

# INVESTMENT MEMORANDUM

MARMARA CAPITAL  
EQUITY FUND



**MARMARA CAPITAL ASSET MANAGEMENT**  
*Konaklar Mah. Akçam Cad. No:13/1, 4. Levent-Beşiktaş/Istanbul*  
Tel:+90 212 346 10 36, Fax: +90 212 36 10 39, info@marmaracapital.com.tr

[www.marmaracapital.com.tr](http://www.marmaracapital.com.tr)

## Table of Contents

Summary.....	3
Description of the fund.....	4
The fund management company.....	4
Investment philosophy.....	4
Investment restrictions.....	4
Risks associated with the fund’s investments.....	5
Risk management.....	5
Regulatory compliance and internal audit.....	5
Service agreements.....	5
The manager’s own investment in the fund.....	6
Calculations of the values of the fund and fund units.....	6
Subscription and redemption for the fund units.....	6
Management fees.....	6
Accounting and reports.....	6
Money laundering prevention act.....	7
Discontinuing fund operations.....	7
Tax rules.....	7
Contact details .....	8
<b>Appendix</b>	
Fund Regulations.....	9

*Fund regulations in this information brochure has been prepared in Turkish and translated into English only for the convenience on non-Turkish readers. In the event of any discrepancy between the two versions of the fund regulations, the Turkish version shall prevail.*

# Summary of the Marmara Capital Equity Fund

Launch Date: January 2014.

<b>Legal Name</b>	<ul style="list-style-type: none"><li>• <i>Marmara Capital Portföy Hisse Senedi Fonu (Hisse Yoğun Fon)</i></li><li>• Issued under the umbrella fund of “Marmara Capital Portföy Yönetimi A.Ş. Hisse Senedi Şemsiye Fonu”</li><li>• ISIN Code: TRYSRMD00010      Bloomberg: SRMDSMH TI</li></ul>
<b>Legal Status</b>	<ul style="list-style-type: none"><li>• Open-End Equity Fund domiciled in Turkey and authorised by the Turkish Capital Markets Board (CMB)</li><li>• Benchmark: 100% MSCI Turkey (TL) Index</li></ul>
<b>Investment Philosophy</b>	<ul style="list-style-type: none"><li>• The fund aims to generate absolute return with a value-oriented approach. The primary goal is to invest in companies trading at a significant discount to their underlying values identified by fundamental company research</li><li>• In general, the fund intends to hold a concentrated portfolio of around 20 stocks and hold cash reserves or hedge its position if there are no attractive investments available</li></ul>
<b>Investment Restrictions</b>	<ul style="list-style-type: none"><li>• At least 80% of the fund’s portfolio shall be invested into Turkish Equities. Fixed income and money market investments allowed up to 20% of the total portfolio value. The fund may not invest more than 10% of its total portfolio value into capital instruments of a single issuer</li><li>• The fund may not own more than 9% of paid-in capital or voting rights of a company. The sum of the positions exceeding 5% cannot be above 40%. No short-selling or margin trading. The fund may employ derivative strategy only for hedging purposes, not exceeding portfolio value</li></ul>
<b>Management Company</b>	<ul style="list-style-type: none"><li>• Marmara Capital Asset Management</li></ul>
<b>Service Providers</b>	<ul style="list-style-type: none"><li>• Auditor : Deloitte DRT A.Ş.</li><li>• Custodian : T. Garanti Bank A.Ş.</li><li>• Fund Administrator : Garanti Hizmet Yönetimi A.Ş.</li></ul>
<b>Fund Dealing</b>	<ul style="list-style-type: none"><li>• Daily before 13:30</li><li>• The fund currency is Turkish Lira (TL)</li><li>• Subscription and redemption via Marmara Capital or any other bank or brokerage firm in Turkey</li></ul>
<b>Fees</b>	<ul style="list-style-type: none"><li>• Fixed fee of 1.75% per year</li><li>• No performance or entry/exit fees</li></ul>
<b>Reports</b>	<ul style="list-style-type: none"><li>• The fund’s biannual and year-end audited financials and material events are published in Public Disclosure Platform (<a href="http://www.kap.gov.tr">www.kap.gov.tr</a>) and <a href="http://www.marmaracapital.com.tr">www.marmaracapital.com.tr</a></li><li>• Each month fund investors receive a performance report. The unit value is also published daily at <a href="http://www.fonturkey.com.tr">www.fonturkey.com.tr</a></li></ul>
<b>Taxation</b>	<ul style="list-style-type: none"><li>• The fund is exempt from corporate tax</li><li>• Unit holders are exempt from withholding tax</li><li>• Foreign investors may be subject to taxes in their own countries</li></ul>

## DESCRIPTION OF THE FUND

Marmara Capital Equity Fund is managed by Marmara Capital Asset Management, authorised by the Turkish Capital Markets Board (CMB). The fund was launched in January 2014 by Sardis Securities (a brokerage firm previously owned by the founders), and taken over by Marmara Capital in October 2015. Marmara Capital equity fund is locally domiciled and supervised by CMB. The fund's assets and the investor units are independently held by the custodian T. Garanti Bank which is responsible from cash and security movements. The unit holder register is maintained by Marmara Capital, Central Registry Agency (MKK), and the Turkish settlement and

custody bank (Takasbank). The fund's NAV calculation, accounting, back-office, risk monitoring and regulatory reporting requirements are conducted by its service provider Garanti Hizmet Yönetimi A.Ş., an affiliate of Garanti Bank. The fund is not a legal entity and therefore cannot acquire rights for itself or undertake obligations. Furthermore, the fund cannot institute legal proceedings before a court of law or any other authority. The fund assets cannot be pledged, collateralized or seized. Founder Marmara Capital shall represent the fund unit holders in all legal and financial matters pertaining to the fund. However the fund is an independent tax entity.

## THE FUND MANAGEMENT COMPANY

Marmara Capital is an independent asset management company, established in May 7, 2015 with a paid-in capital of TL2.5m. The company received its fund management license in June 26, 2015. Marmara Capital is partly owned by Scandinavian investors and managed by its controlling shareholder Haydar Acun. The founding partners have substantial international experience in the asset management and brokerage business. Marmara Capital is specialized in Turkish Equities.

Haydar Acun worked for Global Securities between 1993 and 1995 as an equity analyst. In 1995, he moved to London to work for Schroders Securities, where he was ranked as the best Turkish analyst by Extel. He was employed by CAIB (Investment Bank of Bank of Austria) in 1998 to start its Turkish operations in London and moved back to Istanbul to open a rep office in 2000. He was responsible for institutional research and sales at Gedik Securities prior to running Sardis between 2006 and 2014.

## INVESTMENT PHILOSOPHY

The fund aims to follow a value investment philosophy and generate absolute return in the long run rather than a relative performance over the index. Value is a function of risk, return and growth and changes constantly. The fund's primary goal is to invest in companies trading at a significant discount to their underlying values, usually identified with a contrarian view. Investment risk is not a stock's volatility relative to an index but the probability and

potential amount of loss which is determined by the price paid for a stock. Therefore the fund's risk perception is avoiding from any over-priced investments by conducting a rigorous fundamental bottom-up research. In general, the fund intends to hold a concentrated portfolio of around 20 positions and hold cash reserves or hedge its positions when there are no suitable investments available, instead of remaining fully invested at all times.

## INVESTMENT RESTRICTIONS

The fund's assets can be invested in listed securities, fixed-income and money market instruments in Turkey. The fund may also invest in derivatives (Index contracts) for hedging purposes only. The most important investment restrictions can be summarized as follows: At least 80% of the fund's total assets shall be invested in equities and the remaining 20% in fixed income or money market instruments. No single holding in a company may exceed 10% of the fund's

total value and no holding may exceed 9% of the issued number of shares or votes in any single stock. The sum of the positions exceeding 5% cannot be above 40% of the fund's total value. The fund cannot engage in short-selling or margin trading. Total value of derivative positions cannot exceed total fund value.

*Please see fund regulations for a more detailed description of the investment restrictions.*

## RISKS ASSOCIATED WITH THE FUND'S INVESTMENTS

Fund business is associated with various types of risks therefore an investment in the fund may decrease or increase in value. A summary of possible risks is set out below. The summary is not intended to provide a comprehensive summary of all risks which may arise in the fund operations.

- *Market risks:* the value of the fund's assets may fall or rise significantly depending on external factors, such as price fluctuations on entire market or for a particular type of asset impacting the value of an investment
- *Liquidity risk:* it may take a certain amount of time to liquidate a position, which may have a negative impact on the price of the assets.
- *Counterparty and credit risk:* a counterparty may suspend its payments, and the fund is dependent on the custodial institution and a workable clearing institution.

- *Concentration risk:* the fund is authorized to invest up to 10% in a single asset, which means that the fund's performance may be significantly linked to the performance of such asset.
- *Operational and administrative risks:* various risks connected to operational activities, IT systems, administrative procedures and legislations as well as risks associated with using third party services.

*Investments in the Turkish stock market can be associated with higher risks than mature Western European stock markets. In addition to risks mentioned above, there might be macro risks, currency risks, political risks and legal risks. Therefore, the value of the Turkish investments might fluctuate strongly.*

## RISK MANAGEMENT

Risk management is an integral and important part of the management of the fund. The fund management company's Board of Directors have established policies to identify different types of risks and how such risks will be managed. The Board of Directors is regularly informed of the fund's returns as well as descriptions of what contributed to and hampered the fund's returns.

The fund management company will convene an investment committee regularly with principal duties of risk control and monitoring. The responsibility for the fund's risk management process lies with a member of the Board of Directors who is not a fund manager. The fund will diversify adequately and hedge when appropriate to counteract investment risks.

## REGULATORY COMPLIANCE AND INTERNAL AUDIT

The fund has an administrative director and a risk manager appointed by the fund administrator, Garanti Hizmet Yönetimi A.Ş. Their responsibilities include monitoring the limits of the fund and its compliance with the fund regulations. Marmara Capital has an internal compliance and audit manager monitoring compliance with the laws and regulations governing the business, the rules of the company and decisions of the Board of Directors. His duties include monitoring administrative risks on a day-to-day basis

and monitoring compliance with the fund regulations and checking the fund's positions against the limits. The internal compliance and audit manager is also responsible for reviewing and evaluating the organization's systems, routines and internal monitoring procedures. The internal audit is distinct from, and independent of, the rest of the business and reporting takes place directly to the Board of Directors.

## SERVICE AGREEMENTS

The fund management company has entered into a service agreement with T. Garanti Bank for the safeguarding of the fund and investor assets. Garanti Hizmet Yönetimi A.Ş. is responsible for handling the fund's day-to-day operations. In order to ensure an independent and objective supervision of the fund operations, the fund's administrative director and risk

manager are appointed by Garanti Hizmet Yönetimi A.Ş. The service agreement, among many things, includes accounting and back office services, daily calculation of the fund NAV, data maintenance and security, monitoring of fund orders and unit holder transactions and performing regulatory reporting requirements.

## **THE MANAGER'S OWN INVESTMENTS IN THE FUND**

It is a company policy for the fund's portfolio manager and principal owners to be invested in the fund. Units can be included in the portfolio of Marmara Capital for up to 20% of the total number of units. In the event that Marmara Capital intends to dispose its initial investments in the fund significantly, the fund unit holders would be notified with a letter in ample time before the redemption.

## **CALCULATION OF THE VALUES OF THE FUND AND FUND UNITS**

Valuations are calculated on a daily basis. The assets included in the portfolio are recorded with their purchase prices. Financial instruments which are part of the fund are valued at their market value. This means the most recent closing price set in the last trading session for listed equities and the most recent internal rate of return set in the last trading day for

debt instruments. In the absence of such prices for debt instruments, the fund administrator will set the value on objective grounds. The fund's total value is found by adding other assets and receivables and subtracting payables. The total value of the fund is divided by the number of units outstanding in order to calculate the value of a unit.

## **SUBSCRIPTION AND REDEMPTION FOR THE FUND UNITS**

The fund units can be accessed via all banks and brokers in Turkish Fund Platform "Tefas" apart from Marmara Capital. Subscription and redemption requests placed by the investors before 13:30 on the open days of the BIST are executed with the first calculated unit price following the request. Subscription requests are only valid after payments received by the fund. Redemption payments are made

to the investors on the second business day, following a redemption request given before 13:30 and on the third business day for requests given after 13:30. The Fund units may not be pledged. Any request to transfer a fund unit must be made in writing to the fund management company.

## **MANAGEMENT FEES**

The manager will be accrued a fixed management fee of 1,75% of the total net fund value per year paid within one week following the end of each month. The fees paid by the fund unit holders to the fund management company constitute compensation for management, marketing, equipment, personnel and accounting services.

The fund's total expense ratio (including the management fees) is capped at 3,65% by the regulator. Even if the total expense ratio of the fund stays within these limits, no expense can be accrued to the fund independently from expenses mentioned in detail in the fund regulations.

## **ACCOUNTING AND REPORTS**

The accounting period of the fund is the calendar year. The fund's P&L statements are audited by an independent auditor. The profit occurring in the fund is reflected in the daily values of the fund units, in accordance with the principles stated in the fund regulations. Dividends of equities in the portfolio are accounted on the ex-dividend day, irrespective of collection. There shall be no separate dividend distribution at the end of the account period. The management company shall send a copy of monthly reports showing the fund's performance and portfolio and unit actions taken place in the month within 6 days

following each month. These reports shall also be made available for the examination of the investors at the manager's headquarters and premises where fund unit transactions take place. Reports containing daily calculation of the unit prices and fund portfolio value shall be sent to the Capital Markets Board within the next business day, following the valuation day in accordance with principles determined by the Board.

## **MONEY LAUNDERING PREVENTION ACT**

Pursuant to the Law No. 5549 on Prevention of Laundering Proceeds of Crime, the Financial Crimes Investigation Board (MASAK) has issued special regulations applicable to companies subject to the supervisions of the Capital Markets Board.

The rules provide how to report any indications of suspected money laundering and also specify the measures companies should take to verify the identity of their customers.

## **DISCONTINUING FUND OPERATIONS**

The fund ceases to exist under the circumstances stated in the Capital Markets Board's Investment Funds Act. Subscription or redemption of units is not allowed from the moment of termination. Completion of liquidation shall be registered and announced in the trade registry for deleting the fund's name from the trade registry and the Capital Markets Board must be

notified accordingly. If the fund's operations are terminated for the reasons stated in the Act, liquidation methods shall be determined by the authority issuing the decision on the bankruptcy or liquidation of the founder and or custodial institutions.

## **TAX RULES**

The following is a summary of the rules that apply for taxation of equity intensive funds and of unit holders who are private individuals or corporate residents in Turkey or abroad. In respect of the general nature of

this presentation and the tax rules which are subject to change from time to time, each investor should consult his or her tax advisors regarding his or her own tax situation.

### **TAXATION OF THE FUND**

For tax purposes, all type of funds are considered as corporations and therefore subject to taxation. Turkish Corporate Income Tax Law No. 5520 (article 5-1/d) provides a special regime for the investment funds, under which all portfolio management income of the investment funds are exempt from corporate taxation.

The interest income and capital gains derived from the sale of quoted shares and bonds of the investment funds established according to Capital Market Law will be subject to withholding tax at 0% including exchange traded funds, housing financing funds, and wealth financing funds.

### **TAXATION OF THE UNIT HOLDERS**

Effective from 1 October 2006, resident individuals are subject to 10% withholding tax when units of the investment fund are redeemed. Neither withholding tax is applicable nor filing is required if the holding period exceeds one year in an investment fund where 51% of the total portfolio value is comprised of equities.

However, 0% withholding tax is applicable for all type of investors (individual, corporate, resident or non-resident) with respect to capital gains derived from the sale of units of equity intensive funds (where 80% is invested in listed equities) irrespective of holding period.

## **CONTACT DETAILS**

### **FUND MANAGEMENT COMPANY**

#### **Marmara Capital Asset Management**

Address: Konaklar Mahallesi, Akçam Cad, No: 13/1, 4. Levent Beşiktaş/Istanbul

Tel: +90 212 346 1036, [www.marmaracapital.com.tr](http://www.marmaracapital.com.tr) E-mail: Info@marmaracapital.com.tr

### **BOARD OF DIRECTORS**

Sinan Dalli, Haydar Acun, Niels Elgaard Larsen

### **OWNERSHIP STRUCTURE**

Haydar Acun %71, H. Lundén Holding AB %19, White Red IVS 10%

### **CUSTODIAL INSTITUTION**

#### **T. Garanti Bank A.Ş.**

Address: Levent Nispetiye Mahallesi, Aytar Caddesi, No:2 Beşiktaş/Istanbul

Tel: +90 212 318 1818, [www.garanti.com.tr](http://www.garanti.com.tr)

### **FUND ADMINISTRATIVE SERVICES**

#### **Garanti Hizmet Yönetimi A.Ş.**

Address: Levent Nispetiye Mahallesi, Aytar Caddesi, No:2 Beşiktaş/Istanbul

Tel:+90 212 318 1152, [www.garanti.com.tr](http://www.garanti.com.tr)

### **AUDITOR**

#### **Deloitte DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.**

Address: Sun Plaza, Maslak Mahallesi Bilim Sokak No:5 Şişli/Istanbul

Tel: +90 212 366 6134, [www.deloitte.com.tr](http://www.deloitte.com.tr)

*There is no guarantee that an investment in Marmara Capital Equity Fund (Equity Intensive Fund) will not result in a loss, even at times when financial markets are otherwise performing favorably. Past performance is no guarantee of future return. The value of the capital invested in the fund may increase or decrease and investors in the fund cannot be certain of recovering all their invested capital. The information contained in this document shall not be regarded as a recommendation to buy units in the fund, and it is the responsibility of individuals wishing to acquire units to make their own assessment of an investment in the fund and of risks associated with such an investment. Any dispute, controversy or claim in relation to the fund shall be settled in accordance with Turkish law by Turkish courts exclusively.*



# PROSPECTUS FOR MARMARA CAPITAL EQUITY FUND (EQUITY INTENSIVE FUND)

From October 1, 2015

## Ş1. GENERAL INFORMATION ABOUT THE FUND

The fund is a non-legal entity founded with an objective of managing capital to be raised from investors in a portfolio comprising assets stated in the second article of this prospectus, in exchange of units issued under an umbrella fund, on behalf of unit owners based on the relevant articles of Capital Market Laws and the provisions of this prospectus in compliance with the principles of distribution of risk and fiduciary ownership.

### 1.1. Information about the fund

*Name of the fund:*

Marmara Capital Portföy Hisse Senedi Fonu (Hisse Yoğun Fon)

*Name of the umbrella fund:*

Marmara Capital Portföy Yönetimi A.Ş. Hisse Senedi Şemsiye Fonu

*Type of its umbrella fund:*

Equity Umbrella Fund

*Duration:*

None

### 1.2. Information about the founder, manager and custodian

#### 1.2.1. Titles and authorisations

*Founder and Manager:*

Marmara Capital Portföy Yönetimi A.Ş.

*Portfolio management license:*

Date 26.06.2015, No: PYŞ/PY.29/781

*Custodian:*

T. Garanti Bank

*Board authorisation:*

Date 27.06.2014, No:20/649

#### 1.2.2. Contact information

*Marmara Capital Portföy Yönetimi A.Ş.:*

Konaklar Mah. Akçam Cad. No13/1, 4. Levent Beşiktaş/İst. website: [www.marmaracapital.com.tr](http://www.marmaracapital.com.tr), Tel: +90 212 346 10 36

*T. Garanti Bank:*

Levent Nispetiye Mah. Aytar Cad. No: 2, 34340 Beşiktaş/İst. website: [www.garanti.com.tr](http://www.garanti.com.tr), Tel: +90 212 318 18 18

### 1.3. Board of Directors of the founder

*Sinan Dallı:*

Chairman of the Board, 2015-present: Chairman of Marmara Capital Portföy Yönetimi A.Ş., General Manager of Alser Mining Incorporation, 2013-2015: General Manager Alser Mining, 2010-2013: CFO of Standard Profil Incorporation.

*Haydar Acun:*

2015-present: CEO and Board member of Marmara Capital Portföy Yönetimi A.Ş., 2006-2015 Chairman and CEO of Sardis Menkul Değerler A.Ş.

*Niels Elgaard Larsen:*

2015-present: Board Member of Marmara Capital Portföy Yönetimi A.Ş./ Consultant at Financial Systems, 2013-2015: Consultant at Financial Systems, 2010-2013: Consultant at Magenta ApS.

### 1.4. Fund Administration Unit

*Cansel Bayyığıt:*

Fund administration Director, 2010-present: Operations and Fund Administration Director at Garanti Hizmet Yönetimi A.Ş.

### 1.5. Portfolio Managers

It is compulsory that the fund assets are managed by professionals who possess adequate knowledge about the related investment area with at least 5 years of professional experience, with due respect to principles of distribution of risk and fiduciary ownership and protection of unit holders' rights, conducting the activities of the fund in accordance with the provisions of these fund regulations, related documents and asset management communiqué. Investors may access to information about the fund's managers at continuous information form published at [www.kap.gov.tr](http://www.kap.gov.tr).

### 1.6. Services and systems formed by the founder or received from third parties

*Fund administration unit:*

Garanti Hizmet Yönetimi A.Ş.

*Internal compliance system:*

Info Yatırım A.Ş.

*Risk management system:*

Garanti Hizmet Yönetimi A.Ş.

*Internal audit system:*

Info Yatırım A.Ş.

*Research unit:*

İş Yatırım Menkul Değerler A.Ş.

Fund's independent audit is conducted by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

## Ş2. FUND MANAGEMENT, INVESTMENT STRATEGY AND RESTRICTIONS

**2.1.** The Founder is responsible for management; audit of the management and representation the fund assets with respect to provisions of fund regulations and prospectus. The founder is authorised to exercise rights on fund assets on its behalf or fund with respect to regulatory framework and prospectus. Using third party service providers for the operations of the fund including the fund management service would not eliminate founder's responsibilities.

**2.2.** The fund portfolio is managed in accordance with the Capital Markets Board (CMB) regulations and within the provisions of the fund regulations and Act.

### 2.3. Fund's investment strategy

As an "Equity intensive fund", at least 80% of the fund's portfolio value shall be comprised of equities trading in the BIST, including cash guarantees of future and option contracts on equities or equity indexes, excluding the shares of equity investment trusts. Fund may also invest in Turkish Lira denominated Bills and Bonds issued by the Turkish Treasury, Money Market and Reverse repo and futures and options for hedging purposes only. Fund is not allowed to invest foreign or over-the-counter assets.

2.4. The limits for the assets which may be included in the portfolio by the manager are set out as below:

	<i>Minimum</i>	<i>Maximum</i>
Listed Equities	80%	100%
T-Bills and Bonds	0%	20%
Reverse Repo	0%	20%
Money markets	0%	20%

Fund may also engage in repo transactions not exceeding 10% of its current portfolio value and lend at most 50% of its current value of assets at any given time.

2.5. Fund's benchmark is 100% MSCI (TL) Index.

2.6. Fund may invest in stock market derivatives (Futures and options) in accordance with its investment strategy and only for hedging purposes. Limits set by the Capital Markets Board's guidelines document "fund type controls" must be complied in calculating the open positions.

2.7. Fund may take out loans provided that it does not exceed 10% of the total portfolio value. In this case, the information regarding the loan's amount, interest rate, payment date and the name of the institution shall be sent to the Capital Markets Board and published at Public Disclosure Platform.

### §3. MAJOR INVESTMENT RISKS AND THEIR MEASUREMENTS

Investors shall evaluate the major investment risks before making an investment into the fund. Investors shall keep in mind that based on changes occurring in major investment risks, their value of the investments may fall below their initial capital as a result of falling fund unit price.

#### 3.1. Investment risks that fund may be subject to:

1) **Market risk:** It is the risk of potential loss arising due to fluctuations in share prices, interest rates, value of foreign currencies. The details of above mentioned risks are below:

a- **Interest rate risk:** if interest rate backed asset included in the portfolio (fixed income, reverse repo etc.) the risk might occur as a result of fluctuations in interest rates.

b- **Share price risk:** if shares are included in the portfolio, the risk of loss might occur as a result of changes in the price levels.

2) **Liquidity risk:** The risk of potential loss which might arise as a result of not being able to liquidate fund assets at current market values.

3) **Derivative risk:** If derivative instruments, (futures and options) swaps, warrants, or any other leverage creating instrument are included in the portfolio, there might be risk of loss exceeding initial portfolio value as a result of leverage.

4) **Operational risk:** the risk of loss occurring as a result of disruptions in operations such as lack of systems, incompetent management, employee mistakes or fraud, as well as outside factors such as natural disasters, competition conditions, politic regime changes etc.

5) **Concentration risk:** The risk primarily caused by high investment concentration in one particular asset class or term.

6) **Correlation risk:** The risk occurring as a result of how two different securities move in relation to each other.

7) **Legal risk:** The risk of fund investments being negatively affected due to changes in the legal framework.

Risk definitions are closely followed and updated in compliance with Capital Markets Board regulations.

#### 3.2. The methods used for measuring the risks which the fund may be subject to

A risk management system has been put in place in accordance with the fund's investment strategy and risk level.

**Market risk:** Value at risk (VaR) method is used to measure the fund's market risk. The parameters for VaR are one day holding period with 99% confidence level and 250 days observation period. VaR calculates the maximum loss expected on an investment, over a given time period and given degree of confidence.

**Liquidity risk:** The liquidation period of fund portfolio is calculated based on average monthly trading volume of the securities. The founder's Board of Directors is informed about the results of stress tests conducted by the risk management system about if the fund is capable of meeting its financial commitments on time.

#### 3.3. Leverage creating transactions

Derivatives (futures and options) can be included in the portfolio in accordance with fund's investment strategy and type. There might be risk of loss exceeding initial portfolio value as a result of leverage creating transactions which affects the fund's risk profile. Risk management unit regularly follows derivative risks and potential impacts on the portfolio. Standard method will be used in evaluating the risks of leverage creating transactions as stated in the Capital Markets Board's guideline documents. Total open position due to leverage creating transactions cannot exceed portfolio value.

### §4. SAFEKEEPING AND SEPERATION OF FUND ASSETS

4.1. Fund assets are safeguarded by a custodian in compliance with the Capital Markets Board's rules regulating custodial services.

4.2. Fund assets which are safeguarded by the custodian shall be also followed by Istanbul Settlement and Custody Bank (Takasbank) under an account opened on behalf of the fund. Even in this situation the liability and responsibility of the custodian would continue.

4.3. Fund's assets are separate from the assets of the founder and the custodian. Fund's assets cannot be pledged as collateral except for the derivative transactions. Fund assets cannot be pledged, collateralized or seized even if the founder or custodian is confiscated by public authorities including the purpose of collection of public receivables or bankruptcy.

4.4. The custodial institution is responsible for preservation of the financials assets of the fund, keeping records, verifying the ownerships, monitoring the fulfillment of cash or asset transactions and legal reporting. In this context the custodial institution is obliged to ensure that;

a) Subscription and redemption of the fund units take place in accordance with regulatory framework and fund prospectus,

b) The value of the fund unit is calculated in accordance with the valuation principles set out in the regulatory framework and the provisions of the fund prospectus,

c) The instructions of the founder/manager are not contrary to the fund regulations and the provisions of the fund prospectus,

d) Payments arising from fund asset transactions are transferred in a timely manner,

e) Fund income is spent in accordance with regulations and the provisions of the prospectus,

f) Fund's asset transactions and portfolio structure is in compliance with regulations and the provisions of the fund prospectus

**4.5. The custodian institution;**

a) Ensures that fund assets are safeguarded separately and clearly showing their belongings in a way preventing any loss or damage

b) Regularly monitors fund assets, rights and security movements in its documents and records per each fund account.

c) Cannot associate fund assets with its own assets, or accounts with itself or other institutions.

**4.6. a)** The custodial institution is liable for losses against the founder or fund unit holders for not fulfilling its responsibilities. The founder and custodial institution is obliged to demand losses from each other, arising from breaching laws and provisions of the safeguarding communiqué. Unit holders' right to sue the founder or custodial institution is reserved.

b) The custodial institution is not liable against losses related to the management of the fund portfolio or market fluctuations.

c) The custodial institution is liable against the unit holders for not fulfilling its responsibilities stated in the Capital Markets law of 6362.

**4.7.** Custodial institution can also provide back office, accounting, portfolio valuation and fund unit transaction services provided that safeguarding service is functionally and hierarchically separated from other services and potential conflict of interests are effectively managed and prevented.

**4.8.** Every day custodial institution shall perform cross examination of the fund assets with the institution providing central registry services and the founder.

**4.9.** Custodial institution is liable for creating and implementing necessary policies to define oversight, prevent, manage and disclose potential conflict of interests.

**4.10.** Founder's debt or liabilities against third parties cannot be offset with the fund's receivables from the same parties.

**4.11.** Custodial service agreement cannot include provisions limiting responsibilities of the custodial institution arising from the law and safeguarding communiqué.

## **§5. PRINCIPLES FOR CALCULATING VALUE OF THE FUND UNIT AND PORTFOLIO VALUE**

**5.1.** Fund Portfolio Value is the total value of the assets in the portfolio calculated in accordance with the principles of the financial reporting communiqué. Fund total value is calculated by adding other assets and subtracting liabilities from fund portfolio value.

**5.2.** Value of the fund unit is calculated by dividing fund total

value by total number of units of the fund. This value is calculated at the end of every day in accordance with the principles of the financial reporting communiqué and posted at the places where fund units are bought and sold.

**5.3.** The founder's Board of Directors may alter valuation principles under extraordinary circumstances such as war, natural disasters, economic crises, crash in communication systems, computer systems, closure of the markets and revealing of important information which could affect the founder's financial situation. A disclosure shall be made in public disclosure platform about the above events.

**5.4.** In the aforementioned cases, If deemed appropriate by the Capital Markets Board, the value of the fund unit may not be calculated or subscription and redemptions may be suspended.

**5.5.** Fund portfolio may only include assets stated in the article 9 of financial reporting communiqué

## **§6. PRINCIPLES OF FUND UNIT SUBSCRIPTION AND REDEMPTION**

### **General Principles**

Subscription and redemption requests may be placed with institutions announced by the founder. Investor requests may be placed per 1 share or more.

### **6.1. Subscription principles**

Subscription requests placed by the investors before 13:30 on the open days of the BIST Equity market are executed with the first calculated unit price following the request. Subscription requests placed after 13:30 on the open days of the BIST Equity market are considered to be given after the first calculated unit price and executed with the subsequently calculated unit price. Subscription requests given on the closed days of BIST Equity market are executed with the first calculated unit price.

### **6.2. Principles of collection of subscription payments**

Subscription requests are only considered after payments received by the fund. Subscription requests can be placed in monetary terms or as number of units. If the subscription request is placed as number of units, the founder may collect payments by applying a 10% margin on the last announced unit price as the exercise price is not known precisely. Furthermore, provided that subscription payments are collected on the day of transaction, the founder may accept equivalent value of securities as collateral to be found by applying a margin. If the request is given in monetary terms, the stated sum shall be collected and the number of units corresponding to this sum shall be accounted after announcement of the unit price.

The subscription request can also be placed in monetary terms or as number of units for transactions to be conducted via fund trading platform (Tefas). If the subscription request is placed as number of units, the distributor may collect payments by applying a 10% margin on the last announced unit price as the exercise price is not known precisely. Furthermore, provided that subscription payments are collected on the day of transaction, the founder may accept equivalent value of securities as collateral to be found by applying a margin. If the subscription request is placed in monetary terms, the request may be matched in Tefas with applying a 20% margin on the last unit price. Final amount of unit is calculated after the announcement of the unit price. Excess amount of subscription request is cancelled.

Collected subscription payments shall be valued on behalf of the investor until the subscription request is executed, within the provisions of this prospectus.

### 6.3 Redemption principles

Redemption requests placed by the investors before 13:30 on the open days of the BIST Equity market are executed with the first calculated unit price following the request. Redemption requests placed after 13:30 on the open days of the BIST Equity market are considered to be given after the first calculated unit price and executed with the subsequently calculated unit price. Subscription requests given on the closed days of BIST Equity market are executed with first calculated unit price.

### 6.4. Principles of payment of redemption requests

Redemption payments are made to the investors on the second business day, following the redemption request given before 13:30 on the day of the open days of BIST Equity market, and on the third business day for requests given after 13:30 on the open days of BIST Equity market or on holidays.

### 6.5. Intermediary institutions for subscriptions and redemptions

The fund unit subscription and redemptions can be done via distributor members of Tefas platform in addition to the founder. Members can be accessed via [www.fonturkey.com.tr](http://www.fonturkey.com.tr)

## §7. EXPENSES WHICH CAN BE PAID FROM FUND ASSETS AND BY THE FOUNDER

### 7.1. Expenses which can be paid from fund assets

Expenses which can be paid from fund assets are as below:

- 1) Any fees paid for custodial service
- 2) Any tax, stamp and commissions paid for liquidation and transfer of fund assets.
- 3) Interest expenses of loans received.
- 4) Brokerage fees paid for purchases and sales from portfolio.
- 5) Portfolio management fees.
- 6) Any taxes attributed to the fund
- 7) Audit fees paid to the independent audit firms.
- 8) Mandatory advertisement expenses
- 9) Fees paid to the Capital Markets Board based on the total fund value calculated at the end of every 3 months
- 10) Benchmark fees
- 11) Public disclosure platform expenses
- 12) Other expenses deemed appropriate by the Capital Markets Board.

#### 7.1.1. Fund total expense ratio

The upper limit of the total expense ratio including management fees is 3.65% per year.

The founder shall check if the upper limit of the total expense ratio based on daily average of total fund value is exceeded or not for the relating period, at the end of the last business days of 3,6,9 and 12 month periods.

If the upper limit of the total expense ratio stated is exceeded, the founder and the custodian are responsible for paying back the exceeding amount to the fund within 5 business days following the end of the related period. The amount paid back would be subtracted from total expenses in the total expense ratio calculations of the subsequent periods during the year.

The fund cannot be accrued any expense apart from related expenses even if total expense ratio of the fund is below the limit.

### 7.1.2. Fund management fees

Provided that it is within the total expense ratio limit, the founder will be accrued a daily management fee of 0,0048% (including Banking and Insurance Transactions Tax-BSMV), approximately 1,7520% (one point seventy five twenty percent) of the total fund value per year and this fee shall be paid to the founder within one week following the end of each month.

### 7.1.3. Institutions intermediating for the purchase and sale of the fund assets and commissions paid

The intermediary institutions for the fund assets are:

*İş Yatırım Menkul Değerler A.Ş.* (equities, bills/bonds, futures and options, repo/reverse repo and money market transactions),

*Ak Yatırım Menkul Değerler A.Ş.* (equities, futures and options, money market transactions),

*Alnus Yatırım Menkul Değerler A.Ş.* (equities, futures and options and money market transactions) and,

*Global Menkul Değerler A.Ş.* (equities, futures and options and money market transactions). The maximum brokerage commissions to be paid are as below:

- 1) Equity: 5 in ten thousand +BSMV
- 2) Fixed income: 7 in hundred thousand +BSMV
- 3) Money market: 4 in hundred thousand +BSMV
- 4) Repo/reverse repo: 1.5 in hundred thousand +BSMV
- 5) Futures and options: 5 in ten thousand +BSMV.

### 7.1.4 Capital Markets Board fees

A fee of 0.005% of fund's net asset value is paid to the Capital Markets Board at the end of last business days of every 3 month calendar year periods.

### 7.1.5. Expenses of the fund's umbrella fund

All expenses, excluding set-up and public offering, of the umbrella fund would be paid by the underlying funds in proportion to their asset sizes.

### 7.1.6. Other expenses to be accrued and estimated amounts

Recent information about custodian fees and other expenses which can be paid from fund assets can be accessed at investor information document.

### 7.2. Expenses paid by the founder

The below estimated amounts are paid by the founder for the fund's public offering:

Trade registration expenses:	TL5.000
Other expenses:	TL5.000
<b>Total:</b>	<b>TL10.000</b>

## §8. TAXATION OF THE FUND

### 8.1. Taxation of fund income

**a) Corporate tax:** According to the sub-paragraph (d), paragraph (1), article (5) of corporate tax law numbered 5520, equity funds are exempt from any corporate tax.

**b) Income tax:** According to paragraph (8), article (67) of income tax law, a 0% withholding tax is applied to equity fund incomes.

## 8.2. Taxation of unit holders

According to the article 67 of income tax law, all unit redemptions are subject to a 10% withholding tax.

*“According to the article 67 of income tax law, this withholding tax is applied as 0% for the unit redemption of the funds with “equity intensive fund” characteristics established in accordance with Capital Markets Board law. Without prejudice to the provisions of article (24/5), the founder and the custodial institution have joint liability against the tax authority if the fund fails to meet daily conditions required to be categorized as an equity intensive fund”.*

The withholding tax is also applied 0% for taxpayers within the scope of article (2/1) of corporate tax law and taxpayers exclusively in operation to obtain capital gains from securities or other capital market instruments via equity funds or investment trusts established under the scope of capital markets board laws. According to article (67/8) of income tax law, no tax declaration is submitted for fund unit redemption. Even if a tax declaration is submitted for other incomes, fund unit incomes are excluded. Commercial incomes are not within the scope of this article.

Non-resident investors are not required to file annual or special tax declarations for their foreign incomes, within the provisional clause article 1 of corporate tax law, incomes subjected to withholding tax within the scope of provisional clause of article 67 of income tax law, incomes which are exempt from withholding tax and capital gains from equities traded in BIST and held more than 1 year within the provisional clause of article (67/1).

## 9. PRINCIPLES OF FINANCIAL REPORTING AND ANNOUNCEMENT OF INFORMATION ABOUT THE FUND AND FUND ASSETS

9.1 The accounting period of the fund is the calendar year. However, the first accounting period starts from the date of launch of the fund until the end of December of that year.

9.2. Capital Markets Board’s independent audit regulations are complied with for the independent audit of the fund’s financial tables. Fund portfolio value as of the last day of the relevant period is also audited by the independent auditor together with financial tables of the fund

9.3. Funds are subject to special independent audit as of liquidation date. Fund’s annual financial results are published within 60 days following the end of accounting period by the founder at public disclosure platform ([www.kap.gov.tr](http://www.kap.gov.tr)). In case the final due date is coincided with official holiday, the first day following the official holiday would be final due date.

9.4. Investors can access to prospectus of umbrella fund, this prospectus, financial tables together with independent audit report (portfolio values, liability declaration, etc), information regarding fund expenses, risk level, applied management fees, principles if there is performance fee and other material events at continuous information form published at [www.kap.gov.tr](http://www.kap.gov.tr). It is also possible to access fund’s historic performance, asset breakdown, risk level, fees and commission information from fund’s key investor information document.

9.5. Asset allocation reports are prepared monthly and published at public disclosure platform within 6 business days.

9.6. Fund’s balance sheet and income statements, together with independent audit report, and a letter carrying authorised signatures of the auditor shall be sent to Public Disclosure Platform by the founder till the end of the 6<sup>th</sup> business day.

9.7. Financial reports are also published at the official website of the founder following the announcement in public disclosure platform. This information in the website shall be kept for at least 5 years. Aforementioned financial information shall also be made available for investor examination at the headquarters of the founder and places of subscriptions and redemptions.

9.8. The changes in articles 1.1.1, 1.1.2.1, 2, 3, 5.5.5, 6, 7.7.1.1., 7.7.1.2. of this prospectus which may impact investors’ investment decisions and requiring investors to be informed beforehand shall be examined and approved by the Capital Markets Board and announced at public disclosure platform and the founder’s website within 10 business days with no requirement of publishing trade registry gazette. Other changes in the prospectus can be done without need of approval from the Capital Markets Board but shall also be published in public disclosure platform and the founder’s website and sent to the Capital Markets Board collectively at the end of each calendar year.

9.9. Capital Markets Board’s relevant legislations shall be complied with for fund’s advertisements.

## 10. TERMINATION OF THE FUND AND LIQUIDATION OF THE FUND ASSETS

### 10.1. The fund terminates its operation,

-By the end of the date if there is any expiration date foreseen in the fund’s information document,

-By the request of the founder and approval of the Capital Markets Board within 6 months following termination notice,

-The founder losing its operation license,

-Weakening financial status of the founder making it unable to meet its financial commitments, bankruptcy or liquidation,

-Fund being unable to meet its financial commitments or if the Capital Markets Board unit holders will not benefit from continuing operations,

In case of the fund’s operations are terminated, assets trading at the stock exchange shall be liquidated in the stock market and assets not trading at the stock market shall be liquidated outside of the stock market.

10.2. Fund assets shall be liquidated in compliance with the principles stated in the fund regulations and prospectus and liquidation balance shall be proportionally distributed to unit holders. The payment can only be done to unit holders in the event of liquidation.

10.3. In liquidation, following the Capital Markets Board permission and 6 months termination notice, unredeemed fund units shall be redeemed by the founder and deposited on behalf of investors at accounts to be open at the founder or intermediary institutions without waiting for investor request. The proceeds shall be kept in reverse repo or any other financial instrument to be decided by the board.

New subscriptions are not permitted following termination notice. Subscriptions and redemptions are not permitted following liquidation.

**10.4.** In the event of the founder's bankruptcy or liquidation, Capital Markets Board transfers the fund to another asset management company with the purpose of liquidation. In the event of custodial institution's bankruptcy, liquidation or failure to meet its financial commitments, founder may transfer fund assets to another custodian approved by the Capital Markets Board.

**10.5.** By the end of liquidation process, founder shall register and declare deletion of the fund's name from the trade registry and notify the Capital Markets Board.

#### **§11. RIGHTS OF THE UNIT HOLDERS**

**11.1.** In case there is no provision in law, relevant legislations and prospectus describing the relationship between the founder and unit holders, articles 502 and 504 of Turkish commercial code (no:6098) dated 11/1/2011 is applicable.

**11.2.** The profit occurring in the fund is reflected in the daily values of the fund units in accordance with the principles stated in the fund information document. The unit holders receive their share of fund profit when they redeem their units. There shall be no separate dividend distribution at the end of the accounting period.

**11.3.** Register of the fund units are kept by the Central Registry (MKK), unit holders have right to request account statement from the founder or intermediary institutions at any time.

#### **§12. ESTABLISHMENT OF THE FUND PORTFOLIO AND PUBLIC OFFERING**

**12.1.** Fund units maybe offered to the public following the announcement of the prospectus and investor information document in public disclosure platform starting the date announced in the information document within the framework of the principles and procedures of the prospectus and investor information document.

**12.2.** Subscription proceeds collected from unit holders shall be invested following business day into financial assets described in the prospectus.

*When there is a discrepancy between the fund and Capital Markets Board regulations, the provisions of Capital Markets Board shall be taken into consideration. The Capital Markets Board may always request a change in the fund regulations or alter the fund regulation standards.*



**Marmara Capital**  
Asset Management

**MARMARA CAPITAL ASSET MANAGEMENT**  
Konaklar Mah., Akçam Cad. No:13/1, 4. Levent-Beşiktaş/Istanbul  
Tel: +90 212 346 10 36, Fax: +90 212 346 10 39, [info@marmaracapital.com.tr](mailto:info@marmaracapital.com.tr)

[www.marmaracapital.com.tr](http://www.marmaracapital.com.tr)