

## Most preferred stocks

Despite so many crosswinds blowing currently on geopolitics, BIST-100 has underperformed MSCI EM Index by only 0.7% since the beginning of the year; but, it still trades at 36% relative discount in terms of 12M fwd P/E going into publication. Also, Turkish banks (XBANK) trade at a 35% discount to MSCI EM banks on trailing on P/BV of 0.76x 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. Yet, some investors currently prefer to keep on their guard and stay on the sidelines with a bid for safety bias amid geopolitics remaining at odds. On the other hand, we see some arbitrage accounts still in the game to utilize earnings potential at the current cheap multiples. Also, some accounts still prefer to re-engage at better levels despite increased geopolitical risks as market conditions continue to offer promising return opportunities. However, such market sentiment may end up with a wave of ro-ro (risk-on/risk-off) trades. Being the current global and geopolitical conditions, we think, it is not that much easy to adopt a 'naked directional trade' on TRY assets as there is a lot of uncertainty surrounding markets. We maintain our core view that has suggested investors to carry exposures in 'quality improvers' while taking no risk on 'conventional high risk/return plays'.

### We add GARAN

Garanti Bank (GARAN, BUY, FV TRY13.30, Upside 17%)

- We add Garanti Bank to our portfolio on the backdrop of its solid fundamentals and presence of favourable short term valuation trends
- Further to short term technical formations, the bank operates with sector leading NIM and swap adjusted NIM figures as of 4Q17
- The bank also holds the strongest solvency metrics in our coverage universe, while still being able to tap highest profitability figures among peers as of 4Q17

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

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

- 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 17%)

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

Petkim (PETKM, BUY, FV TRY9.10, Upside 20%)

- 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 21%)

- 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 35%)

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

Yatas (YATAS, BUY, FV TRY35.54, Upside 48%)

- 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 TKFEN, VAKBN and YKBNK

Tekfen Holding (TKFEN, BUY, FV TRY17.17, Downside 2%)

- TKFEN is still one of our favourite stocks considering its increasing contracting backlog, robust profitability across segments, and its positive future prospects.
- Nonetheless, we believe the valuation could be a little bit stretched with the earnings coming up which might lead to a ST pressure on the stock price due to some profit taking.
- In the mid-to-long term, we expect the positive outlook for the company to continue.

Vakifbank (VAKBN, BUY, FV TRY8.00, Upside 16%)

- We remove Vakifbank from our portfolio following its 1.9% underperformance against the index in the previous portfolio period.

Yapi Kredi Bank (YKBNK, HOLD, FV TRY4.75, Upside 3%)

- We remove Yapi Kredi Bank from our portfolio following its 4.5% outperformance against the index in the previous portfolio period.

## FEB 20 - MAR 06

### Portfolio summary

(Previous portfolio period)

Portfolio performance	-0.2%
BIST - 100 performance	-1.8%
Portfolio relative performance	+1.6%

### Portfolio performance

(04.12.2007 - 20.02.2018)

Start value	TL10,000,000
Current value	TL72,837,064
Relative performance*	+249.2%
Relative performance (YtD)	+0.9%

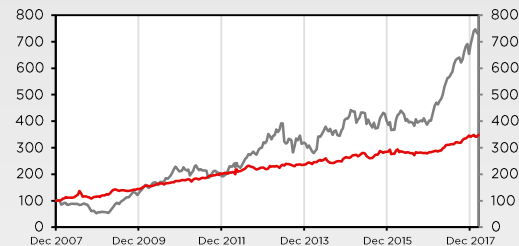
\*Since inception (04.12.2007)

### Portfolio highlights

Commission rate	0.1%
Commission paid*	TL9,707,873

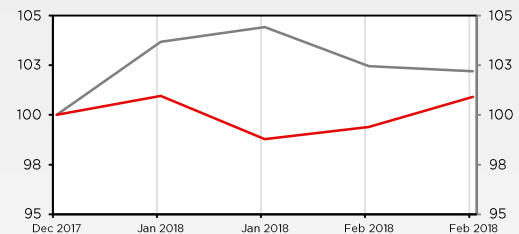
\*Since inception (04.12.2007)

Portfolio Price Performance



— Most preferred portfolio (LHS) — Relative to BIST 100 (RHS)

Portfolio Price Performance (YtD)



— Most preferred portfolio (LHS) — Relative to BIST 100 (RHS)

All share price data as at close on 20-Feb-2018.

Source: Global Securities, FINNET

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## 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	15,608	9,411	14.64%	2.0%
Eregli	EREGL	35,735	125,923	15.89%	6.9%
Garanti Bank	GARAN	47,670	456,153	16.33%	9.2%
Petkim	PETKM	11,400	191,256	14.16%	2.0%
Trakya Cam	TRKCM	5,142	8,559	12.95%	0.6%
Tupras	TUPRS	27,872	154,151	15.52%	5.5%
Yatas	YATAS	1,030	4,521	10.52%	0.2%

Source: Global Securities

## Exhibit 2: Cumulative portfolio value and costs

Starting value	10,000,000
Total commissions	9,707,873
Cash balance	193,946
Equity portfolio current value	72,593,156
<b>Portfolio current value</b>	<b>72,787,102</b>

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 Garanti Bank. On the other hand, we removed Tekfen Holding, Vakif Bank and Yapı Kredi 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 20.02.18 pm	Relative performance 04.12.07 am	Relative performance 04.12.07 pm	Relative performance 05.12.07 am
Portfolio ('000)	72,837	249.24%	246.79%	250.11%
BIST100 performance	113,433	108.62%	110.01%	107.98%

Source: FINNET, Global Securities

Allowing for commissions so far, our portfolio has outperformed the BIST100 index by 249.2% since inception. Had it been replicated in the first trading session after it was issued, allowing for commissions, we would have outperformed by 246.8% since inception; and had it been replicated the next trading session, we would have outperformed by 250.1%.



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

	20.02.18 pm		Relative performance since	
	Average (TL)	Closing (TL)	06.02.18 pm	07.02.18 pm
AEFES	26.27	26.36	-0.6%	-2.1%
EREGL	10.36	10.21	5.4%	6.8%
PETKM	7.85	7.60	1.0%	2.0%
TKFEN	17.66	17.45	8.7%	10.9%
TRKCM	4.65	4.55	-1.0%	-2.6%
TUPRS	112.39	111.30	1.1%	0.7%
VAKBN	7.00	6.89	-1.9%	-3.7%
YATAS	24.61	24.06	-4.7%	-3.2%
YKBNK	4.68	4.62	4.5%	0.8%
<b>XUI00</b>		<b>113,433</b>	<b>1.6%*</b>	<b>1.1%*</b>

\*Calculated by using number of shares of 06.02.18 portfolio

Source: FINNET, Global Securities

**Exhibit 5: Portfolio rebalancing**

	Average Price (TL)	Previous # of shares	Current # of shares	Rebalancing	New Weight
AEFES	26.27	311,875	404,499	92,625	15%
EREGL	10.36	921,909	1,113,763	191,855	16%
GARAN	11.65	0	11,853,464	11,853,464	16%
PETKM	7.85	1,061,786	1,308,733	246,947	14%
TKFEN	17.66	8,184,296	0	-8,184,296	0%
TRKCM	4.65	1,593,641	2,023,567	429,925	13%
TUPRS	112.39	79,486	100,212	20,726	16%
VAKBN	7.00	8,344,165	0	-8,344,165	0%
YATAS	24.61	237,051	310,194	73,142	11%
YKBNK	4.68	8,945,129	0	-8,945,129	0%

Source: FINNET, Global Securities



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**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.

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**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.

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