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BRISA (Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret AŞ)

Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. was established in 1974 as a subsidiary of Hacı Ömer Sabancı Holding A.Ş. Brisa is primarily engaged in manufacturing, marketing and selling vehicle tires in Turkey. Established in partnership with Sabancı Holding, a leading Turkish company, and Bridgestone Corporation, the world's tire giant, Brisa continues to lead the Turkish tire industry.

Rapidly changing dynamics in Turkey and in the world have resulted in a slowdown in the growth rate in some segments of the Turkish tire sector and a shrinking market in some segments. Despite the difficult conditions in the domestic market, Brisa gained market share and continued to stabilize its exports by increasing compared to the previous quarter. One of the most important factors affecting these results was the achievement of Lassa brand on an international scale. As of period-end, Lassa expanded its activities with close to 580 sales point locations in more than 60 countries.

With the strength of their performance in the marketplace, Brisa continue to invest in the future of their company. Brisa invested 182 million USD in 2016. Of this amount, 134.5 million USD was spent on building their second factory in the Aksaray Organized Industrial Zone. Brisa will produce tyres for passenger cars and light commercial vehicles in their new factory, which they aim to commission in 2018 with the contribution of this financial support as a demonstration of their international reputation and reliability.

Lassa has increased awareness and brand power in overseas markets, especially in Europe, with the acceleration of FC Barcelona's 'Global Official Tire Parties' agreement.

These are the reasons why we want to invest BRISA:

1-Fast growing market:

Increasing capacity of automotive manufacturers

Continued growth potential in the domestic market due to aged vehicle park.

2-Further expansion with second plant

3-Access to new export markets

4-Strong brands, likely to benefit more strongly from growth

5-Focus on channel management and end-customer to secure and increase profitability

6-Diversified channel and customer portfolio

7-Continued leadership in market share, new products and services

ALKA (ALKİM KAĞIT)

The nature of the operations of Alkim Kağıt is the manufacturing and sales of offset, glossy and photocopies papers. The main shareholder of the Company is Alkim Alkali Kimya A.Ş. ("Alkim Kimya").

Alkim, the leading paper production business in Turkey, is on a strong EPS trajectory. Operating profit margins have widened driven by lower cost of energy, efficiency gains from the renovated cogeneration system reducing energy needs per tonne of production, improvement in product pricing. The discount on natural gas prices as applied to consumers amounting to circa 10% was implemented in late 2016. Alkim also renewed its vacuum system in early 2017 and now it is looking to reduce the required volume of natural gas by as much as 10%.

These are the reasons why we want to invest ALKA:

- 1) Significant excess demand for paper products in Turkey. Domestic consumption stood at circa 1.2 million tonnes in 2016 against an installed capacity of 300ktpy.
- 2) Alkim Paper is the leading paper business in this attractive market. There are four domestic players including Alkim Paper. Alkim commands a sizeable 90ktpy capacity or 30% market share in local production.
- 3) Capex improving efficiency is complete and 2017 is the first full year Alkim invested in vacuum system (at around TL2.2 mn cost) and the plant is now more efficient consuming 10% less in natural gas in cogeneration unit.
- 4) Improved outlook with recovery in product prices. Off low 2016 base, the pulp prices have added 22% so far in 2017. Alkim's end-product prices are highly correlated with pulp prices with a time lag of 1 or 2 months; thus pricing should continue trending up. We indeed expect and factor in the upward cycle to continue in 2017 and throughout 2018. Both efficiency gains and wider pricing spread should boost margins in 2017 and 2018, on our assumptions.
- 5) Stock trades well below the peers and its own historical valuations Alkim is trading at 5.2x on EV/EBITDA at discount by 30% on its own historical average figures and 40% to its peers' median which makes shares appealing.

ALARK (ALARKO HOLDING AS)

Alarko Holding AS operates as a group holding company. The company operates its business through the following segments: Contracting, Energy, Industry & Merchandising, Tourism and Land Development. Alarko Holding was founded by Hazakil Uzeyir Garih and Ishak Alaton in 1954 and is headquartered in Istanbul, Turkey.

Alarko Holding announced TL86mn of net profit in 3Q17 (+63% YoY). The sound operational results of tourism and land development segments and the robust profit contribution of equity accounted subsidiaries, mainly Meram Electricity Distribution arm, are the main culprits behind the significant earning surprise. The profit contribution of equity accounted subsidiaries increased to TL68mn, up by a 24% YoY, despite the strong base effect.

These are the reasons why we want to invest ALARK:

1-Turkish Energy Market is among the fastest growing energy markets in the world parallel to Turkey's economic growth. Demand for electricity is estimated to grow at an annual rate of 7,5% between 2013-2023. Turkey is the 6th largest energy market in Europe. The electricity generation company, ALTEK, which is a fully owned subsidiary of Alarko Holding, generates electrical energy, with 2 hydroelectric and 2 natural gas power plants, of total 253 MW generation capacity. Karabiga, New Imported Coal Fired Power Plant, will be opened in November 2017.

2- Due to the liberalization of the energy sector in Turkey, Electricity Distribution companies (like Meram) were separated into Distribution and Retail Sales companies in the first quarter of 2013. Alarko took over Meram Electricity Distribution Co. as of 30.10.2009, by paying a USD 440Mn privatization value upfront. The annual revenues of Meram are approximately around USD 800 Mn. The retail sales net margin is 2,38%, between the years 2016 – 2020. The licence period is 30 years, until August 2036.

3- Alarko's contracting subsidiary ALSİM mainly focuses on large scale infrastructure projects. The employers are mainly;central governments & local municipalities, other local and international institutions.

CEMTS (Çemtaş Çelik Makina Sanayi Ve Ticaret A.Ş.)

ÇEMTAŞ, a publicly-held joint-stock company established on 27.01.1970 with the participation of industrialists, businessmen, small craftsmen and public entrepreneurs from Bursa on 27.01.1970 to operate on a land of 101 acres in Bursa, Organized industrial area; "Furnace Skilled Steel Producer" in Turkey and produces steel according to TS, DIN, AISI, SAE norms and special orders.

ÇEMTAŞ, serving the automotive and machinery industries with qualified steel, also serves to the main OEM's with its stabilizer bars. With its crude steel capacity of 180,000 tons / year ÇEMTAŞ can produce more than 300 steel grades, in more than 1,500 cross-sections of round bar, spring steel flat bar, steel flat bar.

After completion of the preparations for the R & D center in 2015, ÇEMTAŞ was announced to be the first research and development center in the quality steel production area.

ÇEMTAS, is about to complete installment of brand new heat treatment line. After line is fully completed, ÇEMTAŞ will be able to execute quenching, tempering, spheroidizing, stress relieving, normalization, soft annealing and many other heat treatment operations.