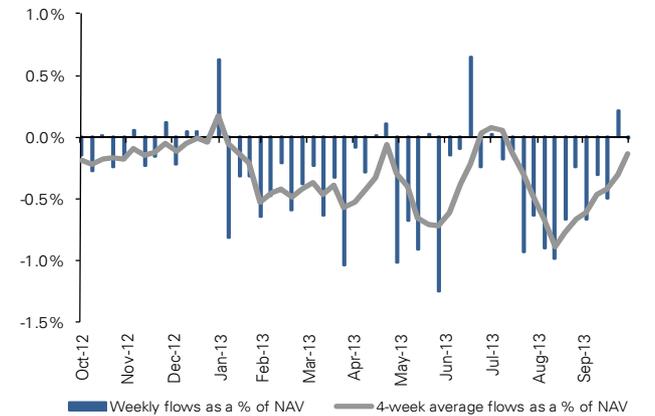
Source: EPFR/ Deutsche Bank calculations

Figure 119: Flow into GEM Equity Funds ex ETFs (% of assets)



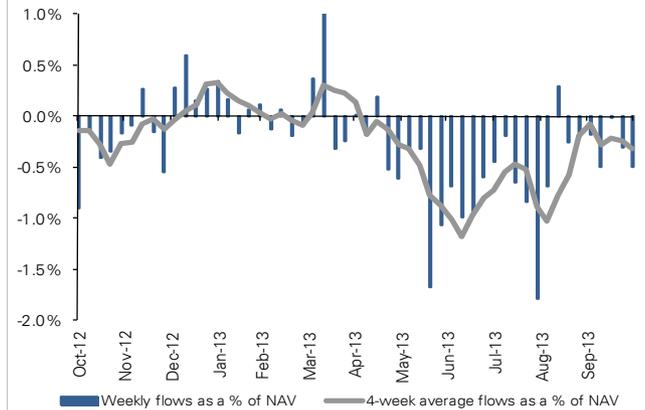
Source: EPFR/ Deutsche Bank calculations

Figure 120: Flow into EMEA Equity Funds ex ETFs (% of assets)



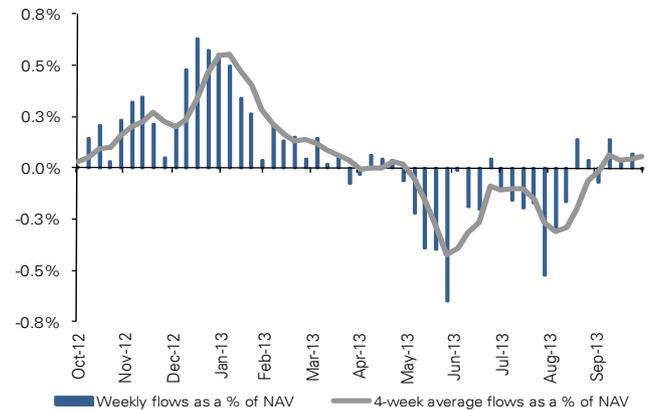
Source: EPFR/ Deutsche Bank calculations

Figure 121: Flow into Lat-Am Equity Funds ex ETFs (% of assets)



Source: EPFR/ Deutsche Bank calculations

Figure 122: Flow into Asia ex-Japan Equity Funds ex ETFs (% of assets)



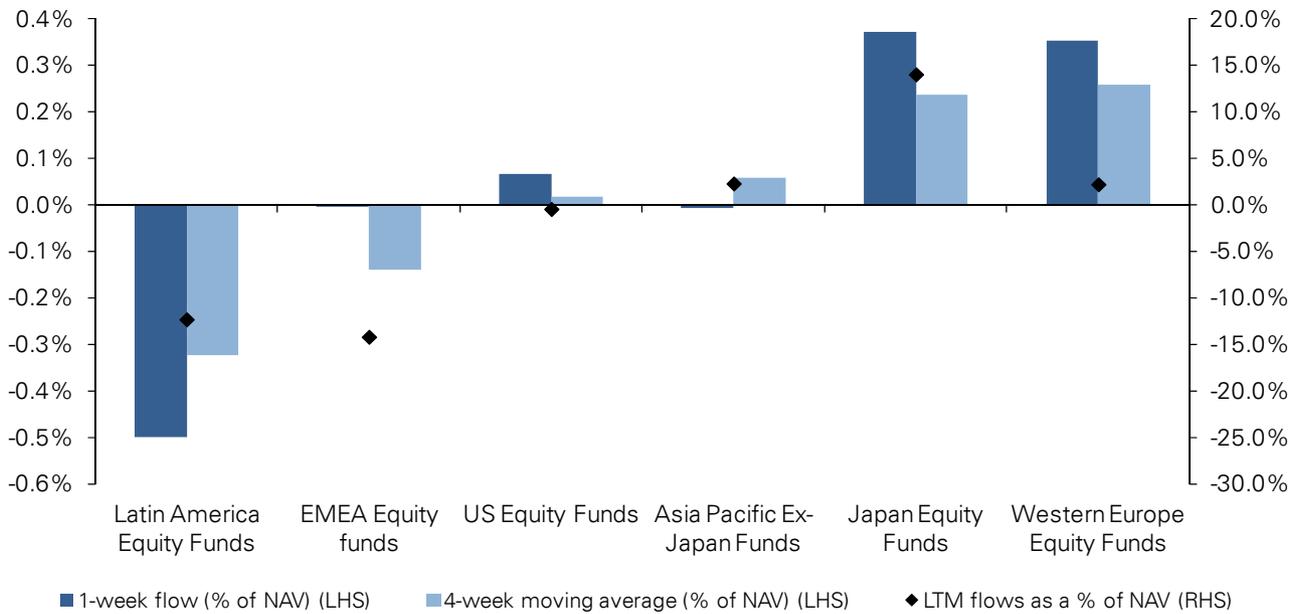
Source: EPFR/ Deutsche Bank calculations



Flows by regional equity funds (all ex ETFs)

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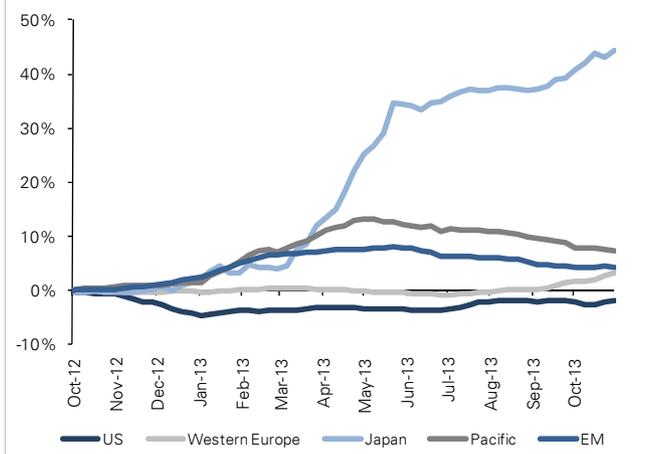
Figure 123: Equity funds by region (ex ETFs) - 1 week, 4week average and year-to-date flows



Source: EPFR / Deutsche Bank calculations

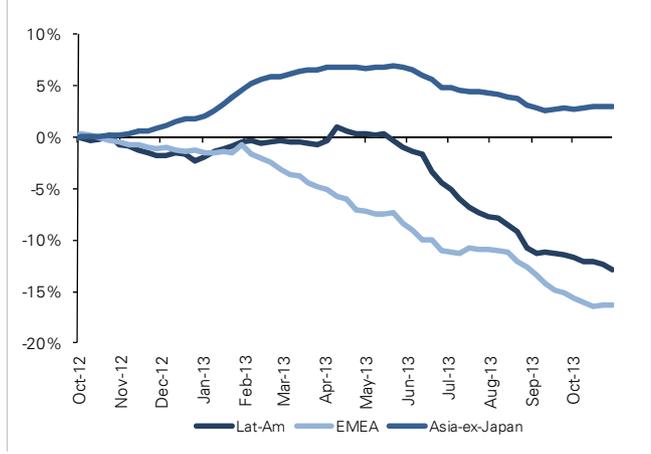
Cumulative 12 month flows by equity regions (all ex ETFs)

Figure 124: Cumulative 12M flow by equity regions ex ETFs (% of assets)



Source: EPFR/ Deutsche Bank Equity Strategy

Figure 125: Cumulative 12M flow by EM regions ex ETFs (% of assets)



Source: EPFR/ Deutsche Bank Equity Strategy



Appendix A: Methodology

EPFR tracks mutual funds on a global basis compared to other providers of flow data, and presents the flow of funds in geographical asset classes irrespective of domicile. For instance, the flows into Western Europe equity funds represent the amount deposited or withdrawn in funds investing in Western European equities irrespective of where the funds are located. We believe that this data is therefore more representative compared to other data available, which tend to only cover funds located in the US.

- **Most of the funds under coverage are long only**, and only a minority of the included hedge funds has short positions, but these are insignificant relative to total investment value.
- **All the funds included are pure plays** - equity funds invest in only equities, and bond funds invest in only debt securities, and not a mixture of both.
- **Investors are a mix of retail and institutional investors.** EPFR estimates that 70% are institutional, the biggest ones being pension funds and Insurance companies. Institutional investors account for most of those investing in emerging market funds, but we see a higher participation of retail investors for Western Europe and US equity funds. Unfortunately we do not have a more accurate breakdown of the region where institutional investors dominate and vice-versa.

Focus on fund flow as a proportion of total assets

We recommend analysing fund flow data as a % of total assets, rather than in dollar terms, because it provides a better comparison between regions:

- First, funds investing in emerging markets, for instance, tend to be smaller than those investing in developed markets such that weekly flows in dollar terms do not accurately reflect the flow momentum across regions.
- Second, the size of net flows (in USD) tends to change with the development/index performance of the markets which they track. Also, EPFR has widened its coverage of fund flows over time. For a better historical comparison, it is therefore necessary to look at fund flows as % of the covered assets rather than in absolute terms.
- Third, it is worth noting that the flows are provided in dollar terms and are therefore dependant on foreign exchange movements. As the dollar strengthens or weakens relative to the funds' respective local currencies, we could see some fluctuations in the overall funds which are not the result of equity investor behaviour.

Calculation of the Liquidity Pulse

The liquidity pulse compares the size of the current flow (4-week average as % of NAV) with the average size of the flow in the last 13 weeks. The relative size is given in standard deviation from the mean. As a momentum indicator it gauges investor's confidence in certain regions and the movement of momentum in those regions. A high liquidity pulse indicates a liquidity momentum expansion as the asset class in question is experiencing net inflow for many consecutive weeks. This is an indication of above-average investor confidence in a certain region and generally indicates a strong performance for equity markets in the respective region. A liquidity pulse which is steadily increasing indicates an increase in the amount of fund inflows into the region, and vice versa. We illustrate the output such that the light blue data points are closely around the mean and show moderate changes in momentum. The dark blue data points are more than one standard deviation away from the mean and indicate periods of strongly expanding or contracting liquidity momentum.



The authors of this report wish to acknowledge the contribution made by Santoshkumar Chandrasekar, employee of Irevna, a division of CRISIL Ltd., a third-party provider to Deutsche Bank of offshore research support services.



Appendix 1

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Buy: Based on a current 12-month view of total shareholder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

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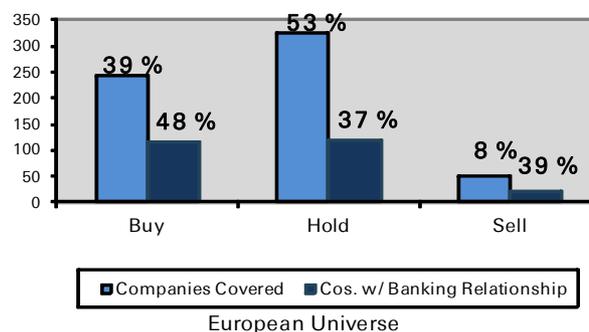
2. Ratings definitions prior to 27 January, 2007 were:

Buy: Expected total return (including dividends) of 10% or more over a 12-month period

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Equity rating dispersion and banking relationships





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