

Marmara Capital Equity Fund

Monthly Newsletter

July 2020

Issue No: 2020/7

MAC Net Performance (%)

Currency	Current month				June				Y-t-d				Since Launch			
	TL	€	\$	£	TL	€	\$	£	TL	€	\$	£	TL	€	\$	£
MAC	4,2	-1,9	2,8	-2,7	11,0	9,6	10,5	11,0	29,8	6,1	11,1	12,8	376,7	71,7	46,4	86,7
BIST-100	-3,3	-8,9	-4,6	-9,7	10,4	9,1	10,0	10,4	-1,5	-19,5	-15,7	-14,4	68,2	-39,4	-48,3	-34,1

Fund Facts

Launch Date	January 2, 2014
Base Currency	Turkish Lira
ISIN	TRYSRMD00010
Bloomberg ticker	SRMDSMH TI
Fund Dealing	Daily by 13:30 P.M.
Management Fee	1.75%
Custodian	Garanti Bank
Fund Size	TL220,1m (US\$31,7m)
Unit Price (TL)	0.040226
No. of Stocks	20
Assets (%)	97,9 Equities, 2,1 cash

Top Ten Holdings

	(%)
Coca Cola	8,51
Ditaş	8,45
Çimsa	7,13
Anadolu Efes	7,04
Çelik Halat	6,50
Borusan	4,73
Petkim	4,44
Sabancı Holding	4,38
Yapı Kredi Bankası	4,38
İş Bankası	4,36
Top Ten Total	59,92

Movers

Best Performers

	Chg (%)	Fund (%)
Ditaş	65,87	8,45
Borusan	18,85	4,73
Celik Halat	18,61	6,50
Çimsa	17,26	7,13
Halk Bankası	13,88	3,51

Worst Performers

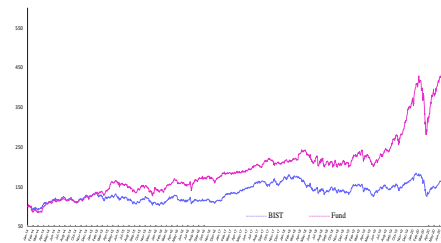
Garanti Bankası	-17,02	4,15
Akbank	-13,82	4,29
İş Bankası	-12,89	4,36
TSKB	-12,40	4,21
Yapı Kredi Bankası	-12,30	4,38

Investment Highlights

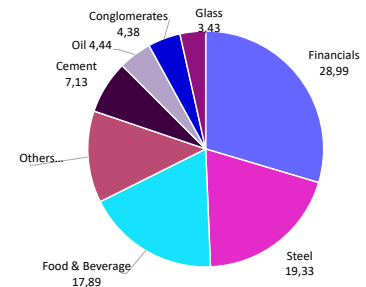
The Fund aims to generate absolute return with a value-oriented approach. The primary goal is to invest in companies trading at a significant discount to their underlying values, identified by fundamental bottom-up research.

In general, the Fund intends to hold a concentrated portfolio of around 20 stocks and hold cash reserves or hedge its position when there are no attractive investments available. At least 80% of the Fund's total assets will be invested in equities.

Fund Performance



Sector Exposure



Investment Manager's Comments

The Market

The BIST 100 Index was down by 3.3%, (4.6% in USD) in July, mainly driven by increasing concerns over Turkish Lira. At current policy rates (8.25%) and inflation (12-13% 2020e), Turkey is offering one of the highest negative rates which is unsustainable. Credit boom as a result of low rates accelerates consumption, with a side effect of rising current account deficit. Combination of 75% decline in tourist arrivals in 1H and eroding Central Bank reserves, make investors nervous.

The bank's policy of reducing TL liquidity for offshore swap market skyrocketed overnight rates to over 1,000%, a repeat of what happened in April 2019, which resulted some foreign investors dumping Turkish equities with a panic sale in order to raise TL to meet their obligations. We believe that this situation gives a nice buying opportunity for Turkish equities which now trades at over 52% discount to EM peers in terms of forward P/E of 7x.

Our Fund

Our MAC fund was up by 4.2% (2.8% in USD) in July, net of fees and expenses. Year to date our fund is up 11% in USD terms while the Turkish market is down 16%. Major contribution to our performance came from Ditaş (auto spare part producer, owned by Dogan Holding), Çimsa (white cement), Borusan (steel pipe with facilities in the US) and Çelik Halat (steel rope).

We disposed our remaining positions in Migros and GSD Holding and in return, bought two new bank stocks; İşbank and Vakıfbank. We now have around 30% of our portfolio invested in financials. We might be a bit early in buying bank stocks but believe that most of the bad news are discounted in their share price, which were badly beaten with foreign investors getting out. Turkish banks are not only trading at over 50% discount to MSCI EM Banking stocks (in terms of forward P/E of 3.7x and P/BV of 0.39x) but also at 32% and 43% discount to their 5 years averages respectively.

Marmara Capital Asset Management is authorised and regulated by the Turkish Capital Markets Board (CMB). This document does not constitute an offer to buy or sell units in Marmara Capital Equity Fund. Investment in the Fund carries risks which are more fully described in the investment memorandum. All data and statistics are sourced from Marmara unless otherwise stated. Past performance is not a reliable indicator of future returns and investors are reminded that their capital will be at risk and they may therefore lose some or all of the amount that they choose to invest in the Fund. All figures as at the period under review unless otherwise stated.

Address: Konaklar Mah. Akçam Cad. No:13/1, E-mail:Marmara@marmaracapital.com.tr, Website: www.marmaracapital.com.tr, Tel: +90 212 346 1036