

## Most preferred stocks

Despite so many crosswinds blowing currently on geopolitics, Turkish stocks are struggling to hold onto the current year high levels. Nevertheless, BIST has underperformed MSCI EM by c.1% in terms of 12M fwd P/E since the beginning of the year and it still trades at c.35% relative discount going into publication. Particularly, market conditions still offer attractive hedging opportunities amid supportive macro performance both globally and domestically, eased regulatory environment, ample global liquidity, and compressed credit spreads in most of EMs. To the extent that global volatility and interest rates remain well-contained, we may see some accounts re-engaging at better levels after few legs of market sell-off, as experienced in Tuesday's trading session. Hence, we remain 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 and tone just in a consolidation mode. Meanwhile, we continue to make our stock recommendations on the basis of macro and financial fundamentals as the tug-of-war between tailwinds (i.e. strong growth, ample global liquidity, ease credit conditions and regulatory environment) and headwinds (i.e. weak FX reserve accumulation, higher crude oil prices, increased inflation pressures, unpriced geopolitics, and heightened standoff with the Western block) continue to evolve.

### We add **AKBNK** and **TAVHL**

Akbank (AKBNK, BUY, FV TRY10.75, Upside 9%)

- Akbank continues to remain the leading asset quality indicator in our Tier1 coverage universe with its superior NPL and coverage ratio
- The bank operates at a high operational efficiency with a sector leading cost/income balance
- In addition to strong fundamentals, the stock trades at a notable discount against its primary peers following prolonged underperformance

TAV Havalimanlari (TAVHL, BUY, FV TRY20.85, Upside 11%)

- Strong passenger growth likely to continue, supporting profitability
- Potential new airport additions may further support growth even after the termination of the concession of Istanbul Ataturk Airport
- In addition to the fundamentals, short term indicators should also support stake price

### We maintain **EREGL**, **PETKM**, **TKFEN**, **TRKCM**, **TUPRS** and **YKBNK**

Eregli Demir Celik (EREGL, BUY, FV TRY9.26, Downside 1%)

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

Petkim (PETKM, BUY, FV TRY7.41, Upside 14%)

- 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

Tekfen Holding (TKFEN, BUY, FV TRY14.48, Upside 1%)

- Potential cash generations from contracting business with the late additions of two new projects
- Lifting of the recent government ban on nitrate based fertilizers should positively impact sales
- Still, recent political Flare-up in Gulf Region remains headwind albeit with easing of late

Trakya Cam (TRKCM, BUY, FV TRY4.83, Upside 11%)

- 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 TRY144.95, Upside 15%)

- Rising product cracks and stable volume with high CUR supporting the operational performance
- Continuing stable trends in med refining margins.

Yapi Kredi Bank (YKBNK, HOLD, FV TRY4.75, Upside 5%)

- We maintain Yapi Kredi Bank in our portfolio, mainly on the back of promising 3Q17 financial results.
- The bank managed to expand core revenues while also improving operational efficiency in Q3
- In addition to pleasing results, the stock is trading with a considerable discount against its peers.

### We remove **TCELL**

Turkcell (TCELL, BUY, FV TRY16.07, Upside 14%)

- Although we believe the company is still operationally sound, we remove the stock from our bi-weekly most preferred stock list given its recent outperformance.

**NOV 14 - NOV 28**

### Portfolio summary

(Previous portfolio period)

Portfolio performance	+1.4%
BIST - 100 performance	+0.0%
Portfolio relative performance	+1.4%

### Portfolio performance

(04.12.2007 - 14.11.2017)

Start value	TL10,000,000
Current value	TL68,981,999
Relative performance*	+240.6%
Relative performance (YtD)	+20.0%

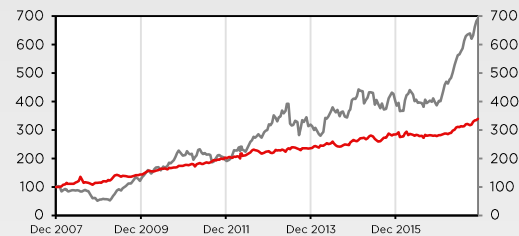
\*Since inception (04.12.2007)

### Portfolio highlights

Commission rate	0.1%
Commission paid*	TL9,553,996

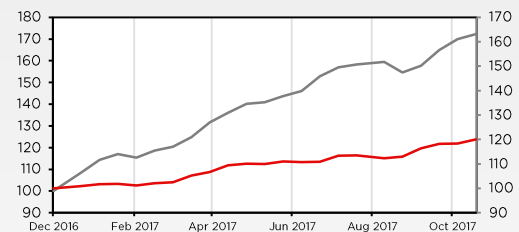
\*Since inception (04.12.2007)

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 14-Nov-2017.

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	39,600	160,516	13.87%	8.7%
Eregli Demir celik	EREGL	32,760	112,517	13.62%	6.6%
Petkim	PETKM	9,765	129,148	12.04%	1.8%
TAV Airports	TAVHL	6,808	40,097	11.56%	1.1%
Tekfen Holding	TKFEN	5,317	16,031	11.24%	1.1%
Trakya Cam	TRKCM	4,938	9,353	11.14%	0.6%
Tupras	TUPRS	31,453	154,818	13.57%	6.5%
Yapı ve Kredi Bank	YKBNK	19,736	89,711	12.96%	1.5%

Source: Global Securities

## Exhibit 2: Cumulative portfolio value and costs

Starting value	10,000,000
Total commissions	9,553,996
Cash balance	183,315
Equity portfolio current value	68,764,640
<b>Portfolio current value</b>	<b>68,947,955</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 Akbank and TAV Airports. On the other hand, we removed Turkcell. 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 14.11.17 pm	Relative performance 04.12.07 am	Relative performance 04.12.07 pm	Relative performance 05.12.07 am
Portfolio ('000)	68,982	240.61%	238.23%	241.46%
BIST100 performance	110,148	102.58%	103.93%	101.96%

Source: FINNET, Global Securities

Allowing for commissions so far, our portfolio has outperformed the BIST100 index by 240.6% since inception. Had it been replicated in the first trading session after it was issued, allowing for commissions, we would have outperformed by 238.2% since inception; and had it been replicated the next trading session, we would have outperformed by 241.5%.



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

	14.11.17 pm		Relative performance since	
	Average (TL)	Closing (TL)	31.10.17 pm	01.11.17 pm
EREGL	9.41	9.36	5.2%	4.2%
PETKM	6.47	6.51	-2.0%	-0.1%
TCELL	14.16	14.15	-0.1%	-2.6%
TKFEN	14.31	14.37	12.2%	9.5%
TRKCM	4.37	4.37	6.3%	4.3%
TUPRS	125.75	125.60	-8.0%	-6.0%
YKBNK	4.52	4.54	-1.3%	-1.3%
<b>XU100</b>		<b>110,148</b>	<b>1.4%*</b>	<b>0.9%*</b>

\*Calculated by using number of shares of 31.10.17 portfolio

Source: FINNET, Global Securities

**Exhibit 5: Portfolio rebalancing**

	Average Price (TL)	Previous # of shares	Current # of shares	Rebalancing	New Weight
AKBNK	9.90	0	9,537,839	9,537,839	14%
EREGL	9.41	1,174,456	995,661	-178,794	14%
PETKM	6.47	1,400,712	1,279,506	-121,206	12%
TAVHL	18.74	0	7,951,518	7,951,518	12%
TCELL	14.16	10,444,357	0	-10,444,357	0%
TKFEN	14.31	667,487	539,932	-127,556	11%
TRKCM	4.37	2,075,418	1,753,819	-321,599	11%
TUPRS	125.75	77,264	74,195	-3,069	14%
YKBNK	4.52	2,174,968	1,969,523	-205,445	13%

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.

**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.

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