

Most preferred stocks

The US market hiccup still remains the main theme. Carry trade in TRY assets took discomfort from the volatility pick-up, which triggered some bearish unwinds accordingly. In such anti-carry atmosphere, the unpleasant combination of increased geopolitical risks and Fed-related risk-off trades in EMs left investors with somewhat of a bitter taste of market sentiment. Hence, investors currently prefer to keep on their guard and stay on the sidelines with a bid for safety bias; however, some accounts may prefer to re-engage at better levels after few legs of the current market correction. The onus totally remains on the scope of the volatility and duration of risk aversion. We suggest investors should avoid premature bearish positioning as strong macro conditions and thereby earnings performance remain supportive yet. We think there is a chance for underweight fund managers to buy on the dip at some point as long as the latest pullbacks bring no more than a typical market correction. Needless to say, putting event/tail risks aside, most of negative news are already priced in as the benchmark index has been notoriously underperformer in MSCI EM in terms of 12M forward P/E, currently trading at c.36% relative discount as of April 4 going into publication. Also, Turkish banks (XBANK) trade at a 37% discount to MSCI EM banks on trailing on P/BV of 0.71x at the time writing.

We add AKBNK and KCHOL

Akbank (AKBNK, BUY, FV TRY11.75, Upside 24%)

- We add Akbank to our portfolio as a low conviction idea due to the presence of favourable short term valuation trends
- In addition to formative opportunities, the bank continues to operate with healthy margins and remains among the best in terms of asset quality as of 4Q17

Koc Holding (KCHOL, BUY, FV TRY19.28, Upside 23%)

- The stock is trading at a 11.53% discount to its NAV against a 5yr average discount of 3.42%
- 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.

We maintain EREGL, GARAN, MGROS, PETKM, TRKCM, TUPRS and YATAS

Eregli Demir Celik (EREGL, BUY, FV TRY11.91, Upside 12%)

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

Garanti Bank (GARAN, BUY, FV TRY13.30, Upside 23%)

- We maintain Garanti Bank in our portfolio (as a low conviction call) 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

Migros Ticaret (MGROS, BUY, FV TRY35.20, Upside 46%)

- 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

Petkim (PETKM, BUY, FV TRY9.10, Upside 12%)

- 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 10%)

- 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, BUY, FV TRY150.20, Upside 37%)

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

Yatas (YATAS, BUY, FV TRY35.54, Upside 5%)

- 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 AEFES

Anadolu Efes (AEFES, BUY, FV TRY29.10, Upside 8%)

- Although we still like the story, we believe the stock currently lacks major triggers
- Also, short term indicators do not show any signs of positive momentum at the moment

APR 03 - APR 17

Portfolio summary

(Previous portfolio period)

Portfolio performance	+0.7%
BIST - 100 performance	-1.6%
Portfolio relative performance	+2.3%

Portfolio performance

(04.12.2007 - 03.04.2018)

Start value	TL10,000,000
Current value	TL78,570,337
Relative performance*	+272.9%
Relative performance (YtD)	+7.8%

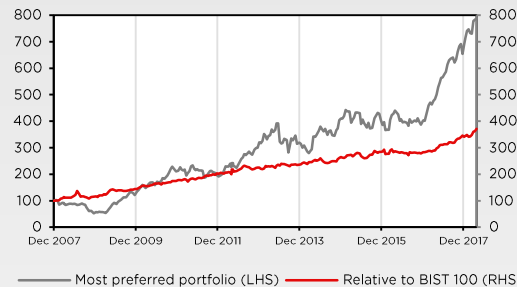
*Since inception (04.12.2007)

Portfolio highlights

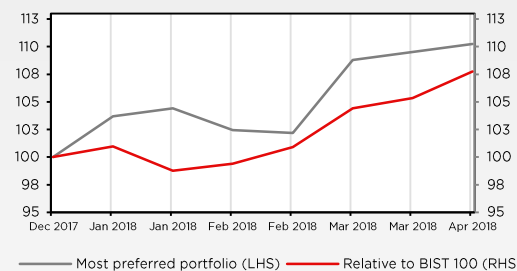
Commission rate	0.1%
Commission paid*	TL9,794,957

*Since inception (04.12.2007)

Portfolio Price Performance



Portfolio Price Performance (YtD)



All share price data as at close on 3-Apr-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
Akbank*	AKBNK	38,040	203,920	6.97%	7.9%
Eregli	EREGL	37,100	131,942	13.91%	7.1%
Garanti Bank*	GARAN	45,444	463,797	7.09%	8.7%
Koc Holding	KCHOL	39,687	56,162	14.00%	3.5%
Migros Ticaret	MGROS	4,298	15,105	11.06%	0.6%
Petkim	PETKM	12,195	231,919	12.44%	2.1%
Trakya Cam	TRKCM	5,650	10,816	11.42%	0.6%
Tupras	TUPRS	27,496	169,253	13.51%	5.4%
Yatas	YATAS	1,447	10,935	9.62%	0.3%

*Low conviction idea

Source: Global Securities

Exhibit 2: Cumulative portfolio value and costs

Starting value	10,000,000
Total commissions	9,794,957
Cash balance	213,412
Equity portfolio current value	78,324,614
Portfolio current value	78,538,026

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 Akbank and Koc Holding. On the other hand, we removed Anadolu Efes. 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 03.04.18 pm	Relative performance 04.12.07 am	Relative performance 04.12.07 pm	Relative performance 05.12.07 am
Portfolio ('000)	78,570	272.91%	270.30%	273.84%
BIST100 performance	114,594	110.76%	112.16%	110.11%

Source: FINNET, Global Securities

Allowing for commissions so far, our portfolio has outperformed the BIST100 index by 272.9% since inception. Had it been replicated in the first trading session after it was issued, allowing for commissions, we would have outperformed by 270.3% since inception; and had it been replicated the next trading session, we would have outperformed by 273.8%.



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

	03.04.18 pm		Relative performance since	
	Average (TL)	Closing (TL)	20.03.18 pm	21.03.18 pm
AEFES	27.01	27.00	1.5%	4.2%
EREGL	10.58	10.60	-1.6%	-2.0%
GARAN	10.83	10.82	-0.1%	-0.5%
MGROS	24.15	24.14	4.8%	3.3%
PETKM	8.16	8.13	3.5%	3.3%
TRKCM	5.02	5.00	4.7%	3.9%
TUPRS	109.81	109.80	8.8%	7.3%
YATAS	33.92	33.80	-3.7%	-2.2%
XU100		114,594	2.3%*	2.2%*

*Calculated by using number of shares of 20.03.18 portfolio

Source: FINNET, Global Securities

Exhibit 5: Portfolio rebalancing

	Average Price (TL)	Previous # of shares	Current # of shares	Rebalancing	New Weight
AEFES	27.01	10,042,063	0	-10,042,063	0%
AKBNK	9.52	0	5,459,035	5,459,035	7%
EREGL	10.58	1,001,047	1,029,049	28,002	14%
GARAN	10.83	1,014,142	512,519	-501,623	7%
KCHOL	15.67	0	10,961,944	10,961,944	14%
MGROS	24.15	369,940	358,598	-11,342	11%
PETKM	8.16	1,222,158	1,194,013	-28,145	12%
TRKCM	5.02	1,843,597	1,782,557	-61,040	11%
TUPRS	109.81	104,063	96,363	-7,700	14%
YATAS	33.92	213,404	222,082	8,677	10%

Source: FINNET, Global Securities



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