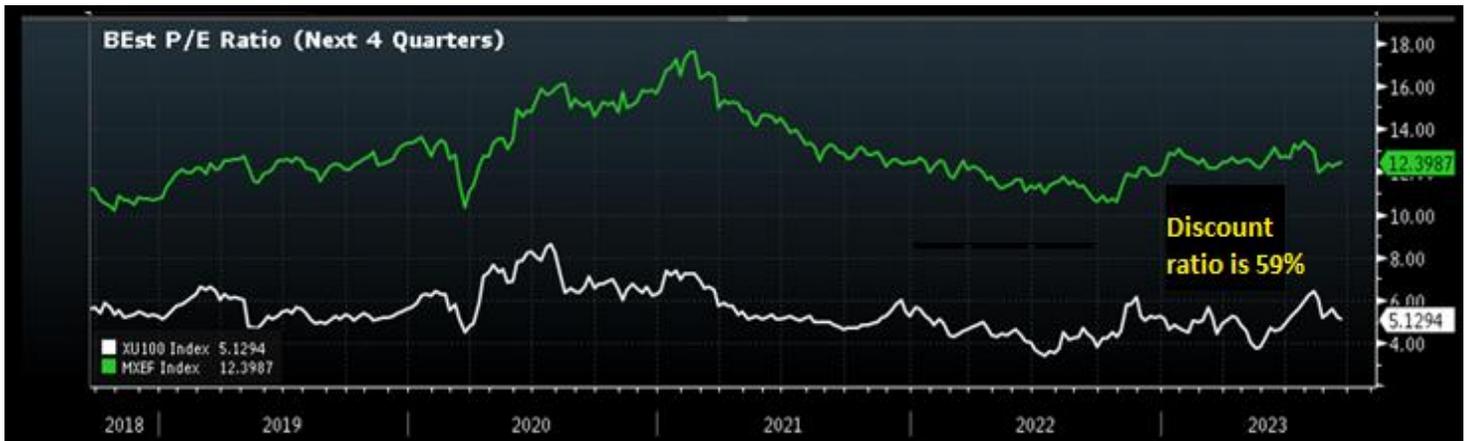


Loss of momentum continues in BIST

The rally in Borsa Istanbul, which began in the 4400s at the end of May, ended with the test of the 8400s in mid-September, with an **increase exceeding 90% in three and a half months**. Although the valuations still offer return potential for the BIST 100 Index and many companies, after the 2Q23 financials and many important domestic / international agenda items (CBRT III Inflation Report, MTP, Jackson Hole Symposium, etc.) are left behind. We think that markets will experience a lack of catalysts in the short term. The main parameter to reboot stocks will be the 3Q23 financial results, which will kick-off in the third week of October, and the expectations that will be shared before these results. Despite the many topics to be followed in the coming agenda, we do not expect supporting items for BIST in the near term. In addition, *main topics such as the contacts of the economic management with the representatives of global investment institutions, the continuation of the transition to rational ground, and the expectations that the long-term negative perspective of credit rating agencies may be reversed are still supportive for TL assets.*

The most recent correction in BIST offers an opportunity to "accumulate" in the medium to long term, in our opinion. We see that consumption demand slowed down in the second half of the year and demand for large expenditure items such as automotive and housing also slowed down. Apart from these, in non-food retail consumption indicators, demand for construction materials is also monitored in a more limited demand environment in the coming period, compared to the first half. We predict that the loss of momentum over the years will be more evident, especially in the fields of aviation, insurance and technology. The positive outlook may be maintained in the remainder of the year due to updates in pricing and tariffs in the fields of **food retailers, health, telecommunications, financial services (brokerage, factoring and leasing) and energy**. While we expect a slowdown in banks' core interest margins and profitability in the remainder of the year, we expect that fee & commission income and transaction earnings will continue to support net profitability.

Below, you may see the comparison of the estimated P/E ratios for the BIST 100 index and MSCI EM. It is safe to say that Turkish companies are currently traded at a high discount to historical averages.



Serhan Yenigün
Strategist

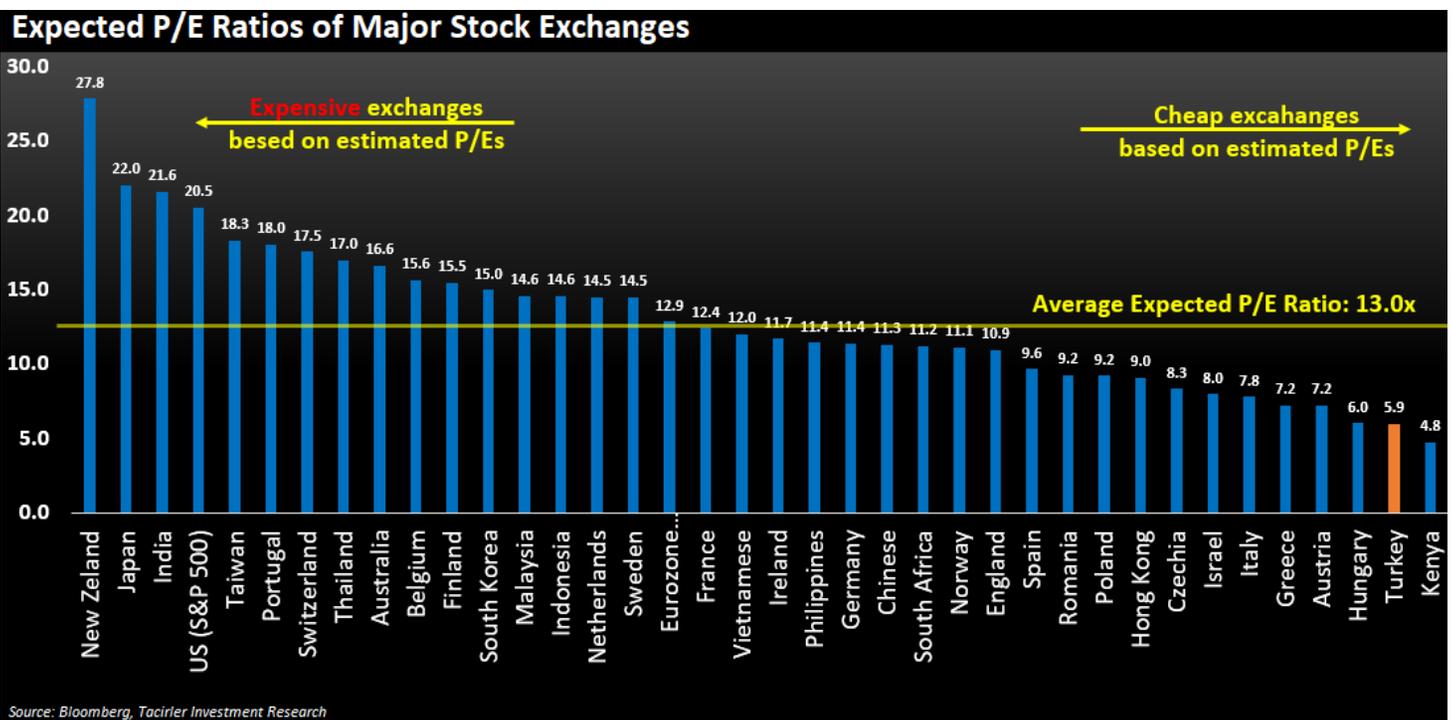
serhan.yenigun@tacirler.com.tr

+90 212 355 26 22

Loss of momentum continues in BIST

In the chart below, you may see the expected P/E ratios of the BIST 100 index and the main indices for the stock markets of major developed or developing countries. We find it unfair that Turkish companies are traded with one of the lowest P/E multiples in the world, considering their expected profit figures. Although companies' P/E ratios are low, we can see that the 12-month average P/E ratios have reached even lower levels due to the expected slowdown in balance sheets next year due to high inflation.

The transition to a rational basis initiated by the economic management and the rating approaches of credit rating agencies, which have entered an improvement cycle compared to the previous period, will support the pricing appetite for BIST with higher multipliers in the coming period. For this reason, we believe that the current correction movement in BIST offers an "accumulation" opportunity for medium-long term portfolios.



When we look at the historical multiples of the BIST 100 index and its position in the chart above, we can say that it has never remained at the same levels as the multipliers of the stock markets of developed or leading countries in the field of industrialization. However, let us remind that, based on historical averages, BIST, at times, is priced in better positions to the right of the center in the chart above. We expect that the rationalization process mentioned above, the improvements in monetary and fiscal policies, and the ongoing company profitability will gradually move BIST to a better position in the chart above.

Loss of momentum continues in BIST

Looking at the average index targets shared on Bloomberg, we see that the 12-month average of target values for the BIST 100 index is 8979 points, offering a return potential of around 17% compared to the current index values. We believe that a well diversified portfolio of companies offering above-index return potential (outperformers) will provide satisfactory returns above alternative investment products in this period.



To conclude, we think that the correction in BIST following a strong rally starting from 4400's in May to 8400's, with an increase exceeding 90%, will remain limited, and we think that this period offers an opportunity for "accumulation" in the medium-long term perspective.

During this period, a portfolio consisting of companies recommended by Tacirler Investment, shares in its Model Portfolio, or shares with "buy" recommendations with the high potential will provide "above-index" performance.

For related reports: <https://www.tacirler.com.tr/NewUser/CompanyReports.aspx>

Important Disclosures

Rating Methodology

Stock ratings are based on absolute return potential of the stock, which is defined as the percentage change in target price from the current share price. All recommendations and target prices are set with a 12-month horizon. Target prices are set by using one or more of the following methodologies: DCF, Net Asset Valuation, sum of the parts model and multiple comparison.

Rating Definition

Buy: The stock is expected to generate a return of more than 30% in TL terms.

Hold: The stock is expected to generate a return of less than 30% in TL terms.

Sell: The stock is expected to generate a negative return within the forecast horizon.

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