

**MARMARA CAPITAL PORTFÖY
HİSSE SENEDİ FONU
(STOCK INTENSIVE FUND)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
AS OF 31 DECEMBER 2016
(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH)**

(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the Founder of the Board of Directors of Marmara Capital Portföy Hisse Senedi Fonu (Stock Intensive Fund)

Report on the Financial Statements

We have audited the accompanying financial statements of Marmara Capital Portföy Hisse Senedi Fonu (Stock Intensive Fund) (the "Fund"), which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in total value/net asset value and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Founder Management's Responsibility for the Financial Statements

The Founder Management is responsible for the preparation and fair presentation of these financial statements in accordance with "the Capital Markets Board ("CMB") Accounting and Reporting Regulations" including the principles of CMB within the frame of the communique on "Principles of Financial Reporting for Investment Funds (II-14.2)" and Turkish Accounting Standards for the matters not legislated by the aforementioned regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Marmara Capital Portföy Hisse Senedi Fonu (Stock Intensive Fund) as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the CMB Accounting and Reporting Regulations.

Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Fund's set of accounts prepared for the period 1 January-31 December 2016 does not comply with TCC and the provisions of the internal regulation of the sub-fund of the Fund in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors of the Founder provided us all the required information and documentation with respect to our audit.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Yaman Polat
Partner

İstanbul, 28 February 2017

**MARMARA CAPITAL PORTFOY HISSE SENEDI FONU
(STOCK INTENSIVE FUND)**

AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

	Notes	Current Period 31 December 2016	Prior Period 31 December 2015
Assets			
Cash and Cash Equivalents	21	2.889.120	288.549
Clearing Receivables	5	34.714	-
Financial Assets	19	33.019.893	15.817.811
Total Assets		35.943.727	16.106.360
Liabilities			
Clearing Payables	5	(188.250)	-
Other Payables	5	(62.000)	(32.568)
Total Liabilities (Total Value/Except Net Asset Value)		(250.250)	(32.568)
Total Value/Net Asset Value		35.693.477	16.073.792

The accompanying notes from an integral part of these financial statements.

**MARMARA CAPITAL PORTFOY HISSE SENEDI FONU
(STOCK INTENSIVE FUND)**

AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

	<u>Notes</u>	<u>Current Period 1 January - 31 December 2016</u>	<u>Prior Period 1 January - 31 December 2015</u>
PROFIT OR LOSS SECTION			
Interest Income	12	3.634	1.232
Dividend Income	12	665.661	323.654
Realized Gains/Losses related to Financial Assets and Liabilities	12	3.384.428	3.203.720
Unrealized Gains/Losses related to Financial Assets and Liabilities	12	1.137.420	(1.126.781)
Operating Income		<u>5.191.143</u>	<u>2.401.825</u>
Management Fees	8	(456.061)	(258.626)
Storage Fees	8	(34.638)	(8.862)
Audit Fees	8	(6.785)	(6.667)
Consulting Fees	8	-	(3.092)
Establishment Fees	8	(5.696)	(3.102)
Commission and Other Transaction Fees	8	(46.151)	(46.767)
Other Operating Expense	8, 13	(4.129)	(4.143)
Operating Expense		<u>(553.460)</u>	<u>(331.259)</u>
Operating Gains/Loss		<u>4.637.683</u>	<u>2.070.566</u>
Financing Expense		-	-
Net Profit/Loss For The Period (A)		<u>4.637.683</u>	<u>2.070.566</u>
OTHER COMPREHENSIVE INCOME SECTION			
Other Comprehensive Income (B)		<u>-</u>	<u>-</u>
INCREASE/DECREASE IN TOTAL VALUE/NET ASSET VALUE (A+B)		<u>4.637.683</u>	<u>2.070.566</u>

The accompanying notes from an integral part of these financial statements.

**MARMARA CAPITAL PORTFOY HISSE SENEDI FONU
(STOCK INTENSIVE FUND)**

AUDITED STATEMENT OF CHANGES IN TOTAL VALUE/NET ASSET VALUE AS OF 31 DECEMBER
2016

(Amounts expressed in Turkish Lira (TL))

	<u>Notes</u>	<u>Current Period 2016</u>	<u>Prior Period 2015</u>
As of 1 January Total Value/Net Asset Value (Beginning of Period)		16.073.792	8.577.801
Increase/Decrease of Total Value/Net Asset Value	10	4.637.683	2.070.566
Proceeds from Redeemable Shares Issued (+)	10	17.526.840	8.439.913
Redemption of Redeemable Shares (-)	10	<u>(2.544.838)</u>	<u>(3.014.488)</u>
As of 31 December Total Value/Net Asset Value (End of Period)		<u>35.693.477</u>	<u>16.073.792</u>

The accompanying notes from an integral part of these financial statements.

**MARMARA CAPITAL PORTFOY STOCK FUND
(STOCK INTENSIVE FUND)**

NOTES TO THE CASH FLOWS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

	<u>Notes</u>	<u>Current Period 1 January - 31 December 2016</u>	<u>Prior Period 1 January - 31 December 2015</u>
A. Cash Flow from Operating Activities			
Net Profit/(Loss) For The Period		4.637.683	2.070.566
Adjustments of Net Profit/(Loss) Reconciliation		(1.777.399)	818.884
Adjustments of Interest Income/Expenses	12	(3.634)	(1.232)
Adjustments of Dividends Received	12	(665.661)	(323.654)
Adjustments of Fair Value Gains/(Losses)	12	(1.137.420)	1.126.781
Adjustments of Profit/(Loss) Reconciliations		29.316	16.989
Changes in Working Capital		(15.912.404)	(9.212.104)
Adjustment of Increase/(Decrease) in Receivables		(34.714)	1.307.519
Adjustment of Other Increase/(Decrease) in Working Capital		(15.877.690)	(10.519.623)
Cash Flows from Operations		669.295	324.886
Dividend received	12	665.661	323.654
Interest Income	12	3.634	1.232
B. Cash Flows from Financing Activities		14.982.002	5.425.425
Proceed from Redeemable Shares Issued	10	17.526.840	8.439.913
Cash from Redemption of Redeemable Shares	10	(2.544.838)	(3.014.488)
Net Cash Flows from Financing Activities		14.982.002	5.425.425
Before The Effects of Foreign Currency Translation Net Increase/(Decrease) in Cash and Cash Equivalents (A+B)		2.599.177	(572.343)
C. The Effects of Foreign Currency Translation on Cash and Cash Equivalents			
		-	-
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)		2.599.177	(572.343)
D. Cash and Cash Equivalents in the Begining of the Period		288.443	860.786
Cash and Cash Equivalents in the End of Period (A+B+C+D)	21	2.887.619	288.443

The accompanying notes from an integral part of these financial statements.

**MARMARA CAPITAL PORTFOY STOCK FUND
(STOCK INTENSIVE FUND)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

1. ORGANIZATION AND OPERATIONS OF THE FUND

Marmara Capital Portföy Hisse Stock Fund (Stock Intensive Fund) was registered to the Istanbul Trade Registry Office on the date of 04.08.2015 under registration number 234083 by Marmara Capital Portföy Yönetimi A.Ş. in accordance with Articles 52 and 54 of the Capital Market Law No.6362. Marmara Capital Portföy Yönetimi A.Ş. Şemsiye Fonu was announced on Turkey Trade Registry Gazette No:8880 on the date of 10.08.2015. The prospectus about issuance of participation shares of Marmara Capital Portföy was approved by the Capital Markets Board on 01.10.2015 in accordance with its Law and Regulations. Sardis Menkul Değerler A.Ş. Type A Fund (Stock Intensive Fund) which was founded by Sardis Menkul Değerler A.Ş., has been transferred to Marmara Capital Portföy Yönetimi A.Ş. with the approval of the Capital Market Board.

Fund founder : Marmara Capital Portföy Yönetimi A.Ş.

Address of fund founder: Konaklar Mah. Akçam Cad. No:13/1, 34330 4. Levent-Beşiktaş/İstanbul

Fund manager Marmara Capital Portföy Yönetimi A.Ş.

Address of fund manager : Konaklar Mah. Akçam Cad. No:13/1, 34330 4. Levent-Beşiktaş/İstanbul

Custodian institutions: T. Garanti Bankası A.Ş.

Address of custodian institutions: Levent Nispetiye Mah. Aytar Cad. No:2 34340 Beşiktaş/İstanbul

Fund service unit : Garanti Hizmet Yönetimi A.Ş.

Address of Fund service unit : Levent Nispetiye Mah. Aytar Cad. No:2 34340 Beşiktaş/İstanbul

Fund maturity and foundation date:

The fund has an unlimited time and it has been offered to the public on 2 January 2014.

Management of fund portfolio:

The founder is responsible for the protection and the management of the rights of fund holders, and the supervision of the management activities to be carried out in accordance with the law and the prospectus provisions. The founder is authorised to make savings on its funds and assets on behalf of his or the fund's account and exercise the rights arising in accordance with the regulations and rules of procedure. Getting outside services, including portfolio management services during the execution of the Fund's operations, does not negate the responsibility of the Founder.

Fund management fee:

The Fund, accrues a management fee for Founder for the purpose of the management and representation of the Fund allocation of infrastructure and personnel and accounting services on a daily basis by 0,0048%(fourpointeightperhundredthousand) and 1,752% annually(oneperhundredpointsevenhundredfiftytwo-included BSMV) of the total fund value and calculated within a week following the end of each month and paid to the Founder.

The maximum limit of total expenses of the Fund (included fund management fee) cannot exceed 3,65 % annually. As of the last business day of the 3, 6, 9 and 12- month period, the Founder is responsible to control whether the determined ratio of total annual fund expense is exceeded or not based on the periodically calculated daily average total fund value. If it is established that the determined ratios were exceeded, the Founder and the Portfolio Depositary are responsible of the exceeding amount to be returned to the fund within 5 business days. The corresponding amount is deducted from the total expenses in the calculation of the ratio of total expenses for the following the year. Even if it remains within the limits of the total expense ratio of the Fund, expenditures which are not related to the Fund, cannot be accrued as expenses to the Fund or cannot be paid from the fund's assets.

**MARMARA CAPITAL PORTFOY STOCK FUND
(STOCK INTENSIVE FUND)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

1. ORGANIZATION AND OPERATIONS OF THE FUND (continued)

Audit fee:

In accordance with the decision according to the Capital Markets Board (“CMB”) regulations, Law No. 9/1, registered on 6 January 2005, fund expenses are not charged to the fund founder, expenses are covered from the assets of the fund by accruing daily to the fund (including the custodian fee and audit fee) for private pension funds and mutual funds after 1 February 2005.

Approval of financial statements:

The financial statements approved by the Founder Board and authorised for issue on 28 February 2017. The Founder Board has the authority to change the financial statements.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

The financial statements have been prepared based on the historical cost basis except for fair value adjustments of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.2 Statement of Compliance

The attached financial statements are prepared in accordance with “the Capital Markets Board (“CMB”) Accounting and Reporting Regulations” including the principles of CMB within the frame of the communique on “Principles of Financial Reporting for Investment Funds (II-14.2)” and Turkish Accounting Standards for the matters not legislated by the aforementioned regulations. Also the fair value measurements of assets in the fund’s portfolio is based on valuation principles in article 9.

In addition, financial statements and disclosures are presented in accordance with the format announced by the CMB on 30 December 2013.

2.3 Currency Used

The financial statements of the Fund are presented in the currency of the primary economic environment in which the Fund operates (its functional currency). The Fund's financial position and results of its operations, are expressed in TL which is the functional currency and presentation currency for the financial statements.

2.4 Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the resolution numbered 11/367 dated 17 March 2005, the CMB stated that companies operating in Turkey which prepare their financial statements in accordance with the Turkish Accounting Standards effective from 1 January 2005 are not subject to inflation accounting. Based on that statement, TMS 29 “Financial Reporting in Hyperinflationary Economies” is not applied starting from 1 January 2005.

**MARMARA CAPITAL PORTFOY STOCK FUND
(STOCK INTENSIVE FUND)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.5 New and Revised Turkish Accounting Standards

Amendments in TAS's affecting the notes and amounts in the financial statements

None.

New and Revised TAS's applied with no material effect on the financial statements as of 2016

Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	<i>Agriculture: Bearer Plants</i> ¹
Amendments to TFRS 11 and TFRS 1 Annual Improvements to 2011-2013 Cycle	<i>Accounting for Acquisition of Interests in Joint operations</i> ¹ <i>TFRS 1</i> ²
Amendments to TAS 1	<i>Disclosure Initiative</i> ²
Annual Improvements to 2012-2014 Cycle	<i>TFRS 5, TFRS 7, TAS 34, TAS 19</i> ²
Amendments to TAS 27	<i>Equity Method in Separate Financial Statements</i> ²
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> ²
TFRS 14	<i>Regulatory Deferral Accounts</i> ²

¹ Effective for annual periods beginning on or after 31 December 2015.

² Effective for annual periods beginning on or after 1 January 2016.

New and Revised TASs in issue but not yet effective

The Company has not applied the following new and revised TAS that have been issued but are not yet effective:

TFRS 9	<i>Financial Instruments</i> ¹
TFRS 15	<i>Revenue from Contracts with Customers</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

**MARMARA CAPITAL PORTFOY STOCK FUND
(STOCK INTENSIVE FUND)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies

Revenue

Interest Income:

Interest income from a financial assets is recognised on an accrual basis when it is probable that the economic benefits will flow to the Fund and the amount of income can be measured reliably. Interest income includes coupon interests taken from fixed-income securities, interest from reverse repo transactions and Money Market Operations, interest from blocked accounts for derivative transactions.

Dividend Income:

Dividend income from stock investment is recorded when the fund has a right to receive dividend (as long as the fund will be able to measure the economic benefit and the revenue can be measured reliably).

Expenses

All expenses are recorded to the profit or loss statement and other comprehensive income statement on an accrual basis.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Investment instruments in accordance with the timeframe established by the market concerned a contract require delivery of the financial asset purchases or as a result of the sale of the related assets, are recognised on the transaction date or are derecognised.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method:

The effective interest method is the method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL:

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

The purchase and sale financial assets at initial recognition as at fair value being used and in the period following the initial recognition are measured at fair value.

**MARMARA CAPITAL PORTFOY STOCK FUND
(STOCK INTENSIVE FUND)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Financial assets at FVTPL(Continued):

Gain or losses from the sale and purchase of marketable securities are recognised in the statement of profit or loss and other comprehensive income within the account of "Realised Profit/ Loss related to Financial Assets and Liabilities". Unrealised gain and losses resulted from change in fair value of transferring assets are recognised in the statement of profit or loss and other comprehensive income within the account of "Unrealised Profit or Loss related to Financial Assets and Liabilities".

Sale and repurchase agreements:

The securities sold to be back ("repo") are reflected in the financial statements and obligations to counterparties are recorded in repurchase agreements payables. Securities purchased under agreements to resell ("reverse repo"), the difference between sale and repurchase price based on the effective interest method portion corresponding to the period by adding to the cost of the reverse repos "reverse repurchase agreements" are recorded as receivables from reverse repo.

Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

Valuation Principles

(1) Value of the assets in the portfolio shall be determined in accordance with the principles below:

a) Assets purchased to the portfolio shall be recorded with their purchase prices. The purchase price of the assets in terms of foreign currency shall be found by way of multiplication of its value in foreign currency on the date of purchase, by the Central Bank of Republic of Turkey ("CBRT") selling rate of foreign exchange.

b) Starting from the purchase date, from among the assets in portfolio;

1) Those which are traded on the exchange, shall be valued by the weighted average prices or rates formed at the last session of the exchange on the valuation date. In so far, prices formed in the closing session and in cases where no price is formed at the closing session, weighted average prices formed in the last session at the exchange shall be used in valuation of the assets which are traded on the markets that have a closing session.

2) Those which are traded on the exchange however which are not subject to trading at the exchange on the date of valuation, shall be valued by the exchange price on the last trading date; debt securities, reverse repos and repos shall be valued over the internal rate of return on the last trading date.

3) Fund units shall be valued on the basis the latest prices announced as at the valuation date.

4) Deposit accounts shall be valued by way of adding the interest accrued through using compound interest rate to the capital amount.

5) Those which are in terms of foreign exchange, shall be valued over the buying rate designated by the CBRT for the relevant foreign exchange.

6) Assets which have been granted as guarantee due to derivatives shall also be indicated in the portfolio value statement. These assets shall be valued within the framework of the principles in this Article by taking the type of the guarantee into consideration.

**MARMARA CAPITAL PORTFOY STOCK FUND
(STOCK INTENSIVE FUND)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Valuation Principles(Continued)

7) Over-the-counter repo and reverse repo contracts shall be valued in a way to reflect the market price correctly and by a reliable and verifiable method.

8) Those which are out of those mentioned under the subparagraphs numbered (1) to (7), shall be valued by taking the TAS/TFRS published by POA into consideration. The basis of valuation shall be decided upon in written form.

9) Decisions with regard to the methods set forth under the subparagraphs numbered (7) and (8) shall be taken by the Board of Directors of the founder.

c) From among the assets which are within the portfolio of index funds; assets, which are within the scope of the index taken as basis, shall be valued within the framework of the principles used in calculation of the index, whereas the other assets shall be valued within the framework of the principles set forth under subparagraph (b).

(2) Other assets and liabilities of the fund shall be determined by taking the TAS/TFRS published by POA into consideration. In so far, liabilities of the fund in terms of foreign exchange shall be valued by multiplication with the selling rate of exchange designated by the CBRT for the relevant foreign exchange.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial Liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Other Financial Liabilities:

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Netting

Financial assets and liabilities, right of legally enforceable, payable as net amount or possible to collect or with the acquisition of the fulfillment of the obligation realisation simultaneously if the net value can be shown on the balance sheet.

**MARMARA CAPITAL PORTFOY STOCK FUND
(STOCK INTENSIVE FUND)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Foreign currency transactions

The results and financial position of the Fund are expressed in TL, which is the functional currency of the Fund, and the presentation currency for the financial statements.

In preparing the financial statements of the Fund, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign currency denominated transactions on translation into TL or exchange differences arising from monetary items expression of the related expense or income in profit or loss and other comprehensive income in the "Net Foreign Currency Translation Differences Income" account.

Related parties

In these financial statements, the founder of the Fund, parties having a capital relationship with the Founder and the companies giving services of portfolio management and brokerage are defined as the "related party".

Participation certificates

During the sale and purchase of share certificates, the value of each share is calculated by dividing the total fund value by the number of shares in circulation. The resources obtained through sale of share certificates are transferred to the share certificate account by taking into account the sale price whereas share certificates purchased back are deducted from such an account by taking into account the purchase price.

Share certificate transactions are notified on a daily basis to the Central Registry Agency ("CRA") and shares are followed at the account of CRA based on each customer's identity information, account codes and fund information.

Events After the Reporting Period

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorised for issue.

The Fund adjusts the amounts recognised in its financial statements if adjusting events occur after the balance sheet date.

Tax

Portfolio management earnings of securities investment trusts and funds are exempt from corporate tax under Paragraph 1(d) of Article 5 Corporate Tax Law No: 5520, which was issued on 21 June 2006 as effective from 1 January 2006. The exemption also applies for pre-paid corporate tax.

In accordance with Paragraph (3) of Article 15 of the Law, irrespective of subject to any distribution, 15% of tax deduction is applied to the related portfolio management earnings of securities investment funds. The deduction rate is applied as nil upon the Council of Ministers' resolution no: 2009/14594.

Paragraph (8) of Article 34 of Corporate Tax Law allows securities investment funds to offset their tax amounts deducted in the process of portfolio management transactions as required in Article 15 against the corporate tax deduction to be applied within their own entities as required in Paragraph (3) of Article 15 of the Law, to the extent that taxes are paid to their respective tax administration by the tax authorities, and to refund their non-deductible taxes upon the application to be filed to the related tax authorities.

**MARMARA CAPITAL PORTFOY STOCK FUND
(STOCK INTENSIVE FUND)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Tax(Continued)

In accordance with the appended Law No: 5527 to Income Tax Law No: 193, which is applicable in between 1 January 2006 and 31 December 2020 as per Law No: 5281, and Paragraph of the Amended Provisional Article, proceeds and earnings of securities investment funds obtained from the trading of securities and other capital market instruments through banks and brokerage houses are not subject to any corporate tax as of 1 October 2006.

In accordance with Paragraphs (2) and (4) of the Provisional Article 67, no corporate tax or income tax is applied to the securities investment trusts and funds' earnings that are subject to deduction in accordance with this Article.

Statement of Cash Flow

In the statement of cash flows, cash flows are classified according to operating, investing and financing activities.

Cash flows from operating activities reflect cash flows generated from increase or decrease of value of portfolio of the Fund.

Cash flows from financing activities express sources of financial activities and payment schedules of the Fund.

2.7 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Fund did not use significant accounting judgments, estimates and assumptions in the preparation of the financial statements.

2.8. Changes in Accounting Estimates and Errors

If the changes in accounting estimates related to only one period, changes are applied in the current period but if the changes in estimates related to future periods, change are applied both in the current and following period prospectively. There are not any significant changes in accounting estimates of the fund in the current period. Identified significant accounting errors are adjusted retrospectively and prior years' financial statements are restated accordingly. There are not any changes in financial statements of fund in the current year.

2.9 Change in Accounting Policies

Changes in accounting policy are applied retrospectively and the prior financial statements are restated accordingly. The fund has not changed its accounting policies in the current year.

3. SEGMENT REPORTING

Since main activity of the Fund is to manage a portfolio and it only serves in Turkey, no segment reporting is presented as of 31 December 2016.

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(Amounts expressed in Turkish Lira (TL))

4. RELATED PARTY DISCLOSURES

There are no receivable due from or payables due to related parties as of 31 December 2016.(31 December 2015: None)

5. RECEIVABLES AND PAYABLES

	<u>31 December 2016</u>	<u>31 December 2015</u>
Clearing Receivables	34.714	-
	<u>34.714</u>	<u>-</u>

As of the balance sheet date, the Fund does not have any overdue receivables within its assets (31 December 2015:None).

Details of other receivables are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Fund management fee	(50.416)	(22.535)
Audit fee	(6.785)	(6.505)
Clearing payables	(188.250)	-
CMB registration fee payable	(1.785)	(804)
Brokerage commission	(271)	(94)
Stock money market transaction cost	(117)	(5)
Portfolio storage costs	(2.626)	(2.625)
	<u>(250.250)</u>	<u>(32.568)</u>

6. BORROWING COSTS

None.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

7. PROVISIONS, CONTINGENTS ASSETS AND LIABILITIES

The Fund's securities are held by İstanbul Takas ve Saklama Bankası A.Ş. and the former application of "umbrella insurance" which covers Takasbank and Stock Exchange members is ceased to exist. Instead, a new insurance system is applied where Takasbank is covered with all securities of the Fund. The Fund has no individual insurance policy. Its insurance policy covers Takasbank and Merkezi Kayıt Kuruluşu A.Ş. ("MKK") and any related breach of trust, fraud, theft, relocation risks, financial loss, loss and custody risks.

The foreign financial assets are kept in custody under Takasbank in accordance with the agreements signed. During the sale, purchase and safekeeping phase of the foreign financial assets, the communication is performed via swift, fax and telex. The expenses and fees related with the safekeeping of assets are varied in accordance with the different financial assets of different countries. Custodians send their documentation monthly.

8. EXPENSES BY NATURE

	1 January 31 December 2016	1 January 31 December 2015
Fund Management Fees	(456.061)	(258.626)
Commission and Other Transaction Fees	(46.151)	(46.767)
Custody Fees	(34.638)	(8.862)
Audit Fees	(6.785)	(6.667)
Establishment Fees	(5.696)	(3.102)
Other Operating Expenses	(4.129)	(4.143)
Consulting Fees	-	(3.092)
	<u>(553.460)</u>	<u>(331.259)</u>

9. OTHER ASSETS AND LIABILITIES

The Fund does not have other assets and liabilities as of the balance sheet date (31 December 2015: None).

10. TOTAL VALUE/NET ASSET VALUE AND INCREASE/DECREASE IN TOTAL VALUE/NET ASSET VALUE

	Current Period 2016	Prior Period 2015
As of 1 January, Total Value/Net Asset Value (Beginning of Period)	16.073.792	8.577.801
Increase/Decrease in Total Value/Net Asset Value	4.637.683	2.070.566
Proceeds from Redeemable Shares Issued (+)	17.526.840	8.439.913
Redemption of Redeemable Shares (-)	(2.544.838)	(3.014.488)
As of 31 December, Total Value/Net Asset Value (End of Period)	<u>35.693.477</u>	<u>16.073.792</u>

Unit Fund Value

	31 December 2016	31 December 2015
Total Fund Value:	35.693.477	16.073.792
Number of Shares in Circulation:	2.409.782.114	1.306.505.002
Unit Fund Value:	0,014812	0,012303

**MARMARA CAPITAL PORTFOY STOCK FUND
(STOCK INTENSIVE FUND)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

10. TOTAL VALUE/NET ASSET VALUE AND INCREASE/DECREASE IN TOTAL VALUE/NET ASSET VALUE (continued)

Movement of Participation Certificates:

	2016 <u>Unit</u>	2016 <u>Amount TL</u>	2015 <u>Unit</u>	2015 <u>Amount TL</u>
Opening	1.306.505.002	11.977.227	800.727.730	6.551.802
Sales	1.290.968.694	17.526.840	729.609.964	8.439.913
Repurchases	(187.691.582)	(2.544.838)	(223.832.692)	(3.014.488)
31 December	<u>2.409.782.114</u>	<u>26.959.229</u>	<u>1.306.505.002</u>	<u>11.977.227</u>

As of 31 December 2016 balance of Total Value/Net Asset Value is TL 35.693.477 (31 December 2015: TL 16.073.792).

As of 31 December 2016 balance of Increase/Decrease in Total Value/Net is TL 4.637.683 (31 December 2015: TL 2.070.566).

11. RECONCILIATION OF TOTAL VALUE/NET ASSET VALUE IN PRICE REPORT AND STATEMENT OF FINANCIAL POSITION

	<u>31 December 2016</u>	<u>31 December 2015</u>
Total value/Net asset value in statement of financial position	35.693.477	16.073.792
Total value/Net asset value in price report	35.693.477	16.073.792
Difference	<u><u>-</u></u>	<u><u>-</u></u>

12. REVENUE

<u>Operating Income</u>	<u>1 January- 31 December 2016</u>	<u>1 January- 31 December 2015</u>
Interest Income	3.634	1.232
Dividend Income	665.661	323.654
Realized Gains/(Losses) related to Financial Assets and Liabilities	3.384.428	3.203.720
Unrealized Gains/(Losses) related to Financial Assets and Liabilities	1.137.420	(1.126.781)
	<u><u>5.191.143</u></u>	<u><u>2.401.825</u></u>

13. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

<u>Other Operating Expense</u>	<u>1 January- 31 December 2016</u>	<u>1 January- 31 December 2015</u>
Notarization fee	(1.444)	(2.351)
Taxes, levies and charges	(694)	(612)
Other expenses	(1.991)	(1.180)
	<u><u>(4.129)</u></u>	<u><u>(4.143)</u></u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

14. FINANCE EXPENSES

None (2015: None).

15. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

None (2015: None).

16. EFFECTS OF EXCHANGE RATE CHANGE

Please see Part 2 "Basis of Presentation of the Financial Statements".

17. FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

Please see Part 2 "Basis of Presentation of the Financial Statements".

18. DERIVATIVE INSTRUMENTS

None (31 December 2015: None).

19. FINANCIAL INSTRUMENTS

<u>Financial Assets</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
a) Financial investments at fair value through profit or loss	33.019.893	15.817.811
	<u>33.019.893</u>	<u>15.817.811</u>

b) Financial Assets that fair value differences reflected to profit/loss

<u>Equity securities</u>	<u>31 December 2016 Nominal</u>	<u>31 December 2016 Cost value</u>	<u>31 December 2016 Market value</u>
Equity securities in stock market	21.158.064	32.710.531	33.019.893
	<u>21.158.064</u>	<u>32.710.531</u>	<u>33.019.893</u>
<u>Equity securities</u>	<u>31 December 2015 Nominal</u>	<u>31 December 2015 Cost value</u>	<u>31 December 2015 Market value</u>
Equity securities in stock market	12.421.071	16.644.473	15.817.811
	<u>12.421.071</u>	<u>16.644.473</u>	<u>15.817.811</u>

**MARMARA CAPITAL PORTFOY STOCK FUND
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

19. FINANCIAL INSTRUMENTS (Continued)

Financial Risk Factors

The Fund is exposed to market risk (fair value interest rate risk) due to the nature of its operations. Market risk is fluctuations which occur at interest rates, the value of securities or other financial contracts and may negatively effect the Fund. The Fund is managed by portfolio managers concerning limits and strategies of portfolio management.

Interest rate risk

Interest rate risk is defined as the negative effect due to the fluctuations which occur at interest rates, over the value of securities that are sensible to interest rates. There are not any liabilities sensitive to the interest rates.

Common Stock Price risk

The Fund is also exposed the common stock price risk, that occurs due to the fluctuations at the prices of stocks in the portfolio of the Fund. As of 31 December 2016, in accordance with the Company's analysis, in case of having 10 percent increase or decrease in common stock prices that are transacted in Borsa İstanbul ("BIST") having all other variables held constant, profit before tax figure for the year 2016 would decrease or increase by TL 3.301.989 (2015: TL 1.581.781).

Credit Risk

Since the Fund does not have any borrowings, there is no risk that counterparty will default on its contractual obligations. As of 31 December 2016 and 31 December 2015, the Fund's assets exposed to credit risk are presented in the below table :

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

19. FINANCIAL INSTRUMENTS (Continued)

	Receivables						
	<u>Related Parties</u>	<u>Third Parties</u>	<u>Other Related Parties</u>	<u>Third Parties</u>	<u>Bank Deposit</u>	<u>Financial Assets</u>	<u>Other</u>
31 December 2016							
Maximum credit risk as of balance sheet date (A+B+C+D)	-	34.714	-	-	5.619	33.019.893	2.883.501
- The part of maximum risk under guarantee with collateral, etc.	-	-	-	-	-	-	-
A. Carrying value of financial assets that are neither past due nor impaired	-	34.714	-	-	5.619	33.019.893	2.883.501
B. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-
C. Carried value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment(-)	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
- Not pass due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment(-)	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
D. Offbalance sheet items with credit risk	-	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

19. FİNANSAL ARAÇLAR (devami)

Credit risk of financial instruments

	Receivables				Bank Deposit	Financial Assets	Other
	Receivables Related Parties	Third Parties	Other Receivables Related Parties	Third Parties			
31 December 2015	-	-	-	-	5.443	15.817.811	283.106
Maximum credit risk as of balance sheet date (A+B+C+D)	-	-	-	-	-	-	-
- The part of maximum risk under guarantee with collateral, etc.	-	-	-	-	-	-	-
A. Carrying value of financial assets that are neither past due nor impaired	-	-	-	-	5.443	15.817.811	283.106
B. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-
C. Carried value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment(-)	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
- Not pass due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment(-)	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
D. Offbalance sheet items with credit risk	-	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (TL))

19. FINANCIAL INSTRUMENTS (Continued)

Currency Risk

Foreign currency denominated transactions give rise to foreign exchange risk. The Fund does not have foreign currency denominated transactions as of 31 December 2016.

Liquidity Risk

Liquidity risk arises from funding long-term assets with short-term sources. Due to the nature of the Fund's operations, almost the entire assets of the Fund are composed of cash and cash equivalents and financial investments.

Non-derivative financial liabilities distribution in accordance with the contract period and remaining maturities as of 31 December 2016 are as follows:

31 December 2016

<u>Contractual Maturities</u>	<u>Carrying amount</u>	<u>Total cash outflow in accordance with contracts (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Non-derivative financial instruments						
Clearing Payables	(188.367)	(188.367)	(188.367)	-	-	-
Other payables	(61.883)	(61.883)	(61.883)	-	-	-
Total liabilities	(250.250)	(250.250)	(250.250)	-	-	-

31 December 2015

<u>Contractual Maturities</u>	<u>Carrying amount</u>	<u>Total cash outflow in accordance with contracts (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Non-derivative financial instruments						
Other payables	(32.568)	(32.568)	(32.568)	-	-	-
Total liabilities	(32.568)	(32.568)	(32.568)	-	-	-

Since the expected maturity of financial liabilities of the Fund approximates to their contractual maturities, no separate table is presented.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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19. FINANCIAL INSTRUMENTS (Continued)

Financial Instruments Categories

	Loans and receivables (Included cash and cash equivalents)	Financial assets at fair value through profit or loss	Financial liabilities disclosed at amortized cost	Book value	Note
31 December 2016					
<u>Financial Assets</u>					
Cash and Cash Equivalents	2.889.120	-	-	2.889.120	21
Clearing Receivables	34.714	-	-	34.714	5
Financial Assets	-	33.019.893	-	33.019.893	19
<u>Financial Liabilities</u>					
Clearing Payables	-	-	(188.367)	(188.367)	5
Other Payables	-	-	(61.883)	(61.883)	5
	Loans and receivables (Included cash and cash equivalents)	Financial assets at fair value through profit or loss	Financial liabilities disclosed at amortized cost	Book value	Note
31 Aralık 2015					
<u>Financial Assets</u>					
Cash and Cash Equivalents	288.549	-	-	288.549	21
Financial Assets	-	15.817.811	-	15.817.811	19
<u>Financial Liabilities</u>					
Other Payables	-	-	(32.568)	(32.568)	5

Fair Value of Financial Instruments

Fair value is an amount at which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction.

The Fund determined estimated fair value of financial instruments by using available market information and appropriate valuation methodologies.

It is anticipated that book values of cash and cash equivalents clearing receivables and other receivables approximate their fair value due to their short-term nature and probable losses would be an insignificant amount.

It has taken market prices in determination of the fair value of financial assets at fair value through profit or loss.

Due to their short term nature, the fair value of monetary liabilities are considered as approximating their carrying values.

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19. FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments (continued)

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

The Fund's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial Assets / Financial Liabilities	Fair value		Fair value level	Valuation technique
	31 December 2016	31 December 2015		
Equity securities	33.019.893	15.817.811	1	Market price

20. EVENTS AFTER THE REPORTING PERIOD

None.

21. DISCLOSURES RELATED TO STATEMENT OF CASH FLOWS

	31 December 2016	31 December 2015
Cash in Bank	5.619	5.443
Demand deposits	5.619	5.443
Takasbank Stock Money Market Transactions	2.883.501	283.106
	<u>2.889.120</u>	<u>288.549</u>
Interest Accruals	(1.501)	(106)
	<u>2.887.619</u>	<u>288.443</u>

22. DISCLOSURES RELATED TO STATEMENT OF CHANGE IN TOTAL VALUE/NET ASSET VALUE

Please see Note 10.

23. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE

None.