

Most preferred stocks

Despite the heightened geopolitical tension, the benchmark index BIST100 is struggling to hold onto around 50-day MA though it still trades at c.34% relative discount as of March 7 going into publication. Also, Turkish banks (XBANK) trade at a 32.5% discount to MSCI EM banks on trailing on P/BV of 0.78x at the time writing. We are of the view that 'outright risk aversion' has not yet taken the driver's seat, and it's all about a softening in risk appetite tone just in a consolidation mode. While some investors show scepticism to enter a naked directional trade on TRY assets due to the lack of clarity on foreign politics and international relations, we see some arbitrage accounts still in the game to utilize earnings potential at the current cheap multiples. Nevertheless, such market sentiment has ended up with a wave of ro-ro (risk-on/risk-off) trades, which in fact supports our core view that has suggested investors to carry exposures in 'quality improvers' while taking no additional risk on 'conventional high risk/return plays'.

We add MGROS and VAKBN

Migros Ticaret (MGROS, BUY, FV TRY35.20, Upside 45%)

- We like MGROS owing to its unique position in Turkish FMCG retail environment. High CPI environment and relative weakness of its supermarket chain competitors support the company's growth
- The integration of Kipa operations are on track, pushing margins higher and divesture of Kipa real estate may lower leverage despite TRY weakness.
- Short term indicators may also support the stock price

Vakifbank (VAKBN, BUY, FV TRY8.00, Upside 10%)

- We add Vakifbank, one of our top pick banking names to our biweekly portfolio mainly on the back of attractive short-term valuation trends
- In addition to supportive technical formations, the bank continues to operate with sound fundamentals and sector leading FY17 profitability
- Also, the planned stake transfer in VAKBN could be a catalyst as this transfer seems to be finalized at some premium price in our opinion

We maintain AEFES, EREGL, PETKM, TRKCM, TUPRS and YATAS

Anadolu Efes (AEFES, BUY, FV TRY29.10, Upside 9%)

- Relatively lower excise tax increase for 1H18 and signs of improvement in domestic market for both beer and soft drinks to support domestic volumes
- Efes - AB InBev merger is soon to be closed, creating synergies for the Russia and Ukraine businesses
- Short term indicators may also support the stock price

Eregli Demir Celik (EREGL, BUY, FV TRY11.91, Upside 11%)

- Increasing product spreads and steady volumes supporting operational profitability
- Favourable hard-currency cash position of the company

Petkim (PETKM, BUY, FV TRY9.10, Upside 18%)

- We continue to expect positive contribution from favourable product spreads
- The depreciation of TRY against USD should favour the operational performance going forward
- Future catalysts might come from the benefit from Petlim and Star Refinery investments

Trakya Cam (TRKCM, BUY, FV TRY5.50, Upside 17%)

- Price increases in both domestic and international markets
- High capacity utilization with steady sales performance supporting the volume growth
- Decline in soda ash prices lowering the costs and improving the margins

Tupras (TUPRS, HOLD, FV TRY150.20, Upside 30%)

- Increasing product cracks and stable volume with high CUR supporting the operational performance
- Favourable FCF & Dividend yields.

Yatas (YATAS, BUY, FV TRY35.54, Upside 8%)

- We maintain Yatas in our portfolio, on the back of promising growth prospects well supported by the wider domestic and international store network
- Along with the accreditation to the Turquality incentive program, international sales are expected to accelerate rapidly
- Further margin improvement along with the positive impact of new investment and robust balance sheet structure offers a catalyst

We remove GARAN

Garanti Bank (GARAN, BUY, FV TRY13.30, Upside 15%)

- We remove Garanti Bank from our portfolio following its 1.1% underperformance against the index in the previous portfolio period.



MAR 06 - MAR 20

Portfolio summary

(Previous portfolio period)

Portfolio performance	+6.6%
BIST - 100 performance	+2.9%
Portfolio relative performance	+3.6%

Portfolio performance

(04.12.2007 - 06.03.2018)

Start value	TL10,000,000
Current value	TL77,545,947
Relative performance*	+261.4%
Relative performance (YtD)	+4.4%

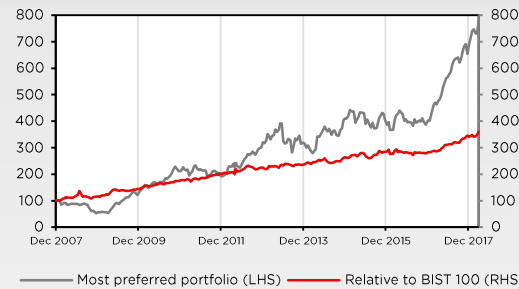
*Since inception (04.12.2007)

Portfolio highlights

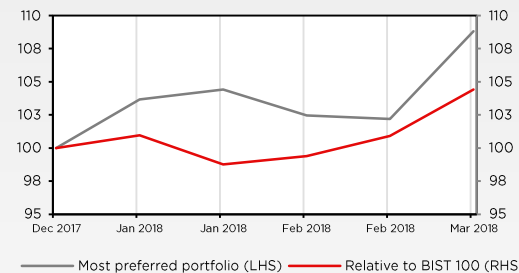
Commission rate	0.1%
Commission paid*	TL9,741,506

*Since inception (04.12.2007)

Portfolio Price Performance



Portfolio Price Performance (YtD)



All share price data as at close on 6-Mar-2018.

Source: Global Securities, FINNET

Research Director

Sertan Kargin
+90 850 201 94 48
sertank@global.com.tr
Global Securities

Analyst

Kerem Mimaroglu
+90 850 201 94 84
keremm@global.com.tr
Global Securities

Evren Gezer
+90 850 201 94 82
evreng@global.com.tr
Global Securities

Utku Uygur, Ph. D.
+90 850 201 94 89
utkuu@global.com.tr
Global Securities

Cem Unal
+90 850 201 94 49
cemu@global.com.tr
Global Securities

Research contact for general inquiry

+90 212 244 55 66
research@global.com.tr
www.global.com.tr

Yesilce Mah. Eski Buyukdere Cad.
No: 65 Kat: 1 34418 Istanbul Turkey
Global Menkul Degerler

Exhibit 1: New portfolio composition

Company	Ticker	Mcap (TLmn)	Daily trade vol. (3M, TL'000)	Weight in portfolio	Weight in BIST 100
Anadolu Efes	AEFES	15,857	9,821	13.10%	2.0%
Eregli	EREGL	37,590	130,998	14.27%	7.1%
Migros Ticaret	MGROS	4,312	16,434	11.33%	0.6%
Petkim	PETKM	11,610	211,892	12.67%	2.0%
Trakya Cam	TRKCM	5,334	9,847	11.62%	0.6%
Tupras	TUPRS	28,873	161,493	13.91%	5.5%
Vakif Bank	VAKBN	18,100	73,245	13.28%	1.8%
Yatas	YATAS	1,412	6,814	9.82%	0.3%

Source: Global Securities

Exhibit 2: Cumulative portfolio value and costs

Starting value	10,000,000
Total commissions	9,741,506
Cash balance	211,116
Equity portfolio current value	77,301,198
Portfolio current value	77,512,314

All equity transactions are charged a 0.1% commission. All futures transactions are charged a 0.1% commission. All equity borrowing is at 0.4% per week.

Portfolio performance

We started with a nominal portfolio value of TL10mn on 4th December 2007. We weighted the stocks we chose on a logarithmic basis. Hence, the amount invested in individual stocks is unlikely ever to vary by more than a factor of 2. For that first portfolio, our purchases amounted to TL9.97mn. From our initial figure of TL10mn, we have paid out total commissions of TL9.0mn so far.

We have added Migros Ticaret and Vakif Bank. On the other hand, we removed Garanti Bank. Rebalancing is made for those we maintained in our portfolio.

The long-term performance of our model portfolio is measured as follows. Our purchases and sales are done at the average prices for the session, and performance is relative to the closing BIST-100 levels. Moreover, we also track the performance of the portfolio had it been implemented not in the trading session of the date on which we issue these reports, but also during the two subsequent trading sessions. Hence, we have six measures of relative performance, which should illustrate not only the performance of our portfolio, but also what would have happened had any clients chosen to act on it. Activity is assumed to have been done at an average trading price and valuation as at the close.

Exhibit 3: Current price and relative performance since inception

	Closing 06.03.18 pm	Relative performance 04.12.07 am	Relative performance 04.12.07 pm	Relative performance 05.12.07 am
Portfolio ('000)	77,546	261.37%	258.84%	262.27%
BIST100 performance	116,710	114.65%	116.08%	113.99%

Source: FINNET, Global Securities

Allowing for commissions so far, our portfolio has outperformed the BIST100 index by 261.4% since inception. Had it been replicated in the first trading session after it was issued, allowing for commissions, we would have outperformed by 258.8% since inception; and had it been replicated the next trading session, we would have outperformed by 262.3%.



Exhibit 4: Current price and relative performance of the equity portfolio

	06.03.18 pm		Relative performance since	
	Average (TL)	Closing (TL)	20.02.18 pm	21.02.18 pm
AEFES	26.61	26.78	-1.3%	1.3%
EREGL	10.84	10.74	2.2%	1.9%
GARAN	11.63	11.55	-1.1%	-2.4%
PETKM	7.76	7.74	-1.0%	-1.6%
TRKCM	4.75	4.72	0.8%	1.4%
TUPRS	115.90	115.30	0.7%	1.3%
YATAS	33.19	33.00	33.3%	31.7%
XU100		116,710	3.6%*	3.6%*

*Calculated by using number of shares of 20.02.18 portfolio

Source: FINNET, Global Securities

Exhibit 5: Portfolio rebalancing

	Average Price (TL)	Previous # of shares	Current # of shares	Rebalancing	New Weight
AEFES	26.61	403,067	380,399	-22,669	13%
EREGL	10.84	1,129,908	1,017,351	-112,557	14%
GARAN	11.63	12,146,726	0	-12,146,726	0%
MGROS	24.18	0	8,760,983	8,760,983	11%
PETKM	7.76	1,352,519	1,262,286	-90,234	13%
TRKCM	4.75	2,066,581	1,891,605	-174,976	12%
TUPRS	115.90	101,194	92,766	-8,428	14%
VAKBN	7.28	0	10,262,686	10,262,686	13%
YATAS	33.19	317,269	228,767	-88,502	10%

Source: FINNET, Global Securities



Date of completion of this report: 07.03.2018 09:50 UTC+3

Date of email-distribution of this report: 07.03.2018 09:55 UTC+3

Explanation of Rating System

12-MONTH RATING DEFINITION

BUY: Buy stocks are expected to have a total return of at least 15% and are the most attractive stocks in our coverage universe on a 12-month horizon.

HOLD: Hold stocks are expected to deliver a positive total return of up to 15% within a 12-month period.

REDUCE: Reduce stocks are expected to achieve a negative total return up to -10% within a 12-month period.

SELL: Sell stocks are expected to post a negative total return of more than -10% within a 12-month period.

ANALYST CERTIFICATION

We, Sertan Kargin, Kerem Mimaroglu, Evren Gezer, Utku Uygur and Cem Unal, hereby certify that the views expressed in this research report accurately reflect our personal views about the market and, in conjunction with the named analysts, the subject securities and issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

IMPORTANT DISCLOSURE INFORMATION

This material was produced by Global Menkul Değerler A.Ş. ("GMD") or its Affiliates, solely for information purposes and for the use of the recipient. It is not to be reproduced under any circumstances and is not to be copied or made available to any person other than the recipient. It is distributed in the world by GMD or an authorised affiliate of GMD (such entities and any other entity, directly or indirectly, controlled by GMD, the "Affiliates"). This document does not constitute an offer of, or an invitation by or on behalf of GMD or its Affiliates or any other company to any person, to buy or sell any security. The information contained herein has been obtained from published information and other sources which GMD or its Affiliates consider to be reliable. None of GMD or its Affiliates accepts any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document.

Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions.

GMD or its Affiliates have not recently been the beneficial owners of 1% or more of the securities mentioned in this report; GMD or its affiliates have not managed or co-managed a public offering of these securities, or received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months. However, one or more of GMD or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon either on their own account or on behalf of their clients. GMD or its Affiliates may, to the extent permitted by law, act upon or use the above material or the conclusions stated above or the research or analysis on which they are based before the material is published to recipients and from time to time provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

Special additional Regulations for the United States of America:

This report and any recommendation (including any opinion, projection, forecast or estimate; hereinafter referred to as "Report" or "Document") contained herein have been prepared by Global Menkul Değerler A.Ş. or any of its affiliated companies (Global Menkul Değerler A.Ş shall hereinafter be referred to as "GMD") and are distributed in the United States by RB International Markets (USA) LLC ("RBIM"), a broker-dealer registered with FINRA® and Raiffeisen Centrobank AG (a non-US affiliate of RBIM). This Report constitutes the current judgment of the author as of the date of this Report and is subject to change without notice. GMD and/or its employees have no obligation to update, modify or amend or otherwise notify a recipient of this Report if the information or recommendation stated herein changes or subsequently becomes inaccurate. The frequency of subsequent reports, if any, remains in the discretion of the author and GMD. This Report was prepared outside the United States by one or more analysts who may not have been subject to rules regarding the preparation of reports and the independence of research analysts comparable to those in effect in the United States. The analyst or analysts who prepared this research Report (i) are not registered or qualified as research analysts with the Financial Industry Regulatory Authority ("FINRA") in the United States, and (ii) are not allowed to be associated persons of RBIM and are therefore not subject to FINRA regulations, including regulations related to the conduct or independence of research analysts.

GMD's Rating and Risk Classification System (please consider the definition given before)

This Report does not constitute an offer to purchase or sell securities and neither shall this Report nor anything contained herein form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. The information contained herein is not a complete analysis of every material fact regarding the respective company, industry or security. This Report may contain forward-looking statements, which involve risks and uncertainties, does not guarantee future performances whatsoever and is, accordingly, subject to change. Though the information and opinions contained in this Report are based on sources believed to be reliable, neither GMD nor Raiffeisen Centrobank AG nor RBIM has independently verified the facts, assumptions and estimates contained in this report. Accordingly, no representation or warranty, expressed or implied, is made to, and reliance should not be placed on, the fairness, accuracy, completeness or correctness of the information and opinions contained in this Report. Although the opinions and estimates stated reflect the current judgment of Raiffeisen Centrobank AG and RBIM, opinions and estimates are subject to change without notice. This Report is being furnished to you for informational purposes only and investors should consider this Report as only a single factor in making their investment decision. Investors must make their own determination of the appropriateness of an investment in any securities referred to in this Report based on the tax, or other considerations applicable to such investor and its own investment strategy.

Investment Risks

Investments in securities generally involve various and numerous risks and may even result in the complete loss of the invested capital. This Report does not take into account the investment objectives, financial situation or particular needs of any specific client of RBIM. Before making an investment decision on the basis of this Report, the recipients of this Report should consider whether this Report or any information contained herein are appropriate or suitable with regard to their own investment needs, objectives and suitability. Any recommendation contained in this Report may not be suitable for all investors. Past performance of securities and other financial instruments are not indicative of future performance. RBIM can be neither a price guarantor nor an insurer of market conditions.

This Report may cover numerous securities, some of which may not be qualified for sale in certain states and may therefore not be offered to investors in such states. This Document should not be construed as providing investment advice. Investing in non-U.S. securities, including ADRs, involves significant risks such as fluctuation of exchange rates that may have adverse effects on the value or price of income derived from the security. Securities of some foreign companies may be less liquid and prices more volatile than securities of U.S. companies. Securities of non-U.S. issuers may not be registered with or subject to Securities and Exchange Commission reporting requirements; therefore, information regarding such issuers may be limited. Securities which are not registered in the United States may not be offered or sold, directly or indirectly, within the United States or to U.S. persons (within the meaning of Regulation S under the Securities Act of 1933 [the 'Securities Act']), except pursuant to an exemption under the Securities Act. This Report and the contents therein are the copyright product, and property of, RBIM or Raiffeisen Centrobank AG. It is intended solely for those to whom RBIM directly distributes this Report. Any reproduction, republication dissemination, and/or other use of this Report by any recipient of it, or by any third party, without the express written consent of RBIM, is strictly prohibited.



U.S. persons receiving the research and wishing to effect any transactions in any security discussed in the Report should do so through RBIM, and not the issuer of the research. RBIM can be reached at 1133 Avenue of the Americas, 16th Floor, New York, NY 10036, 212-600-2588.

GMD is a stock corporation, incorporated under the laws of the Republic of Turkey and, headquartered at Yesilce Mah. Eski Buyukdere Cad. No: 65 Kat: 1 34418 Istanbul, Turkey, with a share capital of 40.000.000,00-TL, registered at Istanbul Trade Registry. Global Menkul Değerler A.Ş "Global Securities" is a leading financial services firm and an investment bank in Turkey established in 1990, providing a full range of corporate finance advisory, sales & trading, and equity research services with 142 people in its offices throughout Turkey. The shares of Global are listed on Borsa Istanbul.

Responsible supervisory authorities of GMD:

Capital Markets Board (CMB)

Disclosure Aspects

The following disclosures apply to the security when stated under the applicable disclosures section

(Global Menkul Değerler A.Ş hereinafter referred to as "GMD"):

- 1. GMD, or an affiliate, has acted as manager, co-manager, or underwriting participant of a public offering for this company in the past 12 months.*
- 2. GMD or an affiliate, has performed investment banking, capital markets, or other comparable services for this company or its officers in the past 12 months.*
- 3. GMD, or an affiliate, expects to receive or intends to seek compensation for investment banking services from the subject company in the next 3 months.*
- 4. Securities, or derivatives thereof, of this company are owned either directly by the securities analyst or an affiliate, covering the stock, or a member of his/her team, or indirectly by the household family members.*
- 5. An officer, or a household family member of an officer, of GMD or an affiliate, is a director or an officer of the company.*
- 6. GMD, or an affiliate, beneficially owns 1% or more of any class of this company(ies) common equity.*

Applicable disclosures No Disclosure

© 2018 Global Menkul Değerler A.Ş.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior consent of Global Menkul Değerler A.Ş.

