Model Portfolio and BIST Expectations

Cautious but optimistic following the end of election uncertainties

We think that the clarification of economic policy expectations and the clear signal of a return to orthodox policies following the end of the 2023 elections are the main catalysts for the ongoing positive course experienced in June. While we welcome the return to orthodox policies, we believe that even if the return to orthodox policies has a disinflationary effect after a certain period of time, it will inevitably cause a slowdown in economic activity as a natural consequence of this. While economic activity shrinks in the domestic market on one hand, we anticipate that the main nutrient source of growth may shift back to exports after a one-year hiatus, with the increase in the exchange rate on the other.

However, we believe that the nature and order of this shift may be the main determinant of portfolio returns in 2023. We observed that the exchange rate, which remained flat for a significant part of 2022, pressured export dependent companies, while companies that were strong in the domestic market performed better. Although we are starting to see an increase in the exchange rate, we foresee a period of 3-6 months for companies with a strong export side and the ability to create foreign currency to reflect on their financials. Therefore, in the rest of the year, we believe that the portfolio should continue with companies that are stronger in the domestic market and that can stand against a possible economic recession, as well as companies that are strong on the export side and will be least affected by a possible recession in the domestic market.

To sum up, considering the lagging effect on the financial reflection of the increase in the exchange rate in the 12-month period, we think that durable companies in the domestic market should definitely be included in the portfolios. On the other hand, we think that a portfolio focused only on the domestic market may have difficulties in generating real returns with the return of the export-oriented economic policy in the upcoming period.

To this extent, we think that keeping the number of shares in portfolios lower would be the right strategy until we can fully observe the effects of the return to orthodox policies. We create our model portfolio with 5 stocks, each of which is equal.

DESA In addition to being a strong player in the domestic market, we are adding DESA to our model portfolio as it is a company that benefits from the tourism sector with its success in the luggage sector and stands out with its strong exports. We think that DESA is a company suitable for the conditions of the period, as it has achieved the domestic-foreign market balance in the above-mentioned portfolio and is a company that can quickly shift its export-domestic focus according to the macroeconomic conditions.

THYAO Leaving behind 2019, the best year in aviation history in terms of strong expectations for the tourism season, number of passengers and distance flown, we add THYAO to our model portfolio as we consider the company as one of the that generate foreign exchange in line with our strategy mentioned above and that will be minimally affected by a possible domestic economic recession, due to strong cargo side, the fact that there is still not any easing in the very high ticket prices in 2022 and a very strong continuation of demand.

TUPRS Despite the decline in the refinery margins, it is still above historical averages, the demand is very strong, therefore we foresee the possibility of sharp increases in refinery margins in the summer months, attractive multiples, and relatively solid dynamics in domestic demand, which we consider as a strong company in the domestic market in line with our strategy mentioned above. Therefore, we add TUPRS to our model portfolio.

MGROS We are adding MGROS to our model portfolio, which we believe will not lose revenue due to its relative defensiveness in terms of shrinkage in domestic demand, which is part of our basic strategy, as we anticipate that the upcoming salary hikes will increase the demand for food, we think that the strong seasonality is still not in the prices, and the price elasticity is low even in difficult economic conditions.

TTRAK We are adding MGROS to our model portfolio, which we believe will not lose revenue due to its relative defensiveness in terms of shrinkage in domestic demand, which is part of our basic strategy, as we anticipate that the upcoming salary hikes will increase the demand for food, we think that the strong seasonality is still not in the prices, and the price elasticity is low even in difficult economic conditions.

Companies in the Model Portfolio

DESA - While we include <DESA TI> in our research with the BUY recommendation, we set our target price as 74.00 TL. Based on the last closing price, our target price points to a 33% return potential.

THYAO - While we include <THYAO TI> in our research scope with the BUY recommendation, we set our target price as 235.00 TL. Based on the last closing price, our target price points to a 43% return potential.

TUPRS - While we include <TUPRS TI> with the BUY recommendation, we set our target price as 94.51 TL. Based on the last closing price, our target price points to a 29% return potential.

MGROS - While we include <MGROS TI> in our research with the BUY recommendation, we set our target price as 225.40 TL. Based on the last closing price, our target price points to 24% return potential.

TTRAK - While we include <TTRAK TI> within our research scope with the BUY recommendation, we set our target price as 473.95 TL. Based on the last closing price, our target price points to a 22% return potential.

Companies Assessed for the Model Portfolio

BIMAS - While we include <BIMAS TI> in our research with the BUY recommendation, we set our target price as 222.00 TL. Based on the last closing price, our target price points to a 44% return potential.

KORDS - While we include <KORDS TI> within the scope of our research with the BUY recommendation, we set our target price as 78.21 TL. Based on the last closing price, our target price points to a 9% return potential.

MAVI - While we include <MAVI TI> in our research with the BUY recommendation, we set our target price as 66.49 TL. Based on the last closing price, our target price points to a 9% return potential.

SOKM - While we include <SOKM TI> with the BUY recommendation, we set our target price as 35.00 TL. Based on the last closing price, our target price points to a potential return of 17%.

Other Companies Under Coverage

YATAS – Yataş

GWIND – Galatawind

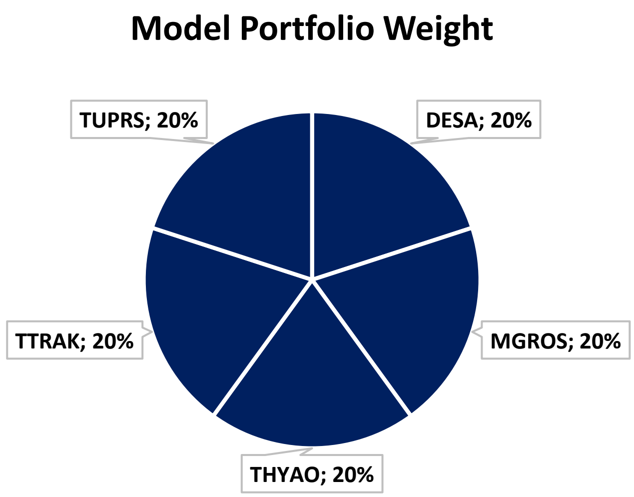
ALARK – Alarko Holding

INDES – Indeks Computer

Chart: Tacirler Yatırım Research Model Portfolio — Tacirler Yatırım

Company Name	Ticker	Last Closing Price (TL)	12M Target Price (TL)	Return Potential (%)	Rating	BIST TUM Weight (%)	Addition Date
Desa	DESA	55,45	74,00	33%	BUY	0,03	May 22, 2023
Migros	MGROS	181,8	225,40	24%	BUY	0,98	October 26, 2022
Turk Hava Yollari	THYAO	164,5	235,00	43%	BUY	6,20	June 5, 2023
Turk Traktor	TTRAK	388,16	473,95	22%	BUY	0,52	January 5, 2023
Tupras	TUPRS	73,1	94,51	29%	BUY	3,94	December 30, 2022

Model Portfolio Performance (Equal Weight)	%
YTD BIST100 Return (%)	-5%
YTD model stock returns (%)	
DESA	-4%
MGROS	24%
THYAO	12%
TTRAK	20%
TUPRS	3%



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