

Most preferred stocks

Domestic politics and geopolitical issues have remained the main theme in the run-up the June 24 snap elections, while global conditions and volatility have eased to some extent amid the removal of the risk of new sanctions on Russia and encouraging developments in Korean Peninsula. While the CBRT's latest 75bps rate hike and its on-going commitment to tight policy stance has softened concerns over the TRY outlook to some extent, the new USD6bn economic package and the surprise rating downgrade by S&P have addressed populist policy making which could end-up with further deterioration in fiscal metrics, sticky low-double digit CPI and wider CA deficits. Even in such macro atmosphere, we see some arbitrage accounts still in the game to utilize earnings potential at the current cheap multiples; but, generally speaking, many investors have preferred to keep on their guard and stay on the sidelines with a bid for safety bias. Needless to say, heavy IPO agenda has weighed on stocks as well. All told, we continue to expect a wave of ro-ro (risk-on/risk-off) trades in the market, which in fact supports our core view that has suggested investors to stick to 'quality improvers' while taking no risk on 'conventional high risk/return plays'. With the glass half-full, we'd like to remind that 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 43.5% relative discount as of May 2 going into publication. Also, Turkish banks (XBANK) trade at a 42.5% discount to MSCI EM banks on trailing on P/BV of 0.62x at the time writing.

We maintain EREGL, GARAN, KCHOL, MGROS, PETKM, TKFEN, TRKCM, TSKB, TUPRS and YATAS

Eregli Demir Celik (EREGL, BUY, FV TRY12.66, Upside 25%)

- 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 30%)

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

Koc Holding (KCHOL, BUY, FV TRY19.28, Upside 41%)

- The stock is trading at a 17.1% discount to its NAV against a 5yr average discount of 3.6%
- 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 54%)

- 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 27%)

- 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 TRY19.54, Upside 27%)

- 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 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

TSKB (TSKB, BUY, FV TRY1.85, Upside 32%)

- We maintain TSKB in our portfolio (as a low conviction idea) due to the bank's sound fundamentals and strong 1Q18 expectations
- The short term valuation trends continue to offer positive potential

Tupras (TUPRS, BUY, FV TRY150.20, Upside 45%)

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

Yatas (YATAS, BUY, FV TRY35.54, Upside 30%)

- 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

APR 30 - MAY 15

Portfolio summary

(Previous portfolio period)

Portfolio performance	-4.2%
BIST - 100 performance	-4.1%
Portfolio relative performance	-0.1%

Portfolio performance

(04.12.2007 - 30.04.2018)

Start value	TL10,000,000
Current value	TL71,358,310
Relative performance*	+272.2%
Relative performance (YtD)	+7.6%

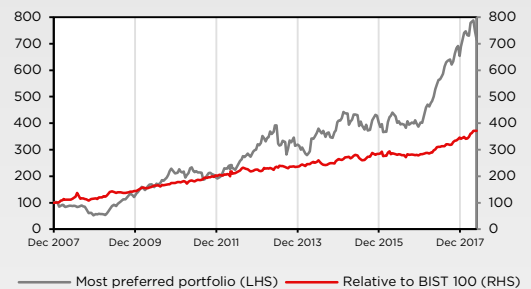
*Since inception (04.12.2007)

Portfolio highlights

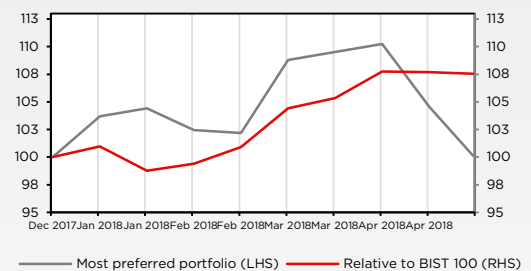
Commission rate	0.1%
Commission paid*	TL9,822,993

*Since inception (04.12.2007)

Portfolio Price Performance



Portfolio Price Performance (YtD)



All share price data as at close on 30-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
Eregli	EREGL	35,560	131,025	12.73%	7.5%
Garanti Bank*	GARAN	38,682	537,573	6.42%	8.1%
Koc Holding	KCHOL	34,793	66,545	12.70%	3.4%
Migros Ticaret	MGROS	4,059	17,197	10.09%	0.6%
Petkim	PETKM	10,770	208,583	11.28%	2.1%
Tekfen Holding	TKFEN	5,691	31,552	10.50%	1.2%
Trakya Cam	TRKCM	5,300	10,905	10.42%	0.7%
TSKB*	TSKB	3,360	13,913	4.93%	0.6%
Tupras	TUPRS	25,918	167,384	12.35%	5.6%
Yatas	YATAS	1,166	12,462	8.58%	0.3%

*Low conviction idea

Source: Global Securities

Exhibit 2: Cumulative portfolio value and costs

Starting value	10,000,000
Total commissions	9,822,993
Cash balance	211,653
Equity portfolio current value	71,144,235
Portfolio current value	71,355,888

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.

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 30.04.18 pm	Relative performance 04.12.07 am	Relative performance 04.12.07 pm	Relative performance 05.12.07 am
Portfolio ('000)	71,358	272.17%	269.56%	273.09%
BIST100 performance	104,283	91.80%	93.07%	91.20%

Source: FINNET, Global Securities

Allowing for commissions so far, our portfolio has outperformed the BIST100 index by 272.2% since inception. Had it been replicated in the first trading session after it was issued, allowing for commissions, we would have outperformed by 269.6% since inception; and had it been replicated the next trading session, we would have outperformed by 273.1%.



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

	30.04.18 pm		Relative performance since	
	Average (TL)	Closing (TL)	16.04.18 pm	17.04.18 pm
EREGL	10.34	10.16	-0.3%	-0.7%
GARAN	9.41	9.21	5.0%	1.4%
KCHOL	13.82	13.72	-3.3%	-2.8%
MGROS	23.28	22.80	10.6%	9.1%
PETKM	7.34	7.18	-1.5%	-0.5%
TKFEN	15.55	15.38	-3.6%	-2.2%
TRKCM	4.75	4.69	1.0%	2.3%
TSKB	1.40	1.40	4.3%	3.8%
TUPRS	104.24	103.50	-3.5%	-1.7%
YATAS	27.34	27.24	-4.4%	-3.9%
XU100		104,283	-0.1%*	0.2%*

*Calculated by using number of shares of 17.04.18 portfolio

Source: FINNET, Global Securities

Exhibit 5: Portfolio rebalancing

	Average Price (TL)	Previous # of shares	Current # of shares	Rebalancing	New Weight
EREGL	10.34	889,140	875,624	-13,516	13%
GARAN	9.41	520,386	485,142	-35,245	6%
KCHOL	13.82	639,149	654,000	14,851	13%
MGROS	23.28	344,612	308,525	-36,087	10%
PETKM	7.34	1,103,854	1,092,815	-11,039	11%
TKFEN	15.55	471,165	480,642	9,477	11%
TRKCM	4.75	1,597,039	1,561,203	-35,835	10%
TSKB	1.40	2,604,332	2,505,816	-98,516	5%
TUPRS	104.24	82,189	84,262	2,073	12%
YATAS	27.34	216,134	223,224	7,090	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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