



TURKISH CAPITAL MARKETS 2020 ANNUAL REVIEW

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TURKISH CAPITAL MARKETS 2020 ANNUAL REVIEW

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FINANCIAL MARKETS OUTLOOK

Ceylan Anil

Due to the Covid-19 outbreak, 2020 has been a year of unexpected developments. In the first quarter of 2020, global financial markets faced huge disruption and losses as the pandemic as lockdown measures hit global economic activity. The negative outlook dominating the equity markets around the world as well as in Turkey until March 2020 quickly reversed in the rest of the year as governments around the world have undertaken major fiscal and financial responses to limit the human and economic impact of the pandemic. Due to expansionary monetary policies, developed countries experienced negative bond yields.

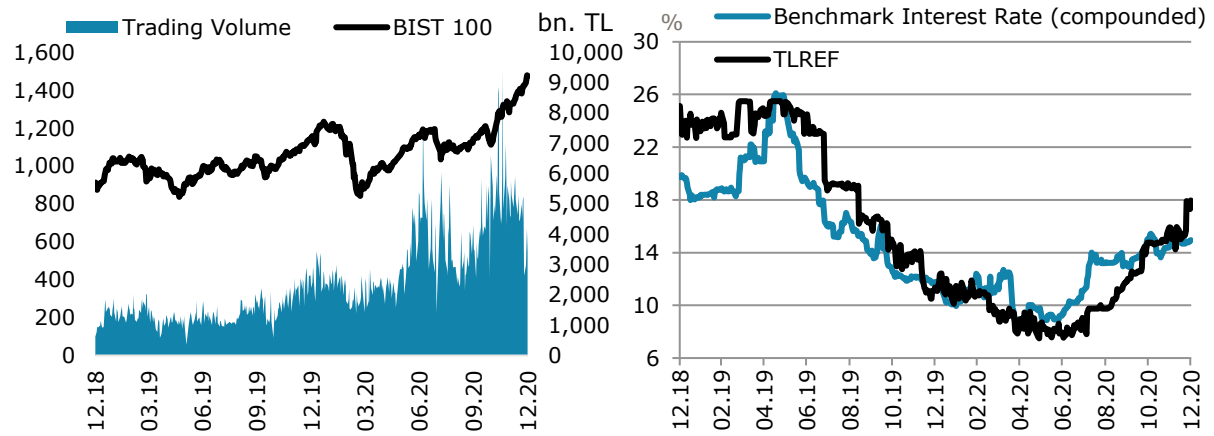
As bond yields collapsed, investors interest in equity markets rallied. In this environment, prices in equity markets escalated and IPO's gained momentum towards the end of the year.

In Turkey, while the number of domestic individual investors trading in stock market increased by 66% y-o-y reaching nearly 2 million, equity transactions volume of intermediaries nearly tripled reaching TRY 13 trillion.

Accordingly, BIST-100, Turkey's major equity index, increased to 1,477, 29% higher compared to the beginning of the year. However, BIST-100 increased only by 3% in dollar basis due to the depreciation of Turkish lira.

Whereas new investors showed greater interest in smaller mcap companies, BIST All-100 index, which refers to companies in the equity market excluding the bluechip BIST 100 index, increased by 125% annually. Amid this environment, several disciplinary actions were taken by Capital Markets Board and Borsa Istanbul in order to ensure investor protection.

Figure 1: Equity Market **Figure 2: Interest Rates**



Source: Borsa Istanbul, Bloomberg

With the aim of combating the negative effects on the pandemic on economic activity, CBTR reduced its policy rate gradually during the first months of the year from 12% at the end of 2019 to 8.25% at the end of May. Whereas starting from September, CBRT increased its policy rate gradually to prevent the upward pressures on inflation and the policy interest rate reached 17% at the end of 2020. Accordingly, Turkish Lira Overnight Reference Interest Rate (TLREF) showed a downward trend from 11% at the end of 2019 to below 8% in June and rose to 18% at the end of 2020.

The benchmark bond interest rate started the year around 12% and decreased to 9% in June. Following the rapid depreciation of Turkish lira, the benchmark interest rate rose to 13% in August and ended the year around 15%.

The Turkish Capital Markets Association (TCMA) collects extensive data on the financials and operations of investment companies. In this report we will present an analysis of the performance of the brokerage and asset management industry in 2020.

BROKERAGE COMPANIES

2020/12

Ceylan Anıl – Deniz Kahraman

In this report, we will review brokerage and corporate finance activities, employee statistics and financial statements of intermediaries operating in the capital markets in 2020. During the year, 5 firms have closed down. Operational and financial data were obtained from 59 brokerage firms and 1 investment bank. More information on data sets can be found on www.tspb.org.tr.

BROKERAGE ACTIVITIES

In 2020, trading volumes in all markets increased except for option transactions. While equity transactions volume nearly tripled in 2020 reaching TRY 13 trillion futures transactions volume doubled reaching TRY 5,7 trillion and leveraged transactions with clients increased by 69%.

Compared to 2019, domestic retail investors share in the trading volume has increased significantly in 2020. Accordingly, the share

of transactions via internet has also increased. Table 1 shows double-sided trading volumes of intermediaries for all markets.

In the fixed income market, figures represent the sum of public and corporate bonds and bills traded at Borsa İstanbul and OTC markets. The transactions by the Central Bank and Takasbank, Turkey's sole clearing and settlement bank, have been excluded from the table.

Table 1: Trading Volumes (mn. TRY)

	2019	2020	% Change
Equity	4,229,061	13,124,154	210.3%
Brokerage company	3,874,860	12,329,854	218.2%
Bank	354,200	794,300	124.3%
Fixed Income	1,340,808	1,378,020	2.8%
Brokerage company	194,463	274,946	41.4%
Bank	1,146,345	1,103,074	-3.8%
Repo	27,346,206	34,598,065	26.5%
Brokerage company	5,658,588	6,742,262	19.2%
Bank	21,687,618	27,855,803	28.4%
Futures	2,802,721	5,703,182	103.5%
Brokerage company	2,684,113	5,486,306	104.4%
Bank	118,608	216,876	82.9%
Options	35,803	25,341	-29.2%
Brokerage company	22,880	20,278	-11.4%
Bank	12,924	5,063	-60.8%
Warrants*	31,161	64,384	106.6%
Forex*	7,731,626	12,441,775	60.9%
Client	4,121,266	6,978,320	69.3%
Liquidity Provider	3,610,360	5,463,456	51.3%

Source: Borsa İstanbul, TCMA

*Authorized only for brokerage companies

EQUITIES

In 2020, 53 brokerage companies and 1 investment bank traded in the equity market. The transaction volume tripled compared to 2019 reaching a total of TRY 13.1 trillion. Concentration in the sector remains high as the market volume of the first 5 institutions including the investment bank constitutes 40% of the total market volume.

Transaction volume of domestic individuals increased rapidly y-o-y from TRY 2.6 trillion TL to 8.9 trillion. This was mainly caused by the number of domestic investors reaching historic high records. According to MKK, the Central Securities Depository of Turkey the number of domestic investors reached 2 million by the end of 2020, compared to 1,2 as of end-2019. 68% of newcomers have a portfolio up to TRY 50.000.

Although 68% of the stock trading volume was generated by domestic individual investors in 2020 up by 9 percentage points compared to end of 2019, according to the MKK records, these investors own only 28% of the public stocks.

Foreign investors' equity trading volume increased by 152%. However, their share in the total transactions decreased by 5 percentage points to 22% (Table 2).

In Table 5, the breakdown of transaction volumes according to departments is displayed. Accordingly, the internet has been investors' favourite medium for trading as it accounted for 58% of all equity trading volume. Transaction volume via internet channel constituted 42% of all trading volume in 2019.

While domestic individual investors preferred trading through internet, direct market access (DMA) channel has been frequently used by foreign institutional investors engaging in algorithmic and high frequency trading. In 2020, the share of direct market access in the equity trading volume increased by 1.5 percentage points reaching 14%. 12 firms offered direct market access to their clients.

The share of internet and direct market access channels together constituted 72% of total equity market volume at the end of 2020, pointing to the digital transformation of the industry.

Table 2: Breakdown of Trading Volume by Investors (2020)

	Equity	Fixed Income	Repo	Futures	Options	Warrants	Forex
Dom. Individuals	68.2%	4.3%	11.2%	53.5%	48.7%	53.3%	55.0%
Dom. Corporations	7.5%	21.6%	9.7%	10.3%	48.2%	46.7%	45.0%
Dom. Institutional	2.1%	73.8%	78.8%	5.2%	3.1%	0.0%	0.0%
Domestic Investors	77.7%	99.7%	99.8%	69.0%	100.0%	100.0%	100.0%
Foreign Individuals	0.2%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%
Foreign Corporations	21.6%	0.0%	0.1%	29.1%	0.0%	0.0%	0.0%
Foreign Institutional	0.5%	0.2%	0.1%	1.7%	0.0%	0.0%	0.0%
Foreign Investors	22.3%	0.3%	0.2%	31.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: TCMA

FIXED INCOME

Banks and brokerage companies are authorized to execute trades at the Borsa İstanbul Fixed Income Market.

In 2020, the trading volume of investment institutions (including off-exchange transactions reported to Borsa Istanbul) increased

by 3% to TRY 1.4 trillion. Meanwhile, repo / reverse-repo transactions (including off-exchange transactions reported to Borsa İstanbul) increased by 27% to reach TRY 34.6 trillion.

In 2020, 35 brokerage companies and 40 banks traded in the outright purchase and sales market. 2 banks make up one-fifth of the market share.

Meanwhile, 37 brokerage companies and 38 banks traded in the repo / reverse-repo market. Concentration remains high in this market as nearly half of the transactions in the repo market were done by 2 public banks.

The following analysis includes data collected from only brokerage companies and one investment bank as stated above.

FUTURES

In 2020, total trading volume of futures generated by 54 brokerage companies and 9 banks doubled compared to 2019 and reached TRY 5.7 trillion (Table 1).

Index futures and currency futures constitute the bulk part of futures transactions. The volume of equity contracts increased over 250% in 2020, resulting in an increase in their share in total contracts by 15 percentage points to 27%. Consequently, share of FX contacts decreased from 29% to 16% y-o-y.

Total trading volume of futures generated by brokerage companies and one investment bank reached TRY 5,6 trillion in 2020. Half of the total futures trading volume has been executed by the top 6 companies.

Table 2 shows the breakdown of trading volume by investors. As with equities, the market share of domestic individual investors remains high as these investors generate half of total futures volume. The share of

Almost all transactions executed by brokerage companies were generated by domestic investors (Table 2).

Domestic corporate investors accounted for 74% of the total outright purchase and sales volume, while domestic institutions' share is 22%. A significant part of the transactions carried out by domestic institutions corresponds to proprietary trading (16% share in total) of brokerage companies.

Domestic sales departments and branches together form 68% of total fixed income transactions volume (Table 5).

In the repo market, domestic institutional investors, which represent mutual funds and investment trusts, generated 79% of total repo transactions.

domestic institutional investors is 5%, while the share of domestic corporations, which reflects mainly proprietary trading, constitutes 10% of total futures volume.

Foreign investors' share in total trading volume remained at 31%.

Underlying Asset	2019	2020
Indices	54.6%	46.1%
Currencies	28.8%	16.3%
Equity	11.7%	27.1%
Other	4.9%	10.6%
Total	100%	100%

Kaynak: Borsa İstanbul

While internet is the most used channel with a share of 34%. The total share of internet transactions rose by 8 percentage points during the pandemic. This is followed by direct market access (DMA) with a share of 23%. The total share of direct market access transactions rose by 4 points compared to 2019.

OPTIONS

In 2020, 34 brokerage companies and 4 banks traded in the Borsa Istanbul options market. Total trading volume of options transactions decreased from TRY 36 billion to TRY 25 billion in 2020 reflecting the decrease in banks' transactions in options market.

Table 4: Breakdown of Options Volume		
Underlying	2019	2020
Indices	15.8%	31.9%
Currencies	70.8%	44.0%
Equity	13.4%	24.1%
Total	100%	100%

Source: Borsa İstanbul

Compared to 2019, the breakdown of option contracts volume saw significant changes. Index option contracts increased by 37%, while the volume of FX option contracts decreased by 33%. As a result, the share of FX options transactions, which used to make up the majority of option transactions, decreased from

71% to %44 in 2020. Meanwhile, volume of equity option contracts increased by 21% and their share in transactions reached 24%.

In 2020, brokerage companies generated a total trading volume of TRY 19.8 billion. %60 of these transactions was executed by 2 brokerage companies. Majority of the transactions reflect proprietary trading.

Majority of options transactions volume was generated by proprietary trading which was followed by branches (Table 5). Corresponding to the increase in domestic investors' transactions volume, share of transactions volume generated by branches has increased by 10 percentage points y-o-y reaching 33%.

Although the share of internet transactions in options trading market remain low compared to other markets it has increased by 3 percentage points in 2020 reaching 9%.

Table 5: Breakdown of Trading Volume by Departments (2020)							
	Equity	Fixed Income	Repo	Futures	Options	Warrants	Forex
Domestic Sales	6.8%	50.3%	50.1%	12.1%	17.4%	5.6%	18.3%
Branch, Bank Br., Rep. Office	11.2%	16.2%	31.8%	16.4%	32.3%	20.7%	8.9%
Branches	8.8%	3.8%	5.1%	14.5%	31.2%	2.8%	8.7%
Bank Branches	1.1%	12.2%	26.5%	0.6%	1.0%	0.1%	0.2%
Representative Offices	1.3%	0.3%	0.1%	1.3%	0.0%	17.7%	0.0%
Internet	57.7%	0.1%	0.0%	34.4%	9.2%	41.4%	28.7%
Direct Market Access	13.8%	0.0%	0.0%	22.5%	0.0%	0.0%	0.0%
Call Center	0.2%	0.0%	0.0%	0.2%	0.1%	0.1%	0.0%
Asset Management	0.2%	0.0%	0.1%	0.7%	0.0%	0.0%	0.0%
Proprietary Trading	1.1%	15.8%	4.5%	5.5%	41.1%	32.3%	44.0%
International Sales	8.9%	17.5%	13.5%	8.2%	0.0%	0.0%	0.0%
Total	100%	100%	100%	100%	100%	100%	100%

Source: TCMA

WARRANTS

Only brokerage companies are authorized to execute warrant transactions. In 2020, 42 brokerage companies executed warrant transactions, mainly for individual investors. Moreover, the top 2 brokerage companies represent 67% of total warrant volume.

Warrant trading volume doubled compared to 2019 reaching TRY 63 billion. Majority of the transactions were executed through the internet.

Proprietary trading displayed in Table 5 .
mainly represents one market maker firm's transactions.

FOREX MARKET

Only brokerage companies are authorized to execute leveraged forex transactions. In 2020, the total volume of these transactions increased by 62% y-o-y to TRY 12.4 trillion. TRY 7 trillion of these transactions reflected transactions with clients.

The forex market is highly concentrated. While 32 brokerage firms traded in the forex market in 2020, majority of the transactions were executed by the top 4 companies.

CORPORATE FINANCE

In this section, corporate finance projects carried out by the brokerage companies will be analyzed.

IPO markets saw a surge in momentum starting from the third quarter of 2020. While 2 public offerings were completed within the first half of the year, this number reached to 6 in the second half of 2020.

Initial public offerings within the last quarter of 2020 (Esenboğa Elektrik, Kervan Gıda, Arzum Elektrikli Ev Aletleri) raised a total of TRY 930 million. Each of these IPOs reached to over 200 thousand investors.

As a result, brokerage companies completed 8 initial public offerings and raised a total of TRY 1,1 billion in 2020.

In 2020, 29% of leveraged transactions were executed through the internet, while 18% of these transactions were executed by domestic sales departments. Proprietary trading share shown in Table 5 mostly reflects transactions with liquidity providers.

Table 6: Equity Offerings and Bond Issuance

	2019	2020
Initial Public Offering		
Number of Co.	6	8
Size (mn. TRY)	263	1,124
Corporate Bond Issuance*		
Number of Issues	1,330	1,255
Size (mn. TRY)	210,322	199,301

Source: Borsa İstanbul

**Public issuance and private placement only*

The number of corporate bond issues has decreased by 75 compared to 2019 to 1,255, while their total size decreased by 5% to TRY 199 billion.

Out of the 1,255 bonds issued, 1,100 were issued by brokerage companies, while the rest was issued by investment banks.

Table 7: Corporate Finance Activities (Completed Projects)		
	2019	2020
Initial Public Offering	6	17
Secondary Public Offering	0	0
Debt Instruments Issuance	1,145	1,100
Mergers & Acquisitions / Buy-Side	2	5
Mergers & Acquisitions / Sell-Side	17	12
Private Equity	0	0
Other Financing	1	1
Capital Increases	34	24
Dividend Distribution	41	23
Privatization/Buy-Side	1	0
Privatization/Sell-Side	2	3
Other Consultancy	113	93
Total	1,362	1,278

Source: TCMA

According to the data compiled by our Association, brokerage companies took over 1,366 projects in 2020. Brokerage companies completed 1,278 projects in 2020, of which 1,100 were bond issues.

Brokerage companies completed 8 company public offerings and 9 exchange traded fund offerings totaling to 17 IPO projects in 2020.

ASSET MANAGEMENT

In Turkey, brokerage companies may provide wealth management services in addition to traditional brokerage services. The number of brokerage companies offering asset management services stood at 19 in 2020.

The portfolio size managed by brokerage companies decreased by 14% y-o-y to TRY 3.2 billion. As of the end of 2020, 19 brokerage companies provide asset management services to 3,048 individual and corporate investors. However, while evaluating customer numbers, it should be noted that there may

be customers with accounts in more than one institution.

The portfolio size of individual investors' assets increased by 12% y-o-y and reached TRY 2.3 billion

While the number of corporate investors decreased by 6, the portfolio size of corporate investors' assets decreased by 47% y-o-y to TRY 906 million, reflecting asset management activities of one brokerage company.

Table 8: Asset Management by Brokerage Companies		
	2019	2020
Number of Investors	4,931	3,048
Corporates	131	56
Individuals	4,800	2,992
Portfolio Size (million TRY)	3,780	3,234
Corporates	1,710	906
Individuals	2,071	2,328

Source: TCMA

MARGIN TRADING

In Turkey, only brokerage companies may provide margin trading services.

As investors interest gained momentum in equity market, brokerage companies' total loan size in margin trading continued to grow, totalling TRY 6.8 billion by the end of 2020.

Top 2 brokerage companies constitute more than one quarter of the total loan size. 46 brokerage companies have clients with positive margin trading balance at the end of 2020.

The number of investors doubled compared to 2019, reaching over 25 thousand investors. Meanwhile, the average loan per investor ranges between TRY 5,600 and TRY 1.5 million across brokerage companies.

It is important to note that a single client may have accounts at multiple brokerage companies. Moreover, the credit balance does not include companies that provide credit through banks.

Table 9: Margin Trading

	2019	2020
Loan Size (mn TRY)	2,752	6,817
Number of Margin Trading Investors	11,895	25,076
Average Loan per Investor (TRY)	231,348	271,843

Source: TCMA

BRANCH NETWORK

In order to service their customers, other than their headquarters, brokerage companies use their own branches and representative offices in addition to bank branches. Branches and representative offices are owned and staffed by brokerage companies. In 2020, number of representative offices, which usually cost relatively less to open compared to branches, increased by 31.

As of the end of 2020, 40 brokerage companies have a branch network. 96% of branch network consists of bank branches.

While bank owned brokerage companies work with their group banks' branches for order transmission or customer services, 2 independent brokerage companies have signed an intermediation contract with various banks for order transmission. The number of bank branches is 9,252 at the end of 2020.

Table 10: Branch Network

	2019	2020
Branches	277	278
Rep. Offices	64	95
Bank Branches	9,332	9,252
Total	9,673	9,625

Source: TCMA

Brokerage companies' branches constitute a significant portion of the trading volume for many financial products.

Although some brokerage companies have signed an order transmission contract with banks, bank branches are mainly involved in reaching out to customers and do not have a significant share in the trading volume. Similarly, some representative offices only involve in advertising activities and do not transmit orders.

EMPLOYEES

At the end of 2020, the total number of employees in the sector increased by 569 (11%) to 5,533.

Table 11: Number of Employees		
	2019	2020
Female	2,112	2,318
Male	2,852	3,215
Total	4,964	5,533

Source: TCMA

As illustrated in Table 12, the average number of personnel is highest in the domestic sales department with 24 employees.

As illustrated in Table 12, the distribution of women employees has slightly decreased, reflecting the increase in the number of newly recruited men over women.

You may reach extensive data on personnel age, sex, experience and education at www.tspb.org.tr.

Tablo 12: Brokerage Companies' Employees						
	Total Number of Emp.				Avg. Number of Emp.	
	2019	Women%	2020	Women%	2019	2020
Branch, Bank Br., Rep. Office	1,673	46.1%	1,899	43.6%	5	5
Branches	1,287	44.1%	1,325	40.7%	5	5
Bank Branches	386	52.8%	574	50.3%	6	6
Domestic Sales	783	51.3%	1,048	48.6%	19	24
Broker	82	31.7%	71	39.4%	2	2
Dealer	224	41.1%	206	40.8%	7	7
International Sales	153	37.3%	156	35.9%	5	5
Treasury	134	32.8%	134	34.3%	4	4
Portfolio Management	36	13.9%	32	12.5%	2	2
Corporate Finance	138	34.8%	142	37.3%	4	4
Research	179	24.6%	177	24.9%	4	4
Financial & Admin. Affairs	661	43.1%	722	43.9%	10	12
Internal Audit	203	43.3%	194	44.3%	3	3
Human Resources	69	72.5%	82	73.2%	2	3
IT	253	15.8%	286	15.4%	4	5
Other	376	42.6%	384	41.4%	7	7
Branch, Bank Br., Rep. Office	4,964	43.1%	5,533	42.1%	76	92

Source: TCMA

FINANCIALS

In addition to the financial statements released to the public, TCMA compiles additional data from brokerage companies for analysis purposes. There may be minuscule differences in the aggregate values of data obtained from public sources and the data compiled proprietarily by TCMA. This analysis focuses on the latter as this data provides

more standardized and clear information on the brokerage companies.

Illustrated in Table 13, the total assets of brokerage companies increased by 52% y-o-y to TRY 41 billion with financial assets and short-term trade receivables. The industry has a liquid balance sheet with TRY 39 billion in

current assets. Of the total assets, TRY 11 billion are cash and cash equivalents and TRY 21 billion are short-term trade receivables.

In 2019, 20% of brokerage companies' assets were denominated in foreign currency. This figure decreased to 13% by the end of 2020. On the other hand, foreign currency

denominated liabilities stood at 7% in 2019 and increased to 11% as of the end of 2020.

Cash and cash equivalent assets decreased by 2% to TRY 10.6 billion. On the other hand, short-term trade receivables increased by %110 to 21 billion TRY, as a result of the increase in settlement receivables and receivables from margin trading customers.

Table 13: Balance Sheet (million TRY)

	2019	2020	Change
Current Assets	25,147	38,621	53.6%
Cash and Cash Equivalents	10,810	10,595	-2.0%
Financial Assets (Short-term)	2,890	4,347	50.4%
Trade Receivables (Short-term)	10,061	21,247	111.2%
Others	1,386	2,433	75.6%
Non-Current Assets	2,048	2,727	33.2%
Financial Assets (Long-term)	1,165	1,242	6.6%
Others	883	1,486	68.2%
TOTAL ASSETS	27,195	41,349	52.0%
Short-Term Liabilities	19,251	28,696	49.1%
Financial Liabilities (Short-term)	8,648	8,832	2.1%
Trade Payables (Short-term)	9,452	17,847	88.8%
Others	1,152	2,017	75.2%
Long-Term Liabilities	341	1,073	215.0%
Equity	7,603	11,580	52.3%
Paid-in Capital	2,567	2,837	10.5%
Adjustments on Equity	246	229	-6.9%
Shares Premiums/Discounts	8	9	8.5%
Non-Classified to Profit or Loss	438	487	11.2%
Income or Expenses Classified to P/L	655	810	23.6%
Retained Profit/Loss	1,962	2,785	42.0%
Net Profit/Loss	1,728	4,424	156.0%
TOTAL LIABILITIES	27,195	41,349	52.0%

Source: TCMA

As illustrated in Table 14, repo and deposits of TRY 9 billion make up the largest portion of brokerage companies' short-term assets (consisting of cash and cash equivalent and short-term financial assets).

Brokerage companies' short-term assets increased by 3% y-o-y to TRY 13.,5 billion by the end of 2020.

Table 14: Short-Term Assets (million TRY)			
Financial Instruments	2019	2020	Change
Repo and Deposits	10,143	9,123	-10.1%
Public Bonds & Bills	568	556	-2.0%
Corporate Bonds & Bills	612	984	60.8%
Equities	695	2,515	261.8%
Other	1,015	291	-71.3%
Total	13,033	13,470	3.3%

Source: TCMA

Going back to Table 13, brokerage companies' total liabilities of TRY 30 billion consist mainly of TRY 9 billion short-term financial liabilities and TRY 17 billion short-term trade payables reflecting collateral posted by brokerage companies for securities and settlement positions.

Brokerage companies' short-term liabilities are comprised of TRY 5.6 billion of money market debt, TRY 1.5 billion of fixed income instruments, and TRY 1.3 billion of bank loans.

Total shareholders' equity reached TRY 11.6 billion as a result of an increase in current fiscal year earnings.

INCOME STATEMENT

In 2020, brokerage companies' revenue grew by 99% y-o-y to TRY 8.5 billion. The significant increase in total revenue is attributable to the sharply rising brokerage commission

revenues. Additionally, proprietary trading revenues and interest revenue from margin accounts sharply increased.

Table 15: Breakdown of Revenues (million TRY)			
	2019	2020	Change
Brokerage Commissions	1,986	5,306	167.2%
Proprietary Trading	900	1,318	46.3%
Corporate Finance	344	335	-2.6%
Asset Management	67	75	11.8%
Interest Revenue from Customers	616	887	43.9%
Other	351	575	63.9%
Total	4,264	8,494	99.2%

Source: TCMA

In 2020, brokerage commissions made up 63% of all revenues. This figure increased by 167% y-o-y.

As illustrated in Table 16, the revenue from equities trading rose by 227% in 2020 with equity trading volume rose by %216.

The highest increase in commission revenues was generated in foreign securities. In addition, forex trading volume with clients (excluding proprietary trading) increased 69% y-o-y in 2020 whereas revenue generated through forex transactions rose by 84%.

Table 16: Breakdown of Brokerage Commissions (million TRY)

	2019	2020	Change
Equities	1,346	4,405	227.3%
Derivatives	77	98	27.0%
Fixed Income	405	704	73.9%
Foreign Securities	53	243	359.1%
Forex	325	597	84.0%
Total	2,205	6,047	174.2%

Source: TCMA

Revenues from the brokerage companies' corporate finance activities decreased by 3% in 2020 to TRY 335 million. As illustrated in Table 17, corporate bond and IPO revenues fell by 8% y-o-y to TRY 234 million.

Mergers & acquisition transaction revenues stands at TRY 43 million. One brokerage make up %57 of industry's total revenue of TRY 21 million in other financial advisory in 2020.

Table 17: Breakdown of Corporate Finance Revenues (million TRY)

	2019	2020	Change
Initial Public Offering (IPO)	255	234	-8.0%
Mergers & Acquisitions	38	43	13.8%
Other Capital Increases	29	27	-6.4%
Corporate Actions	5	10	87.9%
Others	18	21	20.2%
Total	344	335	-2.6%

Source: TCMA

Going back to Table 15, despite the doubling increase in clients' credit balance, due to the decrease in interest rates, interest income from clients rose by more limited %44 to TRY 887 million.

Mutual fund sales revenues increased remarkably from TRY 24 million to TRY 50 million in the compared period, with investors seeking alternative return. While brokerage companies' discretionary asset management revenue decreased from TRY 42 million to TRY 25 million. As a result, mutual fund sales and asset management revenues increased by %12 to TRY 75 million.

The TRY 575 million of other income in Table 15 is attributable to one brokerage company's income from advisory and market research services provided to its parent company abroad and another company's high

frequency trading commission revenue from its clients.

Illustrated in Table 18, brokerage companies' aggregate expenses rose by 40% to TRY 3.5 billion in 2020. Marketing, sales, distribution and R&D make up TRY 848 million of all expenses. 76% of the TRY 848 million constitutes payments for exchange, settlement and custody services related to equity, fixed income and derivatives trading.

More than %50 of administrative expenses is salaries and fringe benefits. The industry employs 5,533 personnel and the average personnel expense in 2020 rose by 22% to TRY 23,876 while average CPI rose by 12.3%. Total personnel expense increased by 29% to TRY 1,4 billion compared to the previous year.

Table 18: Breakdown of Expenses (million TRY)

	2019	2020	Change
Marketing, Sales, Distribution and R&D	449	848	88.9%
Trading Commissions Paid to Exchanges	318	648	103.6%
Other Marketing, Sales, Distribution and R&D	131	200	52.8%
Administrative	2,046	2,633	28.7%
Salaries and Fringe Benefits	1,151	1,480	28.6%
Depreciation Expenses	102	125	22.8%
Depreciation Expenses on Intangible Assets	15	24	61.7%
Membership Fees and Contributions	13	28	113.5%
Commissions and Other Service Charges	53	59	10.1%
Taxes and Other Legal Dues	114	171	49.8%
Other Administrative Expenses	598	746	24.7%
Total	2,495	3,481	39.5%

Source: TCMA

Gross income rose by 99% y-o-y to TRY 8.5 billion as a result of the sharp increase in brokerage revenue and proprietary trading income.

Illustrated in Table 19, due to the limited growth in expenses compared to revenues, the operating income increased by 178% to TRY 5.1 billion in 2020.

Table 19: Income Statement (million TRY)

	2019	2020	Change
Sales Revenues (net)	570,847	578,301	1.3%
Cost of Sales	-566,583	-569,806	0.6%
Gross Profit/Loss	4,264	8,494	99.2%
Marketing, Sales and Distribution Expenses	-449	-847	88.9%
Administrative Expenses	-2,046	-2,633	28.7%
Research & Development Expenses	-0.4	-0.7	86.1%
Other Operating Income	447	715	60.0%
Other Operating Expenses	-373	-616	64.9%
Operating Profit/Loss	1,842	5,113	177.6%
Income from Investment Activities	4	6	57.0%
Expenses from Investment Activities	-0.2	-0.9	389.6%
Profit/Loss From Participations	21	33	62.2%
Profit/Loss Before Tax From Fin. Expenses	1,866	5,151	176.1%
Financial Income	2,211	1,745	-21.1%
Financial Expenses	-1,910	-1,266	-33.7%
P/L Before Tax From Cont. Operations	2,167	5,630	159.8%
Cont. Operations Tax Income / Expense	-440	-1,206	174.5%
Current Tax Income / Expense	-484	-1,098	126.9%
Deferred Tax Income / Expense	44	-108	-343.7%
Profit /Loss From Continuing Operations	1,728	4,424	156.0%

Source: TCMA

Net financing revenues rose TRY 179 million y-o-y to TRY 480 million. The most significant development affecting the increase in net financing income, was the sharp decrease in interest rates compared to previous year.

Furthermore, the decrease in other income and profits due to an institution's derivatives position limited the increase in net financing income.

In conclusion, brokerage companies' profits increased by 156% to TRY 4.4 billion with rising income from operations.

The most profitable brokerage company in 2020 was İş Investment with TRY 911 million.

The top four most profitable companies (İş Investment, Garanti Investment, Ak Investment and Ziraat Investment) make 46% of the industry's revenue. Of the 59 brokerage companies and 1 investment bank, 55 posted a profit in 2020.

Table 20: Profitability of Brokerage Companies		
	2019	2020
# of companies	65	60
# of companies with profits	52	55
# of companies with losses	13	5
Net Profit (million TRY)	1,727	4,424
Total Profit (Million TRY)	1,768	4,435
Total Losses (Million TRY)	-40	-11
Profitability	40.5%	52.1%
Return on Equity	25.1%	46.0%

Source: TCMA

ASSET MANAGEMENT COMPANIES

2020/12

Onur Salttürk

Turkish Capital Markets Association collects and analyzes the asset management industry's data on a monthly and quarterly basis. In this report, we will review the assets under management, employee statistics and the asset management companies' financial statements respectively. More information on data sets can be found on www.tspb.org.tr.

ASSET MANAGEMENT

Asset management companies' main activity is to establish and manage funds. Apart from managing investment funds, pension funds and investment trusts, asset management companies also provide discretionary asset management services for individuals and corporations.

Asset management companies are grouped as restricted and unrestricted according to the type of mutual funds they

manage. Restricted asset management companies only manage real estate investment and venture capital funds.

As of December 2020, there are 49 asset management companies in the market. Four companies have not started managing assets yet. As a result, the number of asset management firms actively managing assets in 2020 is 45.

Table 1: Asset Management			
	Number of Firms	Number of Funds/Clients	Assets Under Management (mn. TRY)
Investment Funds	41	663	151,853
Pension Funds	24	404	171,015
Discretionary Management*	30	3,104	41,013
Investment Trusts	7	12	735
Total	45	4,183	364,646

Source: TCMA

* Individuals and corporates under discretionary management may have more than one account.

The total assets under management managed by asset management firms increased by 28% to TRY 365 billion. In 2020, the total portfolio size of pension funds grew by 34%, increasing pension funds' share in the total assets under management to 47% with an increase of 2 points compared to 2019. On the other hand, mutual funds' portfolio grew by 19%, reducing its share in the total assets under management by 3 points to 42%.

Since the end of 2019, the number of mutual funds increased from 553 to 663 whereas the number of pension mutual funds decreased from 406 to 404. The main reason for the increase in the number of mutual funds is the rapid increase in the number of hedge funds. The number of these funds, most of which are foreign currency denominated making euro-bond investments, increased from 174 to 228 in the same period.

Table 2: Assets under Management (million TRY)		
	2019	2020
Investment Funds	127,292	151,853
Pension Funds	127,577	171,015
Discretionary Management	28,713	41,013
Individuals	8,007	13,694
Corporates	20,705	27,318
Investment Trusts	644	735
TOTAL	284,225	364,616

Source: TCMA

As of the end of 2020, 14 of the 45 firms that provide asset management are of bank origin. Bank-based institutions manage 86% of the total assets under management.

As of the end of 2020, the top three institutions (Ziraat, İş and Ak respectively) with the highest portfolio size constitute half of the total assets under management.

Table 3: Number of Investment Funds		
	2019	2020
Investment Funds	553	663
Pension Funds	406	404
Discretionary Management	2,427	3,104
Individuals	2,202	2,818
Corporates	225	286
Investment Trusts	12	12
TOTAL	3,398	4,183

Source: TCMA

Investment Funds

As of the end of 2020, there are 41 firms managing mutual funds. The size of the mutual funds portfolio increased by TRY 25 billion in this period compared to 2019 and reached TRY 152 billion.

Among the companies that manage mutual funds, 57% of the total portfolio are managed by four companies (İş, Yapı Kredi, Ziraat and Ak).

According to MKK (Central Securities Depository of Turkey), the total number of mutual fund investors increased by 77,868 compared to the previous year and almost reached 3.1 million. Individual

investors, who constitute a significant size of these investors, make up 66% of the total mutual fund portfolio size.

Investment funds consist of mutual funds, real estate investment funds, venture capital investment funds, exchange traded funds and hedge funds.

While the weight of mutual funds in the investment funds was 77% in 2019, this ratio decreased to 66% as of 2020. In this period, the steady increase in hedge funds caused the total weight of these funds to increase from 16% to 24%.

Table 4: Investment Fund Portfolio Size (million TRY)		
	2019	2020
Mutual Funds	98,635	99,688
Real Estate Investment Funds	6,842	9,085
Venture Capital Investment Funds	1,516	3,058
Exchange Traded Funds	292	3,925
Hedge Funds	20,007	36,098
Total	127,292	151,853
<i>Private Funds</i>	<i>13,444</i>	<i>16,941</i>

Source: TCMA

While the number of hedge funds increased by 54 to 228 in 2020 compared to 2019, the portfolio size of these funds increased by approximately 80% to TRY 36 billion. The rapid decline in both Turkish lira and foreign currency deposit rates in the second half of 2019 caused investors to look for alternative investment instruments. In this period, foreign exchange hedge funds denominated in foreign currency offered an attractive alternative and caused investors to turn to these assets.

Ziraat Asset Management, the only state-owned asset management company in the industry, established 9 new exchange traded funds. Comprising mostly of equity

and precious metals, these new funds increased ETF portfolio size to TRY 3,9 billion in 2020.

At the end of 2016, 3 newly introduced real estate funds had a size of TRY 85 million while as of the end of 2020, the number of real estate funds managed by 15 asset management firms increased to 49, and the size of these funds exceeded TRY 9 billion.

The number of venture capital mutual funds increased from 18 funds with a portfolio size of TRY 1.5 billion at the end of 2019 to 36 funds with a portfolio size of TRY 3.1 billion in 2020.

Table 5: Mutual Funds Net Capital Inflows (TRY million)				
	Asset Size December 2019	Net Capital Inflows January – December 2020	January – December 2020 Capital Gains	Asset Size December 2020
Hedge Funds	21,870	7,249	6,575	35,691
Money Market Funds	39,903	-16,514	3,174	26,563
Debt Securities Funds	27,493	-7,184	3,142	23,451
Variable Funds	10,153	1,228	1,431	12,812
Equity Funds	3,796	3,402	3,303	10,501
Fund of Funds	2,652	4,907	1,632	9,191
Real Estate Funds	6,405	1,283	534	8,222
Precious Metal Funds	1,225	2,833	1,096	5,154
Venture Capital Funds	1,585	1,042	441	3,068
Participation Funds	5,771	-3,388	516	2,899
Blend/Mixed Funds	566	499	241	1,306
Capital Protected Funds	919	-19	120	1,020
Total	122,337	-4,663	22,204	139,878

Source: MKK

The portfolio size of the private funds (compiled by our Association for information purposes) marketed to individuals or organizations in an exclusive manner increased by 26% in the last year, approaching 17 billion TL. In this period, it is seen that the number of private funds increased from 113 to 125.

The Central Securities Depository of Turkey, MKK publishes monthly net capital inflows and outflows for mutual funds adjusted for the price effect. Since the funds of asset management companies established abroad are not included in MKK data, the portfolio size (TRY 140 billion as of the end of 2020) presented in Table 5 is lower than the amount compiled by our Association (TRY 152 billion).

Illustrated in Table 5, the 15% portfolio management tax imposed on hedge funds undermined the steady capital inflow trend into hedge funds observed since the beginning of 2019. Following this restrictive regulation, a net outflow occurred every month starting with June 2020 until the end of the year, and a total of TRY 10.7 billion came out of the hedge funds in this process. Despite this, the biggest increase in mutual funds in 2020 occurred in hedge funds with TRY 7.3 billion. Investor interest in hedge funds stems from the tax advantage obtained via the purchase of funds as opposed to direct investments in Eurobonds, as well as the fact that investors who want to invest in foreign exchange can enjoy higher returns in hedge funds as opposed to FX time deposits.

The distribution of mutual funds as per Takasbank data (sole Settlement and

Custody Bank of Turkey) is given in Table 6. Real estate and venture capital investment funds are not included in the data. A significant part of the investment funds consists of short-term instruments.

Table 6: Mutual Funds' Portfolio (TRY mn.)

	2019	2020
Corporate Bonds	20,487	26,740
Eurobonds	13,485	20,869
Repo	25,076	19,385
Equity (domestic)	5,775	15,748
Equity (foreign)	3,063	8,650
Deposits	23,640	8,221
Government Bonds	10,517	5,425
Sukuk	5,932	5,646
Gold	611	2,616
Other*	5,460	15,031
Total	114,046	128,332

Source: Takasbank (Settlement and Custody Bank)

* Includes Takasbank money market, other funds shares, cash collateral for futures

The rising interest and price increases in the stock market in 2020 led to the weight of domestic stocks in the total AUM to increase by 7 points to 13%. Equities make up 19% of total AUM taking into account foreign equities as well. In line with the regulations enacted in 2019, money market funds were required to hold 50% deposit/participation accounts as of March 2019 and so the deposits in these funds increased considerably. With the reversal of the said decision in February 2020, the share of deposits decreased in 2020 from 21% to 6% as a percentage of the total investment funds.

With the rising interest in the hedge funds, the total size of Eurobonds within the investment funds increased by 55% in TRY terms to TRY 21 billion.

Pension Funds

As of 2020, 24 institutions manage pension funds in Turkey. In 2020, the size of pension funds, including auto-enrollment system funds, increased by TRY 43 billion compared to the end of 2019 and reached

TRY 171 billion. The first five institutions (Ziraat, Ak, İş, Yapı Kredi and Garanti Portfolio) manage 83% of the total pension funds.

The fund size in the auto-enrollment system, which was introduced in 2017 and gradually expanded, constitutes TRY 13

Table 7: Pension Funds' Portfolio (TRY mn.)		
	2019	2020
Government Bonds	38,184	37,132
Sukuk	17,469	36,564
Equity (Domestic)	16,104	24,285
Eurobonds	16,774	24,278
Corporate Bonds	10,114	15,511
Deposits	6,016	10,348
Repo	10,715	6,589
Gold	4,845	6,743
Equity (Foreign)	2,436	3,727
Other*	5,031	5,880
Total	127,687	171,057

Source: Takasbank (Settlement and Custody Bank)

* Includes Takasbank money market, other funds shares, cash collateral for futures

billion of the total pension investment fund size. As of end-2020, the total number of participants in the system is 5.7 million investors.

The pension fund portfolio composition as per Takasbank data is presented in Table 7. Due to the rising interest in gold funds, the size of sukuk in pension fund portfolios increased by TRY 19 billion to TRY 37 billion by the end of 2020. In the same period, the repo balance decreased by TRY 4 billion, and its share in the total portfolio decreased from 8% in 2019 to 4% in 2020. The weight of stocks in pension funds is 16%, below the share of equity in mutual funds (19%).

Discretionary Asset Management

As of the end of 2020, there are 30 firms providing discretionary asset management services in Turkey. 2,818 real and 286 legal persons' portfolio totaling TRY 41 billion TL is managed by asset management firms. It should be noted that an investor may have accounts in more than a single firm. 67% of investors who received discretionary asset management services in

2020 turned to one of the top four asset management companies in this branch (Azimut, Yapı Kredi, İstanbul and Tacirler respectively). The three institutions with the highest discretionary asset management (Ziraat, Ak and Azimut Portfolio) manage 63% of the total assets under management.

Table 8: Discretionary Asset Management (TRY million)			
	Collective Investment Securities	Other Securities	Total
Real Persons	9,433	4,261	13,694
Legal Entities	8,762	18,556	27,318
Total	18,195	22,818	41,012

Source: TCMA

Discretionary asset management data is divided into collective investment securities (mutual funds, etc.) and other securities (equities, bonds etc). When analyzed along these lines, 69% of the

investments of TRY 14 billion belonging to 2,818 real persons are invested in mutual funds. This figure stands at 32% for the portfolio of TRY 27 billion belonging to legal entities.

Investment Trusts

Portfolios of investment trusts that outsource asset management services are managed exclusively by asset management firms. Currently, 12 of 49 investment trusts receive asset management services from asset management companies.

The portfolio size of investment trusts managed by portfolio management companies increased by TRY 92 million

compared to the end of 2019 and reached TRY 735 million in 2020. 84% of the total portfolio of investment trusts consists of securities investment trusts. The annual portfolio size growth in this group remained at 10%.

On the other hand, the portfolio size of venture capital investment trusts increased by 63% to TRY 105 million.

Table 9: Investment Trusts' Portfolio Value (TRY million)

	2019	2020
Securities Investment Trusts	566.5	620.5
Real Estate Investment Trusts	12.8	10.0
Venture Capital Investment Trusts	64.5	104.9
TOTAL	643.8	735.4

Source: TCMA

EMPLOYEES

With the acquisition of Halk and Vakıf Asset Management by Ziraat in 2019, the number of employees in the industry had declined considerably. However, with the establishment of new firms in 2020, the number of employees in the sector exceeded 800 for the first time. Women constitute only 36% of the total number of employees in the asset management industry.

Among the 49 asset management firms, five firms (İş, İstanbul, Ak, Azimut and Yapı Kredi and Ak) which have 50 or more employees each, employ %36 of the total number of employees in the industry. On the other hand, there are 14 institutions that have 5 or less than 5 employees. Looking at the sector in general, the

average number of employees per company is 16.

31% of employees in asset management companies have a postgraduate degree. 46% of employees have 15 or more years of experience.

Distribution of employees in asset management companies by department is given in Table 10. Asset management companies may have in-house risk management and fund service departments, or they can outsource these services from third parties. There are 23 asset management companies with a risk management department and 24 asset management companies with a fund service unit.

Table 10: Employees by Department

	# of Employees				Average # of Employees	
	2019	Female ratio	2020	Female ratio	2019	2020
CEO	48	6%	48	6%	1	1
Asset Management	204	19%	204	19%	5	6
Domestic Sales	76	58%	76	53%	4	5
International Sales	2	53%	2	50%	2	2
Financial Advisory	15	50%	15	25%	2	1
Research	39	33%	39	30%	2	2
Risk Management	33	42%	33	47%	1	1
Fund Service Unit and Operations	67	49%	67	52%	3	3
Financial & Administrative Affairs	108	46%	108	49%	2	2
Internal Audit	61	46%	61	48%	2	2
Human Resources	5	80%	5	75%	1	1
Information Technology	14	14%	14	15%	2	1
Other	66	39%	66	37%	2	3
TOTAL	738	36%	738	36%	15	16

Source: TCMA

As of the end of 2020, 27% (217 people) of the employees work in the asset

management department. 19% of the employees in this department are female.

FINANCIALS

Table 11: Balance Sheet of Asset Management Companies (million TRY)

	2019	2020	% Change
Current Assets	1,034.3	1,697.1	64.1%
Cash and Cash Equivalents	419.4	784.8	87.1%
Financial Assets (Short-term)	418.4	583.0	39.3%
Other Current Assets	196.4	329.3	67.7%
Non-Current Assets	104.9	89.6	-14.6%
Tangible Assets	26.8	31.1	16.1%
Financial Assets (Long-term)	14.6	16.8	15.4%
Other Non-Current Assets	63.6	41.7	-34.4%
TOTAL ASSETS	1,139.2	1,786.7	56.8%
Short-term Liabilities	109.8	216.2	96.8%
Long-term Liabilities	47.2	65.1	38.1%
Equity	982.2	1,505.4	53.3%
Paid-in Capital	383.4	435.7	13.7%
Adjustments on Equity	7.4	5.0	-33.0%
Share Premiums/Discounts	7.7	8.1	6.4%
Other Comprehensive Income	0.1	3.5	3580.1%
Reserves on Retained Equities	83.5	106.8	28.0%
Retained Profit/Loss	181.9	291.1	60.1%
Net Profit/Loss	318.3	655.0	105.8%
TOTAL LIABILITIES	1,139.2	1,786.7	56.8%

Source: TCMA

In 2020, the total assets of asset management firms increased by 57% compared to the end of 2019 and reached TRY 1.8 billion. With the surge in past and recent net profits, shareholders' equity rose by 53% to TRY 1.5 billion in 2020.

The growth in shareholders' equity is invested in short-term current assets. In 2020, cash and cash equivalents across the industry increased by 87% compared

to the end of 2019 and reached TRY 785 million. In this period, the growth in short-term financial investments was constrained at 39%. Industry's assets are concentrated in liquid current assets.

53% of the total assets of asset management firms belong to five institutions (Garanti, Ak, İş, Yapı Kredi and Ziraat Portfolio).

Operating Income

Income stream of asset management companies can be split into three categories: portfolio management commissions, consultancy fees and fund sales revenues.

However, in practice, nearly all income is generated by portfolio management commissions.

	2019	2020	% Change
Portfolio Management Commissions	640.7	1,137.2	77.5%
Collective Portfolio Management	601.1	1,055.2	75.6%
Pension Funds	108.2	156.8	45.0%
Investment Funds	488.0	891.2	82.6%
Mutual Funds	367.3	642.5	74.9%
Real Estate Funds	52.6	62.8	19.3%
Venture Capital Funds	15.7	24.4	55.8%
Exchange Traded Funds	1.1	7.1	539.0%
Hedge Funds	51.3	154.4	201.2%
Investment Trusts	4.9	7.2	46.7%
Discretionary Portfolio Management	39.6	82.0	107.0%
Retail	16.3	55.4	240.8%
Corporate	23.4	26.6	13.8%
Investment Consultancy Revenues	3.9	4.4	12.9%
Mutual Fund Sales Revenues	0.0	0.0	-
TOTAL	644.6	1,141.6	77.1%

Source: TCMA

Compared to 2019, pension fund revenues of asset management companies reached TRY 157 million with an increase of 45%. In contrast, parallel with the increase in total assets under management, revenue from investment funds increased by 83% and surpassed TRY 891 million.

Income generated through investment funds constituted 78% all income of asset

management firms in 2020. Similar to previous years, consultancy fees and fund sales revenues did not constitute a significant portion of firms' revenues in 2020.

As a result, revenues from asset management companies' activities increased by 78% to TRY 1,1 billion in 2020.

Investment Funds

Although the investment funds' asset size did not increase considerably from 2019 to 2020, the share of money market and fixed income funds, which provide lower commissions, decreased as a percentage of total assets under management. As a result, income derived from investment funds rose to 75%.

Hedge funds' assets grew by 80% year over year while annual average portfolio size rose by 147%. Accordingly, revenue from these funds increased by more than 200% to TRY 154 million.

The average annual commission charged by asset management companies can be calculated by dividing the last 12-month revenues by the average 12-month portfolio value. The average commission rate for investment funds is 0.60% (Table 13). In 2019, this figure was 0.55%.

Table 13: Asset Man. Commission Rates	
	Total
Investment Funds	0.60%
Pension Funds	0.11%
Discretionary Asset Management	0.24%
Investment Trusts	1.12%
TOTAL	0.34%

Source: TCMA

*Annualized

Pension Funds

Although the total size of TRY 171 billion of the pension funds is 13% greater than

the investment funds, the income from pension funds is one fifth of the income derived from investment funds.

In 2020, the size of pension funds increased by 34% compared to last year and the revenue obtained from the management of these funds increased by 45% to TRY 157 million. Asset management companies made an annual 0.11% commission from pension funds.

Discretionary Asset Management

Although the portfolio size increased by 43% in 2020, the income from discretionary asset management more than doubled due to increasing returns and reached TRY 82 million. Performance premiums resulting from superior performance played an active role in the growth of revenue from discretionary asset management services.

In 2020, the annual average commission rate of companies providing discretionary asset management services is 0.24%.

Investment Trusts

Only a small portion of investment trusts are managed by asset management firms. While the portfolio size grew modestly by 14%, the revenue obtained from investment trusts in 2020 was TRY 7.2 million which represents a much higher growth of 47%. In this period, annual average commission charged by asset management companies is 1.12%.

Expenses

In 2020, general administrative expenses increased by 35% compared to the previous year and amounted to TRY 509

million. 58% of these expenses are personnel expenses.

Table 14: Income Statement of Asset Management Companies (million TRY)

	2019	2020	% Change
Sales Revenues (net)	722.8	1,498.4	107.3%
Cost of Sales	-56.6	-267.1	371.7%
Gross Profit/Loss	666.2	1,231.3	84.8%
Marketing, Sales and Distribution Expenses	-15.0	-25.6	71.0%
Administrative Expenses	-378.6	-509.1	34.5%
<i>Salaries and Fringe Benefits</i>	-215.6	-295.1	36.9%
Research & Development Expenses	0.0	0.0	28.3%
Other Operating Income	30.7	66.9	117.5%
Other Operating Expenses	-13.7	-22.8	65.7%
Operating Profit/Loss	289.6	740.7	155.7%
Income from Investment Activities	63.5	61.1	-3.7%
Expenses from Investment Activities	-16.8	-29.4	75.5%
Profit/Loss Before Financial Expenses	336.4	772.4	129.6%
Financial Income	70.6	75.3	6.6%
Financial Expense	-3.6	-4.0	11.3%
Profit/Loss Before Tax	403.4	843.6	109.1%
Current Tax Income / Expense	-84.7	-175.9	107.7%
Deferred Tax Income / Expense	-0.4	-12.7	3068.3%
Net Profit/Loss	318.3	655.0	105.8%

Source: TCMA

By dividing personnel costs by the average number of staff, it is possible to calculate the monthly average cost of an employee.

In 2020, this amount increased by 34% compared to the same period of the

previous year and reached TRY 32,265. On the other hand, in parallel with the increasing profitability, the average monthly profit per employee increased by 102% to TRY 71,568 in 2020.

Profitability

Due to the increase in investment fund portfolio size and superior investment performance, the profitability of asset management firms has increased significantly since 2019. Gross profit in 2020 increased by 85% compared to the previous year and reached TRY 1.2 billion.

While a significant increase was observed in sales revenues with the increasing portfolio size, expenses did not grow at the same pace. As a result, the net operating income of the industry increased by 156% in the last year and reached TRY 741 million.

Table 15: Profitability of Asset Management Companies		
	2019	2020
# of companies	49	49
# of companies with profits	34	35
# of companies with losses	15	14
Net Profit (million TRY)	317.9	655.0
Total Profit (million TRY)	330.4	668.1
Total Losses (million TRY)	-12.5	-13.0
Profitability	47.8%	53.2%
Return on Equity	32.4%	57.4%

Source: TCMA

Net income from the asset management companies' own investment activities fell by TRY 11 million. After taxes, net income reached TRY 655 million in 2020, an increase of 106% compared to 2019. Net profitability and equity profitability also increased in line with the increase in revenues.

While 35 firms made a profit of TRY 668 million in 2020, 14 firms lost a total of TRY 13 million. Ak, Yapı Kredi, Ziraat, Garanti and İş, which were the most profitable companies in 2020 respectively, accounted for 62% of the sector's total profit, with a total profit of TRY 404 million.

TURKISH CAPITAL MARKETS ASSOCIATION

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