

Most preferred stocks

TRY assets suffered from new sell-offs after President Erdogan said he intends to tighten his control on the economy and take more responsibility for monetary policy if he wins the election next month, reiterating his anti-interest rate campaign. Erdogan's anti-interest rate statements have dashed expectations that economic policy makers would open the way for rate hikes. In fact, some traders had been positioning for a hike at an unscheduled monetary policy meeting given the TRY swap-curve pricing an imminent 200 basis points rate hike. All the pieces in the puzzle fell into place after Fitch addressing Turkey's monetary policies too loose and Moody's highlighting current macro trends as credit negative. Then, the TRY hit all-time low of 4.4753 vs the dollar in Tuesday's trading session before ending the day at 4.4400. In such atmosphere, the benchmark index remained underperformer in MSCI EM in terms of 12M forward P/E, currently trading at 44.2% relative discount as of May 16 going into publication. Also, Turkish banks (XBANK) trade at a 44.6% discount to MSCI EM banks on trailing on P/BV of historic low of 0.60x at the time writing. We continue to remain underweight in 'highly indebted' and 'growth play' companies and 'overweight' in 'defensives with no or limited leverage', while looking for chances to take some exposures in 'quality improver' non-financial stocks after few legs of market sell-offs.

We add ARCLK and SODA

Arcelik (ARCLK, BUY, FV TRY20.41, Upside 18%)

- Upcoming World Cup in Russia which may boost consumer electronics sales, weak TRY and prices increases in domestic market should be supportive for revenues.
- Despite unfavourable EUR-USD parity, a slightly better raw material environment and strict cost control may push margins higher.
- Short term indicators are also supportive for the stock.

Soda Sanayi (SODA, BUY, FV TRY6.00, Upside 15%)

- Hard-currency denominated international sales and net cash position
- Cost savings achieved with the new boiler investment and natural gas/coal switch
- The potential positive contribution from the new glass fiber investment

We maintain EREGL, GARAN, KCHOL, MGROS, TKFEN, TRKCM and YATAS

Eregli Demir Celik (EREGL, BUY, FV TRY12.66, Upside 12%)

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

Garanti Bank (GARAN, BUY, FV TRY12.00, Upside 34%)

- We maintain Garanti Bank in our portfolio (as a low conviction call) on the backdrop of its solid fundamentals, prudent approach and strong 1Q18 financials
- The short term valuation trends continue to offer positive potential

Koc Holding (KCHOL, BUY, FV TRY19.28, Upside 43%)

- The stock is trading at a 16.7% discount to its NAV against a 5yr average discount of 3.7%
- The dividend income is likely to be doubled up in 2018 by possible upstreaming its whole refinery dividend to the holding level since the SPV debt is fully paid.

Migros Ticaret (MGROS, BUY, FV TRY35.20, Upside 77%)

- 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 divestiture of Kipa real estate may lower leverage despite TRY weakness.
- Short term indicators may also support the stock price

Tekfen Holding (TKFEN, BUY, FV TRY19.54, Upside 28%)

- Potential cash generations from contracting business especially from Al-Khor Expressway Project
- Agriculture segment continues to contribute positively in terms of operational performance
- USD based revenue generation supports the hard currency net cash position

Trakya Cam (TRKCM, BUY, FV TRY5.50, Upside 27%)

- 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

Yatas (YATAS, BUY, FV TRY35.54, Upside 39%)

- We maintain our exposure in Yatas, 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 PETKM, TSKB and TUPRS

Petkim (PETKM, HOLD, FV TRY9.10, Upside 86%)

- We would not see an improvement for PETKM until capacity utilization picks up and the company could reflect the increase in prices to its customers.
- We remove PETKM from our portfolio due to its 26.2% underperformance against the index during the portfolio period.

TSKB (TSKB, BUY, FV TRY1.80, Upside 43%)

- We continue to like TSKB, but remove the stock from our portfolio following its 7.6% underperformance against the index during the portfolio period.

Tupras (TUPRS, HOLD, FV TRY150.20, Upside 49%)

- We believe that the refinery maintenance schedule in 2Q18 could put further pressure on the capacity utilization which could result in a contraction in margins.
- We remove TUPRS from our portfolio due to its 0.3% slight underperformance against the index during the portfolio period.

MAY 15 - MAY 29

Portfolio summary

(Previous portfolio period)

Portfolio performance	-5.7%
BIST - 100 performance	-2.6%
Portfolio relative performance	-3.2%

Portfolio performance

(04.12.2007 - 15.05.2018)

Start value	TL10,000,000
Current value	TL67,088,524
Relative performance*	+259.3%
Relative performance (YtD)	+3.8%

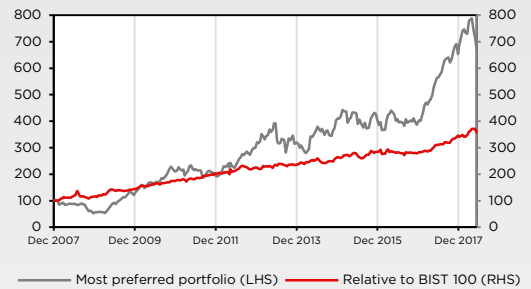
*Since inception (04.12.2007)

Portfolio highlights

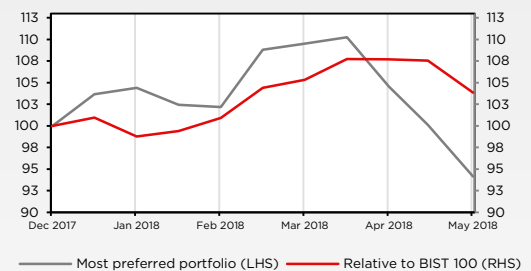
Commission rate	0.1%
Commission paid*	TL10,033,745

*Since inception (04.12.2007)

Portfolio Price Performance



Portfolio Price Performance (YtD)



All share price data as at close on 15-May-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
Arcelik	ARCLK	11,663	35,779	11.85%	1.3%
Eregli	EREGL	39,480	132,410	13.39%	8.5%
Garanti Bank*	GARAN	37,632	580,118	10.00%	8.1%
Koc Holding	KCHOL	34,133	75,415	13.20%	3.4%
Migros Ticaret	MGROS	3,537	17,822	10.34%	0.6%
Soda Sanayi	SODA	4,689	29,872	10.69%	0.8%
Tekfen Holding	TKFEN	5,646	30,354	10.93%	1.2%
Trakya Cam	TRKCM	4,904	11,403	10.75%	0.6%
Yatas	YATAS	1,097	14,377	8.86%	0.3%

*Low conviction idea

Source: Global Securities

Exhibit 2: Cumulative portfolio value and costs

Starting value	10,000,000
Total commissions	10,033,745
Cash balance	184,990
Equity portfolio current value	66,869,789
Portfolio current value	67,054,779

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 Arcelik and Soda Sanayi. On the other hand, we removed Petkim, TSKB and Tupras. 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 15.05.18 pm	Relative performance 04.12.07 am	Relative performance 04.12.07 pm	Relative performance 05.12.07 am
Portfolio ('000)	67,089	259.35%	256.83%	260.24%
BIST100 performance	101,540	86.75%	87.99%	86.18%

Source: FINNET, Global Securities

Allowing for commissions so far, our portfolio has outperformed the BIST100 index by 259.3% since inception. Had it been replicated in the first trading session after it was issued, allowing for commissions, we would have outperformed by 256.8% since inception; and had it been replicated the next trading session, we would have outperformed by 260.2%.



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

	15.05.18 pm		Relative performance since	
	Average (TL)	Closing (TL)	01.05.18 pm	02.05.18 pm
EREGL	11.21	11.28	14.0%	8.2%
GARAN	8.97	8.96	-0.1%	0.2%
KCHOL	13.40	13.46	0.8%	0.8%
MGROS	19.98	19.87	-10.5%	-7.6%
PETKM	4.97	4.90	-26.2%	-26.3%
TKFEN	15.20	15.26	1.9%	-2.1%
TRKCM	4.31	4.34	-5.0%	-3.3%
TSKB	1.26	1.26	-7.6%	-5.8%
TUPRS	100.51	100.50	-0.3%	1.1%
YATAS	25.74	25.64	-3.3%	1.9%
XU100		101,540	-3.2%*	-3.1%*

*Calculated by using number of shares of 01.05.18 portfolio

Source: FINNET, Global Securities

Exhibit 5: Portfolio rebalancing

	Average Price (TL)	Previous # of shares	Current # of shares	Rebalancing	New Weight
ARCLK	17.14	0	7,921,440	7,921,440	12%
EREGL	11.21	891,409	798,813	-92,596	13%
GARAN	8.97	495,627	745,359	249,733	10%
KCHOL	13.40	658,736	659,146	410	13%
MGROS	19.98	314,957	345,995	31,038	10%
PETKM	4.97	5,847,018	0	-5,847,018	0%
SODA	5.21	0	7,150,622	7,150,622	11%
TKFEN	15.20	485,892	480,762	-5,130	11%
TRKCM	4.31	1,580,279	1,666,685	86,406	11%
TSKB	1.26	3,145,564	0	-3,145,564	0%
TUPRS	100.51	8,529,356	0	-8,529,356	0%
YATAS	25.74	224,039	230,032	5,993	9%

Source: FINNET, Global Securities



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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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