

# Annual Report 2020



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**Part I**

# **Introduction**

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## 2020 Review: The Economy and Financial Markets

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The pandemic, which is a world-wide and cross-border epidemic by definition, abruptly entered our daily agendas as of 2020. Notwithstanding the fact that the pandemic was totally unexpected and the world was almost unprepared for this, it should be noted that, the joint action of governments, central banks and countries' economy administrations to cope with this global problem was in an unprecedented manner. Up until the first months of 2021, total stimulus reached USD 30 trillion globally, consisting of USD 17 trillion fiscal measures and USD 13 trillion monetary expansion. While the global economic activity started to recover with these measures, financial markets displayed a rapid positive reaction. Indeed, economic growth accelerated starting from the second half of 2020. The favorable base effect stemming from the low activity in the first half of 2020, should boost the macro figures further in the same period of 2021. Looking at the sectoral details, we see that employment and production levels exceeded the pre-pandemic level in the industry and construction sectors. However, still closed enterprises in trade and service sectors make the recovery difficult. The US total employment figure is still 6-7 million below the pre-pandemic level, almost all the loss stemming from the service sector. The same is also true in other countries. It should be noted that these problems are hard to solve with stimulus measures, unless a wide spread vaccination could be brought in place. Vaccination is the number one panacea to solve all related problems. The death toll reached 3 million globally. Yet total realized and programmed vaccination activity exceeded 1 billion. Hence we have reasons of hope and optimism.

Turkey and the Turkish economy experienced similar stages in 2020. Following a contraction of 10.30% in the second quarter of 2020, the third and fourth quarters witnessed 6.29% and 5.87% growth rates, respectively. In addition, leading indicators point out that growth continues in the first months of 2021, even at double digit pace. Following a CPI increase of 11.84% in 2019, the 2020 figure was at 14.60%. Following further upside moves in the first months of 2021, we may see lower figures in the remainder of the year. Recently, the Turkish Central Bank has revised its inflation estimations to 12.2% and 7.5% for 2021 and 2022, respectively. It should be noted that the Turkish Central Bank is committed to its medium term inflation targets. This policy gains extreme importance, considering upward signals in global commodity and food prices.

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## In Brief

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**In 2020, Yapı Kredi Asset Management achieved its high growth with an increasing market share in total assets under management while rapidly adapting to the pandemic conditions, maintaining its business continuity by increasing client communication.**

In 2020, the company was awarded 5 different awards from Asset Management to Pension Fund management by prestigious financial magazines operating in the international arena. In addition to those awards at the 5. CMBA Capital Markets Award, with the management of Allianz Yaşam ve Emeklilik A.Ş. Mixed Pension Mutual Fund we have been awarded the "Return Leader of Pension Mutual Funds - 2019" for the fourth time.

Yapı Kredi Asset Management (YKAM) is a leading asset management company in Turkey with a diverse and comprehensive range of products and services including mutual funds, pension funds, discretionary portfolios, investment advisory.

YKAM is a member of Yapı Kredi Group under Koç Financial Services, which is ultimately owned by Koç Group (50%) and UniCredit from Italy (20%) and free floating part of (%30) which is traded in Istanbul Stock Exchange (ISE).

As of the end of 2020, YKAM manages a total of 22 mutual funds, 13 Hedge Funds and 26 pension funds of 3 different pension companies that comprise an extensive range of investment management products further enhanced by best-of-breed discretionary portfolios currently under management.

YKAM manages portfolios on a collaborative basis, with dedicated teams composed of professionals who are specialized in each asset class. Applying proprietary research and analysis derived from international resources with precise benchmarking and diligent risk management, YKAM produces tailor-made solutions for each client according to the guidelines and objectives of each portfolio.

As of 31 December 2020, YKAM manages assets totaling TL 44.4 bn (US\$ 6 bn) with 15.7% market share in mutual funds (including hedge funds) and 13.3% in pension funds.

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# Core Strengths

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**By quickly adapting to the pandemic conditions, YKAM has taken care of employee health at the highest stance. By its well designed infrastructure and corporate governance as well as information technologies succeeded business continuity, service quality and customer satisfaction with its high business discipline.**

## Strong Awards Portfolio

Yapı Kredi Asset Management has been awarded by 5 prestigious awards in 2020. The company awarded by "Turkey's Best Asset Management Company" by 2 different magazines, Global Brands and International Business. Furthermore, YKAM has been awarded as "The Next 100 Global Awards 2020 - Pension Funds Management" and "Fund & Asset Management Awards - Asset Management Company of the Year Turkey 2020" Global Banking and Finance Review. YKAM also awarded by "Pension Funds Yield Leader 2019" by Turkish Capital Markets Association with Allianz Yaşam ve Emeklilik Mixed Pension Fund.

## A Broad Product Range

As one of the pre-eminent asset management companies in Turkey, YKAM benefits from its broad presence and diversified range of products to meet the changing needs of investors with different risk/return profiles. The Company is also a pioneer in Turkey with its alternative investment products including fund of funds, hedge funds, foreign currency denominated fund and hedge funds which redeems after a certain period. In 2020 YKAM continued to develop different investment strategies in the portfolios it managed and launched the YKAM Third Fund of Funds, managed through an algorithmic model.

## Strength in Investment Management

All investment decision-making and portfolio management processes are implemented by relevant committees using well-established procedures and benchmark-driven strategies at YKAM. All investment cases are evaluated at the Investment Committee and Asset Allocation Committee before they are finalized. On the other hand independent research companies' reports are followed by the investment committee.

## Proven Internal Control Systems

YKAM is very much aware of the fact that prudent risk management policies lie at the heart of longevity in asset management. Therefore, a disciplined approach is taken towards risk management with well implemented monitoring and reporting processes. Independent internal control and audit functions provide the necessary oversight functions. Mutual funds and pension funds reports are delivered daily with composites available for discretionary portfolios and tailor-made reporting services available for institutional mandates.

## Robust Technological Resources

YKAM utilizes proprietary software as its asset management system, which is designed in-house with third party support to optimally wield YKAM's know-how with numerous analytical modules. The quality of fund administration processes including non-standard transactions like OTC options is fully supported by the Company's well-developed IT framework. On the other hand the operational risks are minimized by integrated systems. While the importance of IT is increasing day by day especially with the rising of digitalization, YKAM aims to adapt rapidly to technological developments by increasing the headcount of IT specialists.

## A Consistent and Solid Track Record in Performance

YKAM aims to provide its clients with long-term competitive risk-adjusted returns. YKAM funds have consistently delivered superior risk adjustment vis-à-vis the benchmarks utilized with optimally low volatility due to prudent risk management policies.

## Well-established Client Management Services and Sales Support Functions

With a strong and well-established client service tradition, YKAM makes a difference to investors looking for premium value for their assets. The marketing, sales and customer relations functions are overseen by its dedicated and highly competitive capital markets professionals who have a keen focus on customer needs. The teams continuously come up with innovative product solutions to serve clients better and offer a full range of services for institutional and HNW clients.

## Advanced Product Management Expertise

YKAM has extensive product management expertise gained through years of in-depth experience, highly educated and skilled risk managers as well as fund managers. YKAM creates new products and strategies responsive to investors' changing needs by intensively following the fund market trends all around the world. YKAM product management functions are well supported by a dedicated and competent in-house team that conducts cutting edge research and quantitative analysis. New product meetings are held annually and due to market conditions and expectations those new ideas are launched throughout the year.

## Key Operational Indicators

	2020		2019		2018		2017		2016	
	Asset Size (US\$ Million)	Market Share (%)	Asset Size (US\$ Million)	Market Share (%)	Asset Size (US\$ Million)	Market Share (%)	Asset Size (US\$ Million)	Market Share (%)	Asset Size (US\$ Million)	Market Share (%)
Mutual Funds	2,785	15.72%	2,284	13.21%	1,433	16.51%	2,505	18.91%	2,096	17.09%
Pension Funds	3,056	13.30%	2,722	12.71%	2,079	11.75%	2,728	13.07%	2,276	13.17%
<b>All Funds</b>	<b>5,841</b>	<b>14.35%</b>	<b>5,006</b>	<b>12.93%</b>	<b>3,512</b>	<b>13.32%</b>	<b>5,233</b>	<b>15.34%</b>	<b>4,372</b>	<b>14.80%</b>

	2020		2019		2018		2017		2016	
	Asset Size (US\$ Million)	Number of Clients	Asset Size (US\$ Million)	Number of Clients	Asset Size (US\$ Million)	Number of Clients	Varlık Değeri (Milyon TL)	Müşteri Sayısı	Varlık Değeri (Milyon TL)	Müşteri Sayısı
Discretionary Portfolio Management	129	469	145	491	188	655	213	667	199	537
Investment Advisory	298	81	306	84	239	57	254	42	247	39
Portfolio Management and Advisory	427	550	450	575	427	712	466	709	447	576
<b>Assets Under Management*</b>	<b>6,050</b>		<b>5,190</b>		<b>3,701</b>		<b>5,499</b>		<b>4,572</b>	
<b># of Mutual Funds Managed</b>	<b>35</b>		<b>36</b>		<b>30</b>		<b>33</b>		<b>35</b>	
<b># of Pension Funds Managed</b>	<b>26</b>		<b>28</b>		<b>25</b>		<b>25</b>		<b>21</b>	

\* Mutual Funds, Pension Funds and DPM size are considered  
Source: Yapı Kredi Asset Management as of December 31<sup>st</sup>, 2020

## Key Financial Indicators

### Net Revenues (US\$ Million)

2020	23,6
2019	16,3
2018	14,9
2017	20,2
2016	17,8

### Net Profit (US\$ Million)

2020	14,1
2019	8,0
2018	6,8
2017	10,1
2016	8,6

### Shareholder (US\$ Million)

2020	19,6
2019	14,4
2018	12,5
2017	17,1
2016	15,3

# Milestones

2002

- Mutual funds management has been taken over.

2003

- Management of Koç Allianz and Yapı Kredi pension funds started.
- Establishment of risk management.
- Launch of Private Banking funds for HNWIs.

2004

- Building 3rd party distribution with two other banks.
- Initiation and support for distribution of foreign funds in Turkey.
- Introduction of "Pusulula", a saving system based on mutual funds and risk profile questionnaire developed by the Company.

2005

- Portfolio advisory started to run in order to serve for HNWIs.
- Managing mutual funds of a third party.

2006

- International rating company Fitch Ratings rated YKAM at M2 (tur).
- Merger of Koç and YKAM (market leader in mutual funds)

2007

- International rating company Fitch Ratings reaffirmed YKAM's rating at M2 (tur).
- 'Fund of World Funds' (1st Fund of Funds investing in foreign funds in Turkey).
- Merger process of mutual funds established by both Koçbank and Yapı Kredi Bank completed.

2008

- International rating company Fitch Ratings rated YKAM's rating at M2+ (tur) which stand for "strong".
- Portfolio advisory service to a foreign fund introduced.
- Turkey's 1st capital guaranteed funds.

2009

- Yapı Kredi Istanbul Hedge Fund.
- A new business line for the low risk category clients launched in Discretionary Portfolio Management.

2010

- A new business line for the medium risk category clients launched in Discretionary Portfolio Management.
- International credit rating company Fitch Ratings reaffirmed YKAM's rating at M2+ (tur).

2011

- Yapı Kredi issued Turkey's largest capital guaranteed funds so far with a volume of TL280 million.
- International Credit rating company Fitch Ratings reaffirmed YKAM's rating at M2+ (tur).

2012

- 3 new equity funds, 5 fixed income funds and 6 capital guaranteed funds were presented to Yapı Kredi clients in 2012.
- Turkey's 1st private sector focused and ISE Dividend Index Funds.
- Fitch Ratings reaffirmed YKAM's asset manager rating at M2+ (tur)

2013

- YKAM honored as "The Best Asset Management Company in Turkey" in 2013 by EMEA Finance Magazine.
- Fitch Ratings rated Yapı Kredi Asset Management at 'Highest Standards( tur)' the highest National Scale
- First asset management company with rated funds in Turkey
- Yapı Kredi SICAV has been launched

2014

- Yapı Kredi Asset Management has been selected by Global Banking and Finance Review Magazine, EMEA Finance Magazine, World Finance Magazine and International Finance Magazine as the "Best Asset Manager in Turkey" in 2014.
- YKAM's "Highest Standards (tur)" rating, has been reconfirmed by Fitch Ratings.
- YKAM maintained both its position as the first asset management company with rated funds in Turkey and its high quality rating on its funds.

2015

- Yapı Kredi Asset Management has been selected as Best of Turkey by 7 prestigious finance magazine in 2015.
- YKAM's "Highest Standards (tur)" rating, which is the highest grade in Fitch's scale of asset management rating, has been reconfirmed by Fitch Ratings.
- Only rated asset manager company in Turkey, Yapı Kredi Asset Management's 4 Mutual Funds' ratings have been reaffirmed, 3 Pension Funds have been rated at "Good".
- Founder ship transference with Yapı Kredi Bank has been completed.
- The process of orientation to TEFAS has been completed.

2016

- YKAM has been awarded by EMEA Finance Magazine, Global Brands Magazine and Turkish Capital Markets Association.
- YKAM's Highest Standards (tur) grade has been reaffirmed and withdrawn by Fitch Ratings.
- YKAM's 4 mutual funds2 and 3 pension funds' grades has been confirmed and withdrawn by Fitch Ratings
- First foreign currency denominated fund and 2 new hedge funds have been launched.

2017

- YKAM awarded by Global Banking and Finance Review Magazine and Finance Digest Magazine with 4 awards
- YKAM won "Pension Fund Management - 2016 Highest Return" award of Turkish Capital Markets Association for the second time in a row
- Launched first fund of funds, reached to TL 651mn

2018

- 6 prestigious global magazine awarded YKAM
- YKAM won "Pension Fund Management - 2017 Highest Return" award of Turkish Capital Markets Association for the third time in a row.
- Started to work with 6 different pension companies.

2019

- The first redeeming foreign currency mutual fund issued in the sector
- Awarded by 9 different prize by distinguished international magazines which also includes World Finance.

2020

- Launch of the first fund of funds which is managed by the help of an algo-model.
- YKAM has won "Pension Funds Management - 2019 Highest Return" award of Turkish Capital Markets for the fourth time in a row.
- YKAM has been awarded by Global Brands Magazine and 3 different companies by "Best Asset Management Company, Turkey" and "Best Pension Funds Management, Turkey" awards.



# Shareholders

Shareholder Name	Number of Shares	
	(TL)	(%)
Koç Holding		
UniCredit		
Yapı ve Kredi Bankası A.Ş.		
Yapı Kredi Yatırım Menkul Değerler A.Ş.	4,366,177	87.32
Yapı ve Kredi Bankası A.Ş.	632,472	12.65
Other	1,351	0.03
<b>Total</b>	<b>5.000.000</b>	<b>100,00</b>

## Koç Group

As at year-end 2020, 49.99% of the shares in Yapı Kredi are held by the Koç Group, whereas 20.00% are held by the UniCredit Group, with the remaining 30.03% being in free float. The Bank's publicly-floated shares are traded on Borsa İstanbul. Koç Group, founded in 1926, is the largest business Group in Turkey with its turnover, exports and over 94 thousand employees. Koç Group's turnover comprises 6.4% of Turkey's total Gross Domestic Product (GDP) and exports comprise 6.7% of Turkey's total exports.

## UniCredit

UniCredit Group, with roots dating back to 1473, is a simple, successful, pan-European, commercial bank with a unique Western, Central and Eastern European network in 14 core markets.

## Yapı Kredi

In 2020, when the Covid-19 pandemic put life on hold all over the world, Yapı Kredi quickly introduced numerous arrangements across a number of areas from the working order to service delivery formats, and displayed an approach focused on protecting the health of its stakeholders, and principally of its employees. In this rough period, the Bank posted successful results in all of its business segments and mainly in the digital banking business line that makes customers' lives easier and adds value, and kept generating added value by reinforcing its contribution to the Turkish economy.

Targeting to constantly increase its contribution to the financing of the Turkish economy with its customer-centric approach, Yapı Kredi provides service to its customers with 16,037 employees and 835 branches covering all regions of Turkey. Total cash and non-cash loans of the Bank increased by 20% and reached TL 383 billion in 2020, while its total assets were worth TL 486 billion.

Yapı Kredi delivers its products and services via its 4,535 ATMs, innovative internet banking, leading mobile banking, call center and approximately 788 thousand POS terminals. 97% of the Bank's transactions carried out through non-branch channels as at year-end 2020.

Yapı Kredi is active in retail banking (comprising of card payment systems, individual banking, business banking, private banking and wealth management) as well as corporate, commercial banking and SME banking. The Bank's operations are supported by domestic subsidiaries engaged in asset management, brokerage, leasing and factoring as well as international banking subsidiaries in the Nederland, Malta and Azerbaijan.

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## Chairman's Message

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Dear Stakeholders,

The year 2020 was a "Social Distancing Year" that marked the century with Covid 19 outbreak. The pandemic that started in China affected the whole world and led to radical changes in our daily lives as well as our business lives. In this difficult time, our priority as a company has been to implement the measures to protect the health of our employees and clients while ensuring business continuity. While continuing to ensure customer satisfaction, we successfully completed the year by increasing the assets under management by 44 percent, reaching 44.4 billion TL.

Due to the pandemic that had an impact all over the world, at the end of the first quarter financial instruments were exposed to high volatility. During this period we increased communication with our clients and focused to maintain the volatility under control of the portfolios that we managed. With the normalization of the markets and the implementation of monetary expansion measures by global central banks, we saw an increasing demand for investment products. The asset management sector also had high demand, especially in mutual funds. While the mutual funds market increased by 18 percent in 2020, our fund size as Yapı Kredi Asset Management increased by 52 percent and reached 20.7 billion TL.

The asset allocation approach which we have adopted for years protected the assets under management once more in unforeseen developments. The assets of our investors were preserved against the volatility in the markets in the first quarter, while the outflows of our funds remained limited. After the normalization of the markets and global monetary easing we saw high inflow to mutual funds and our rank in the mutual funds market raised from third to second place with a market share of 15.7 percent.

On the other hand, our company continued to prove its success with the awards received from both domestic and international institutions in 2020. At the 5. CMBA Capital Markets Award, with the management of Allianz Yaşam ve Emeklilik A.Ş. Mixed Pension Mutual Fund we have been awarded the "Return Leader of Pension Mutual Funds - 2019" for the fourth time.

We are proud to see that Yapı Kredi Asset Management rapidly adapted itself to new conditions while fulfilling both employee health and business continuity in a unique year like 2020. I would like to thank all my colleagues who did not lose their motivation during this pandemic and fulfill their duties completely.

Sincerely,



**Bahar Seda İkizler**  
Chairman

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## CEO's Message

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Dear Stakeholders,

2020 was an unforgettable year for the whole world where everyone has to adapt both their business and social lives to the new order. While trying to fit our lives into homes, we also fit our business lives into homes. First of all, I would like to thank all my colleagues who have adapted to the new working order without disrupting business continuity with their rapid adaptation ability. As Yapı Kredi Asset Management, we completed the transition process without any problems with the help of our business discipline, complete work flow procedure and IT infrastructure.

Easing monetary policy of the global central banks helped to boost Turkish financial markets and asset management sector grew by 28.3% and reached approximately to 365 billion TL. On the other hand Yapı Kredi Asset Management, grew above the sector by 44.1% and reached the size of TL 44.4 billion. While the mutual funds market grew by 18.2% in 2020, Yapı Kredi Asset Management grew more than the sector by 52.3%. Mutual funds reached a size of TL 20.7 billion and rose to second place in the market share ranking. In the pension funds market, our company has grown by 40.2 percent exceeding the market growth of 34 percent, reaching a total of TL 22.7 billion.

Our company, which has been the manager of the funds most preferred by individual investors for years, maintained this position in 2020 and closed the year with a 29% market share in valuated funds (excluding money market, short-term bond funds and hedge funds). While the market position of our fund of funds, which distribute risk with the principle of asset allocation and manage with a multi-asset strategy, strengthened, we also became the leader in this type of fund. We also expanded our fund portfolio by establishing a new fund of funds managed with an algorithmic model.

In 2020, our company awarded by global magazines as "Best Asset Management Company" of Turkey. Also we are proud to be awarded by the 5th TSPB Capital Markets Awards in 2020 for the fourth time "Pension Funds Yield Leader – 2019" award with the Allianz Yaşam ve Emeklilik A.Ş. Mixed Pension Fund.

During last year we used all our means to improve both the psychological and working conditions of our employees during the adaptation of the new life and we successfully overcame the change caused by pandemic. We have taken utmost care to adapt quickly to increase client communication, to keep it at the highest level and to provide uninterrupted information flow. As Yapı Kredi Asset Management, we have shown that we have successfully passed such a difficult test with the returns and the size reached at the end of the year. On the other hand, we are also proud to see that we have increased the trust of our clients. I would like to thank once again all my colleagues who have adapted quickly and worked with all their effort without disrupting business continuity.

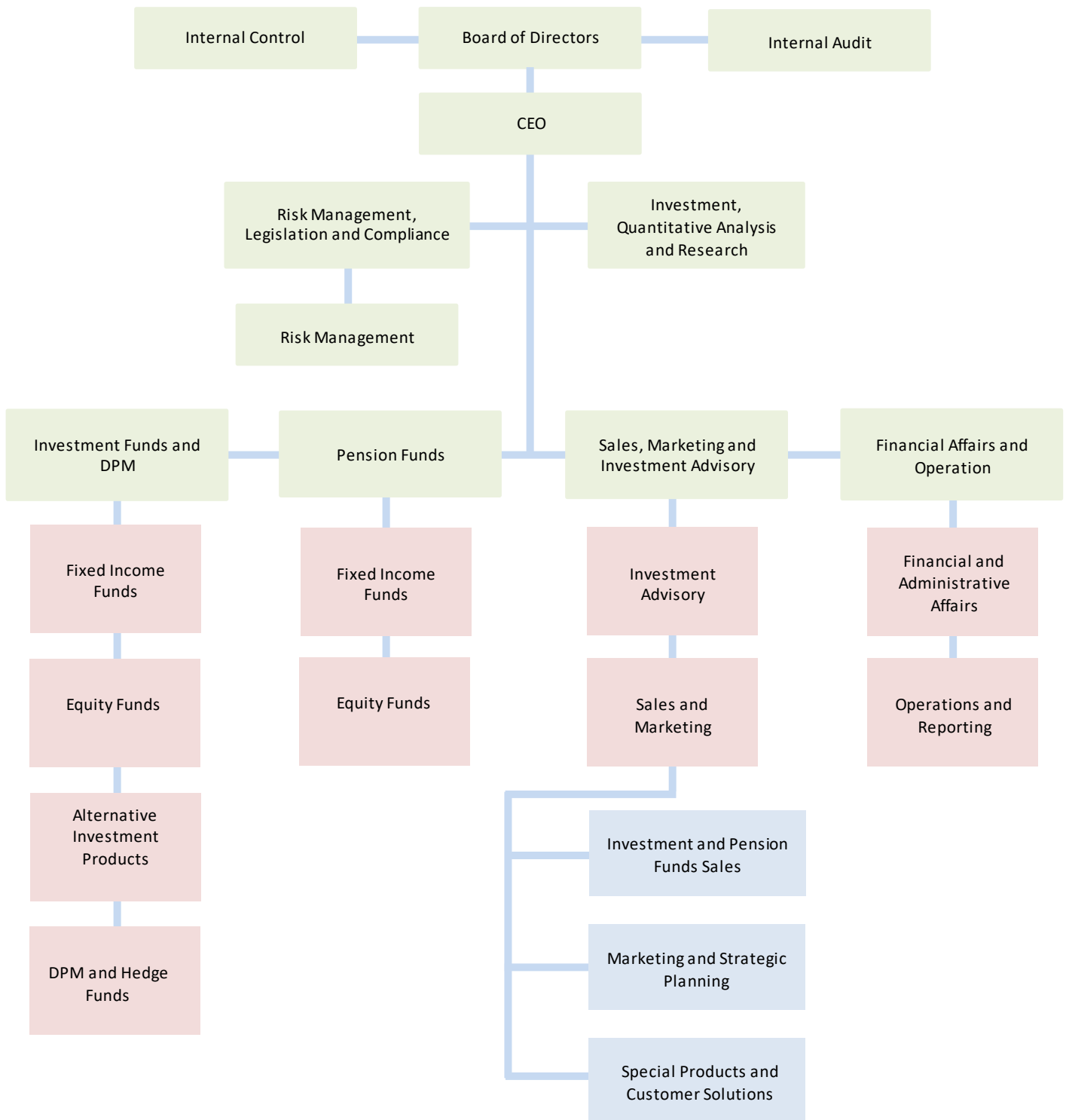
Sincerely,



**Müge Peker**  
CEO

# Functional Organization Chart

Its streamlined functional organizational structure enables YKAM to provide faster and more flexible service in responding diverse customer needs with 51 employees.



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# Directors

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## **Bahar Seda İKİZLER**

### **Chairman of the Board of Directors**

Seda İkizler (1972) studied at Çağaloğlu Anadolu Lisesi between years 1983-1990 and graduated from Bosphorus University Business Administration at 1995. She worked for two years in Ernst&Young at Audit Department (1995-1997). She moved to Ulusalbank "Financial Control" department as manager until 2000. She continued her career at Managed Market Risk Management departments in Kocbank and Yapı Kredi until 2012. In 2012, she was appointed to the "Executive Vice President" for heading the divisions "Financial Reporting", "General Accounting", "Treasury Products and Payments" and "Basel Reporting".

## **Ahmet ÇİLOĞLU**

### **Vice Chairman of the Board of Directors**

Ahmet Çiloğlu, who graduated from Middle East University with a major of Business Administration in 2002, began to his career as an assistant and then worked as an assistant audit manager at PricewaterhouseCoopers between September 2002 and December 2006. After beginning at Yapı Kredi Bank in January 2007, he worked as Budget and Planning Director until December 2016. He continues to work as Planning and Control Group Director in Yapı Kredi Bank from December 2016 onwards.

## **Müge PEKER**

### **General Manager and Board Member**

Müge Peker is CEO and board member since 22 May 2020. She joined Yapı Kredi Asset Management or one of its predecessor firms in 2003. Müge Peker holds an MBA from Yeditepe University, and a BSc. in Environmental Engineering from Marmara University (1994). Müge Peker started her career as a Management Trainee at Alternatif Bank in 1995 and she worked at the proprietary desks. Between 1995-1998 she worked as Assistant Manager in the Treasury Department of Alternatif Yatırım A.Ş. Müge Peker moved to Koç Asset Management as a Senior Portfolio Manager in 2003. Müge Peker has been in the sector since 1995.

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# Officers

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## Mehmet Güçlü ÇOLAK

### Pension Funds Assistant General Manager

Mehmet Güçlü Çolak, Assistant General Manager of Pension Funds, has joined Yapı Kredi Asset Management or one of its predecessor firms in 2003. After graduating from METU Civil Engineering Department in 1996 and Bilkent University MBA Programme in 1998, Mehmet Güçlü Çolak began his career at Inter Asset Management in 1998 as a Portfolio Manager. In 2003, he joined Koç Asset Management. After the merger of Koç Asset Management and YKAM, he started to work as a Senior Portfolio Manager in YKAM.

## Okan UZUNOĞLU

### Investment Funds and DPM Assistant General Manager

Okan Uzunoğlu is an Assistant General Manager of Investment Funds and DPM section and he joined Yapı Kredi Asset Management or one of its predecessor firms in 2001. After graduating from Istanbul University with a major in Business Administration (1994), Okan Uzunoğlu began his career at Dow Jones Financial Services Istanbul Branch in 1995. In 2001, he joined Koç Invest as Investment Products Division Manager. He graduated from the UniCredit Young Talents Master Program of Bocconi University in 2004. After the merger of Koç Asset Management and YKAM, he started to work as Senior Fund Manager in YKAM.

## Ümit ERSAMUT

### Sales, Marketing and Investment Advisory Assistant General Manager

Ümit Ersamut, Assistant General Manager of Sales, Marketing and Investment Advisory, has joined Yapı Kredi Asset Management in March 2015. He graduated from Istanbul University Business Administration faculty, Business in English programme. Then he started to University of Virginia for Finance MA with scholarship by Istanbul University. After graduating, he worked at Citibank, Turkey Corporate Banking Unit in 2000-2001, and then joined Akbank Corporate Banking Credit Department. In 2003-2004 periods, he worked in PriceWaterhouseCoopers as a senior auditor and moved to Koçbank Treasury department in September 2004. After the merger of Koç Asset Management and YKAM, he rotated ALM-fixed income and FX desks respectively in 11 years. Finally in March 2015 he was attended to YKAM as a group head.

## Nihat Cenk TÜRELİ

### Financial Affairs and Operations Executive Manager

Cenk Türelî is the Executive Manager of Financial Affairs and Operations and he joined Yapı Kredi Asset Management or one of its predecessor firms in 2000. Upon completion of his BA in Mathematics from Boğaziçi University (1995) followed by MBA in Finance from Providence College (1998), Cenk Türelî started his career in the Sales and Trading Department of the brokerage company of KFS Group in 2000. He joined YKAM in 2003 for conducting buy-side research and risk management. In 2010, he was promoted to the Risk Management and Compliance Department and since March 2020 he has been working as the CFO responsible for Finance Operations and Administration functions.

## Onursal YAZAR

### PF Fixed Income Funds Executive Manager

Onursal Yazar is Executive Manager of PF Fixed Income Funds and he joined Yapı Kredi Asset Management or one of its predecessor firms in 2006. After graduating from Boğaziçi University with a major in Civil Engineering in 1999, Onursal Yazar began his career at Osmanlı Bank in 2000. Between 2002 and 2004, he studied in US at Baruch College, City University of New York and has earned MBA degree in Finance. After working at the Treasury Department of Koç Invest between 2005 and 2006 as Senior Dealer, he continued his career as a Portfolio Manager at Koç Portföy (merged with YKAM in 2007). After working at Fixed Income Funds Department for approximately 10 years, he has been heading the Alternative Investment Products Department since April 2015. Onursal Yazar has been awarded the CFA Designation (Chartered Financial Analyst) in 2010.

## Ferzan PEYK

### Alternative Investment Products Executive Manager

Ferzan Peyk is the Executive Manager of Alternative Investment Products and graduated from Marmara University with a major of Business Administration in 1996 and he holds a Master of Business Administration degree from Saint Mary's University. He started to his career at Koçbank Treasury in 2000. He continued to his career in Treasury division of Yapı Kredi Bank and moved to Yapı Kredi Asset Management in 2016.

## Mürvet Gaye VURAL DERAN

### MF Fixed Income Funds Executive Manager

Gaye Vural Deran is the Executive Manager of MF Fixed Income Funds was graduated from Istanbul University with a major of Economics in English in 2005 and holds she holds a Financial Engineering degree from Bogazici University. She started her career in Ergo Asset Management in 2003 and moved to Yapı Kredi Asset Management in 2010.

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# Investment Process

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**Yapi Kredi Asset Management's traditional, research-driven investment process is implemented in a disciplined and controlled manner.**

## **Employing a corporate investment decision-making process based on knowledge and team-work**

At YKAM, asset allocation decisions are made weekly by the Investment Committee which is composed of all portfolio managers. Fundamental equity research constitutes the backbone of stock selection decisions. Portfolio managers rely on both in-house and third party researches to determine the fundamental merits of stocks. Company visits and valuation screens are also used for stock picking by YKAM analysts. The Committee encourages free expression of merits and drawbacks of all investment cases by all portfolio managers. After thorough discussion including analysis of the macro economic circumstances, equity valuations and fixed-income possibilities, potential investment ideas are assigned to three categories: under benchmark, market-weight and above benchmark.

## **Cutting-edge In-house Research**

Research and fundamental analysis is the backbone of the asset selection process for YKAM mutual funds. For equity funds, the Unit utilizes both top-down and bottom-up analysis. Utilizing third party research services as well, YKAM also prepares proprietary in-house research through company visits and analyses on selected companies' business models, financial performance and growth opportunities. The valuation models formed through such researches establish the basis of the portfolio management process.

## **Strict Risk Management Standards**

The Unit keeps a very close watch on variance limits and takes decisive actions on breach of pre-defined stop-loss limits. The in-house risk management software is pivotal to all risk management activities. The Unit also works very closely with the Risk Management, Legislation and Compliance Department.

## **Active portfolio management strategy**

YKAM, actively manages all portfolios and monitors both absolute return funds and relative return funds against various benchmarks on a daily basis. In equity funds, stock selection decisions are reviewed on an ongoing basis by taking into account multiple criteria such as valuation metrics, financial structure, business prospects and market environment of target companies among others.

## **The top-down analysis approach for asset allocation**

In YKAM, top-down analysis is the primary approach in investment decisions. This method is to analyze the market from the big picture all the way down to individual stocks. Accordingly, the evaluation process starts with the analysis of the macroeconomic variables in the world and the Turkish economy. This is followed by sector and company analyses, which identify those sectors/companies that will benefit from the projected macro environment. An example of top-down decision making would be the company's preference for cyclicals and financials during high growth periods and for defensives and utilities during recessionary periods.

## **The bottom-up analysis approach for asset selection to gain optimum return**

YKAM also utilizes extensive bottom-up analysis instruments for stock selection. The bottom-up approach starts with the analysis of the company's present operations and its growth prospects for the future. By relying on company visits and an in-depth analysis of the operations, earning models are prepared to predict future cash flows in target stocks. Through rigorous analysis, YKAM aims to select those stocks and/or companies that have strong potential to outperform their peers in the near future. Valuation screens including P/E, P/BV, EV/EBITDA, profit margins and growth rates are compared with averages of both local and international peers to help asset managers select those stocks that will offer optimal portfolio return relative to risk undertaken.

## **Developing the proper management strategies to match the objectives of the managed portfolios**

YKAM utilizes and constantly develops proper management strategies for managed portfolios in order to match the return objectives and risk profiles of clients with diverse risk/return preferences.

## **Managing assets with disciplined risk management principles**

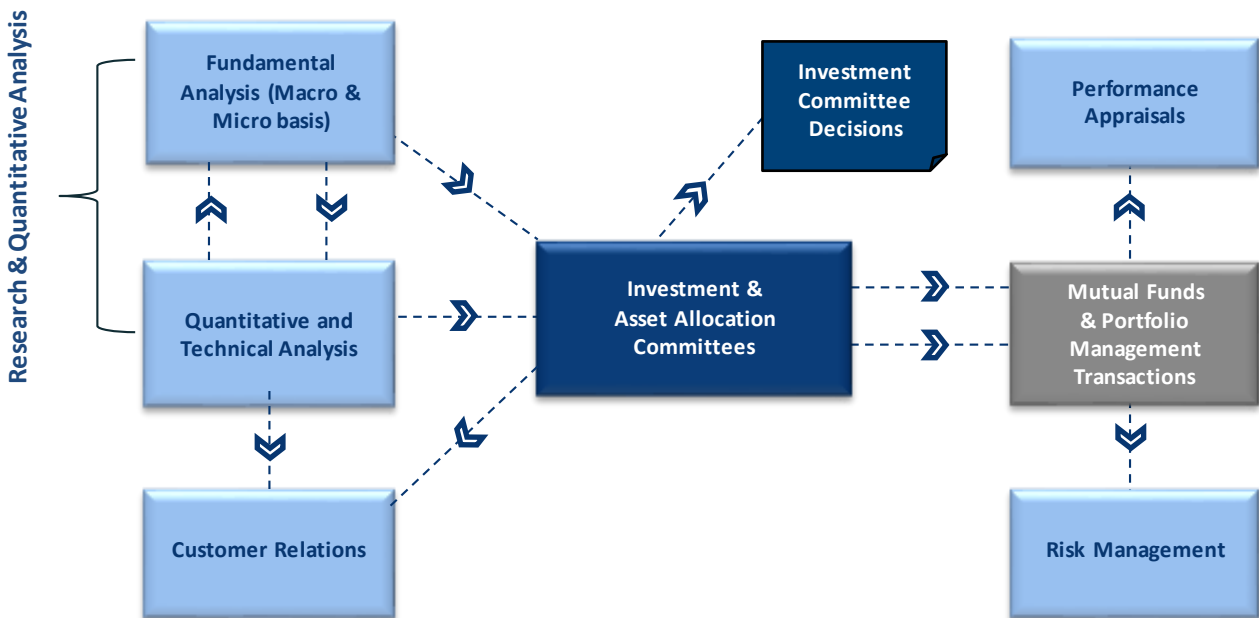
YKAM places great importance on stringent risk management principles above all other criteria in its portfolio management process. The main risks that are managed are liquidity, concentration, credit and market risks. Investment bands are defined for all assets while internationally accepted Value at Risk calculations are conducted and monitored on a daily basis using proprietary software. Stop-loss limits are tracked and if necessary, prompt action is taken by the Risk Management and Compliance departments. Portfolio managers take immediate action when stop-loss limits are reached informing relative departments on the actions undertaken in a timely manner.

# Investment Process

Through pre-trade and post-trade checks, compliance with investment restrictions is continuously monitored. Regulatory or client-imposed restrictions and controls on investment constraints at the portfolio level are automatically monitored through the GTP on a pre-trade basis. GTP provides position keeping, trade simulation and a wealth of portfolio surveillance facilities to assist portfolio managers in their decision making processes. All funds are spontaneously valued by the GTP every day to ensure enhanced transparency of risk positions and efficiency in compliance controls. For discretionary management mandates, compliance is facilitated through the GTP system. Within the context of post-trade checks, all transactions undergo a compliance check in end-of day processing after being reconciled with fund accounting. If breaches occur, both active and passive, these are automatically recorded and a daily report is brought to the management's attention.

Thanks to its solid infrastructure, effective risk mapping systems and strong control mechanisms, YKAM is well prepared to adopt regulatory changes in the period ahead.

## Yapı Kredi Asset Management Investment Process



- Corporate visits and fundamental analysis
- Tracking Model Portfolio
- Collaboration with research departments
- Instrument base local and global strategy meetings
- Product variety based on in-House Algorithms
  - Fund of Funds
  - Hedge Funds
  - Discretionary Portfolio Management
- Well designed corporate bonds investment proced
- **Weekly Investment Committee First Section**
  - Yield Curve Analysis
  - Debt Calender
  - Foreign Investor Transactions
  - Eurobond and CDS analysis
  - Model portfolio
  - Local and global equity performance analysis
- **Weekly Investment Committee Second Section**
  - Asset Managers' views are heard and CIOs agree on the investment decision



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# Risk Management, Legislation and Compliance

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**Yapi Kredi Asset Management has an effective risk and governance framework that is well-embedded in the business and also benefits from the independent oversight of control functions and committees.**

## Monitoring of Risk Indicators and Realized Portfolio Risk

The purpose of risk management is to identify and quantify risks while mitigating and managing them within the overall risk appetite criteria of the company as well as providing ongoing monitoring of such risks. YKAM maps investment risks relevant to mandates and makes necessary implementations in its risk system to cover such mapped risks in a thorough and timely manner. The Company has an integrated risk system that enables it to monitor most risks systematically in accordance with regulations. As such, all risk indicators (tracking error, information ratio, stop-loss, VaR, etc.) are displayed online real-time through GTP system and RiskTürk. Such real time monitoring enables early warnings when approaching relevant limits, the cautionary elevations of which are communicated immediately, if necessary.

## Portfolio Performance and Benchmark Reporting

Risk management system involve many contemporary tools including but not limited to the use of historical Value at Risk (VaR), Monte Carlo simulated VaR, marginal VaR, relative VaR, commitment approach measures, leverage ratio, liquidity measures, counterparty risk, concentration risk, expected shortfall, maximum drawdown, volatility, tracking error and information ratio.

YKAM benefits from its extensive information technology to apply best-in-class risk management practices ensured by the GTP system and the third party developed RiskTürk market risk analysis software. YKAM also performs peer analyses (Rasyonet) and performance attribution (RiskTürk) to pinpoint peer-relative performance and decompose the performance itself. Analyses and reports are shared with the upper management on a daily basis while warnings and alerts are reported on an intraday frequency. In addition, a separate Risk Committee on a weekly basis chaired by the CEO is held for a broader view and assessment of risk related issues with a sset managers and CIO.

## Peer Group Performance Reporting

YKAM follows benchmark-relative returns for funds and discretionary portfolio composites within the context of peer group performance reporting. Tracking error and information ratio figures are also calculated and monitored daily. Investment results versus peers are also continually reviewed.

## Monitoring of Investment Committee Decisions and Management Principles

The dedicated unit focused on risk management determines the framework of controls and oversight required to ensure that risk exposures remain within acceptable levels, including investment performance risk, which is the risk that portfolios fail to meet their investment objectives.

## Controlling Stop Loss Limits and Leverage

YKAM risk management system also covers stop loss limits for each managed fund and provides real time alerts and early warnings to portfolio managers. As a result, the number of breaches is low and primarily passive in nature. Stop-loss limits are activated if the daily gap between an asset, asset class, fund or discretionary portfolio composite performance and its benchmark falls below a threshold level. The risk framework includes parametric maximum drawdown limits for absolute return products. The procedures, rules and actions involving such situations are clearly depicted in the risk management directive and its annexes where the threshold values on asset classes and mandates are identified.

## Regulatory and Legal Compliance Checks

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# Risk Management, Legislation and Compliance

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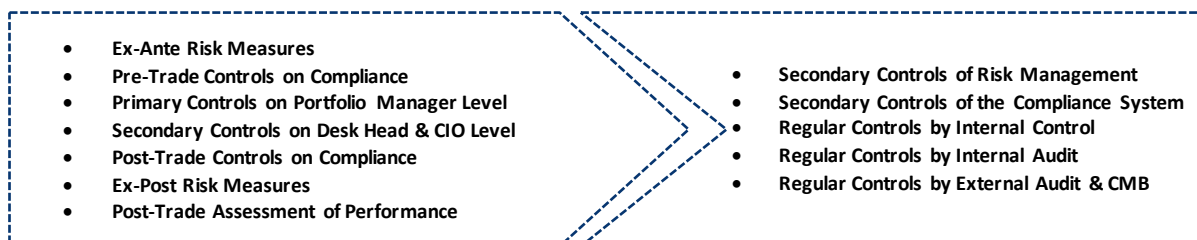
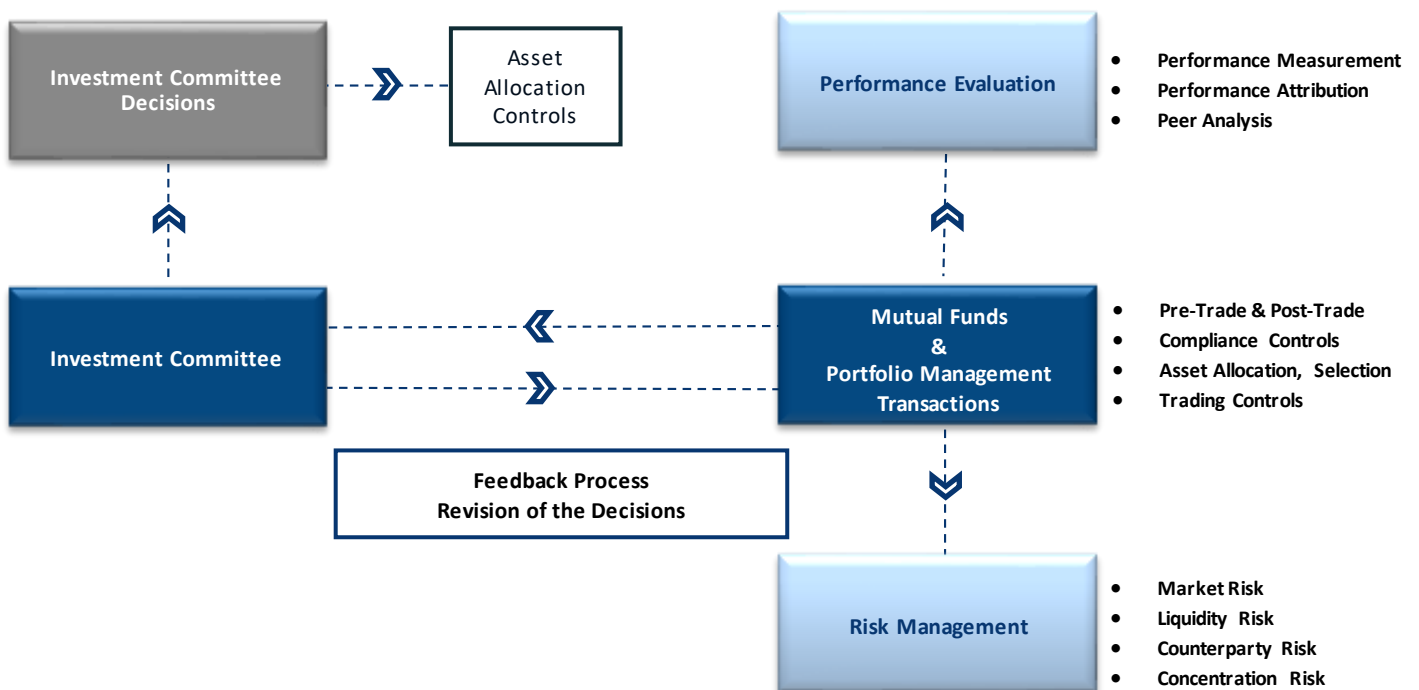
YKAM has an effective and well-established risk management system with clearly assigned responsibilities. The system is supported by systematic and periodic controls across primary risk and compliance areas, daily reporting and a dedicated risk committee responsible for independent oversight.

Risk management function ensures decomposition of risks into their factors and contributions, identification of key drivers of risk-adjusted returns and sources of benchmark deviation.

YKAM's risk management process is composed of monitoring and control of six separate areas:

- Monitoring of Risk Indicators and Realized Portfolio Risk
- Portfolio Performance and Benchmark Reporting
- Peer Group Performance Reporting
- Monitoring of Investment Committee Decisions and Management Principles
- Control of Stop Loss Limits and Leverage
- Regulatory and Legal Compliance Checks

## Yapı Kredi Asset Management Investment Process



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## Products and Services

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### Mutual Funds

Managing 22 mutual funds and 13 hedge funds, YKAM Mutual Funds (MF) Unit aims to ensure consistently positive return above the pre-specified benchmarks for each fund at minimum risk. Mostly composed of investment professionals with strong research background, the Unit has a clear edge over the competition in asset selection and active portfolio management. Thanks to its high asset base, the MF Unit is able to work with relatively lower transaction costs and reflect this advantage directly to investors.

### Hedge Funds

As of end of 2020, YKAM has 13 hedge funds where some of them are specified to a person or a group and denominated in Turkish Lira and Foreign Currency. Multi-asset funds, funds denominated in Turkish Lira and foreign currency as well as passive and active managed fixed income strategies are held by YKAM. Company also launches tailor made hedge funds to a specific investor. In 2020, YKAM launched two FX and one Turkish Lira denominated hedge funds.

### Yapı Kredi Asset Management Third Fund of Funds

Yapı Kredi Asset Management Third Fund of Funds should invest minimum 80% of its portfolio in mutual funds and ETFs. Fund has an active management with asset allocation strategy where the investment decision is made by an algorithmic-model. The investment universe of the fund consists of local and global equities, sovereign and corporate fixed income instruments, gold, FX and some derivatives and aims to exceed deposit yield with low volatility.

# Products and Services

## Key Performance Indicators

Mutual Funds	2020	2019	2018	2017	2016
Number of Funds	35	36	30	33	35
Number of Clients (thousand)	624	596	605	737	585
Assets under Management (TL mn)	20.661	13.565	7.539	9.544	7.377

Source: Rasyonet as of December 31st, 2020

## Mutual Funds and Hedge Funds launched in 2020

Fund Name	Launch Date
Yapı Kredi Asset Management Bebek Hedge (Foreign Currency) Fund	15.01.2020
Yapı Kredi Asset Management Py Erenköy Hedge (Foreign Currency) Private Fund	15.04.2020
Yapı Kredi Asset Management Third Fund Basket Mutual Fund	11.05.2020
Yapı Kredi Portföy Odeabank Second Hedge Private Fund	13.05.2020

# Products and Services

## B. Pension Funds

The department is responsible for the management of Pension Funds which is under YKAM umbrella. The Funds are operating in almost all local markets as well as in main foreign markets and the desk has been running 26 pension funds of 3 different pension companies. In 2016, the department has begun to manage one pension fund of Vakıf Emeklilik A.Ş. In 2019 with the new legislation, Yapı Kredi Asset Management started to manage funds of Allianz Hayat ve Emeklilik A.Ş.

## Active Fund Management

Pension funds are managed in combination of team-based decision process based on research and analysis with effective risk management. Pension funds investing in equities heavily utilize delta management principles. In funds with fixed income instruments denominated in TL, liquidity issues have to be managed well because of the market structure.

Yield curve analysis, scenario analysis and international market developments are some of the many variables affecting optimum portfolio allocation. The Investment Committee makes fixed income decisions by taking into account the fund's maturity structure and possible risks in a rising interest rate environment.

## Multi-step research and asset selection process

Prudential macroeconomic analysis involves scenario analysis and quantitative models. Selections of core portfolio are applied via rigorous methods to screen out investable assets and alpha creation over medium-to-long-term. Also the selection of trade portfolio is applied via technical and quantitative tools to screen out investment opportunities due to short-term market inconsistencies and beta-plays. In addition, for fixed income funds, yield curve analysis, real return and spread analysis are used.

## Key Performance Indicators

Pension Funds	2020	2019	2018	2017	2016
Number of Funds	26	28	25	25	21
Number of Clients (thousand)	2,350	2.209	2.169	2.529	1.989
Assets under Management (TL mn)	22,673	16.172	10.889	10.396	8.009

Source: Rasyonet, as of December 31<sup>st</sup>, 2020

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# Products and Services

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The DPM Department provides professional asset management services presenting diversified business and client mix.

## C. Discretionary Portfolio Management (DPM)

The Discretionary Portfolio Management (DPM) Department manages portfolios on behalf of institutional investors such as insurance companies, foundations and corporations as well as high net worth individuals. The DPM Department provides professional asset management services for its clients in order to meet each client's specified investment goals by using custom-tailored portfolios. And the DPM funds are managed with priority of minimizing risks while maximizing returns. Special emphasis is placed on actively managing funds considering the risk appetite and investment habits of each individual client. Hence, portfolio structures which best fit the client portfolios are established depending on the client's risk/return preferences and requirements. The DPM Department also supports clients in making their own decisions in capital markets transactions by drawing upon its strength, experience and expertise in the financial markets.

## Disciplined Asset Selection Process

All asset selection activities of the Department are carried out according to clearly established internal regulations, which require the review, approval and constant monitoring of all relevant bodies vis-à-vis investment decisions. During this process, special attention is paid to clients' risk tolerance and benchmark assets. Rigorous fundamental and quantitative analysis provides the necessary framework for asset selection.

## High Liquidity

DPM portfolios are composed of highly liquid assets, which make it possible to enter and exit these assets during interim periods at very low transaction costs. In addition, the Unit charges no commission in the event of account closure.

## Dedicated Client Relations

YKAM's dedicated client representatives continuously provide in-depth personal analysis of the clients' portfolios through market highlights and professional comments. YKAM takes special care to communicate clearly and frequently with clients through quarterly meetings on economic developments, investment strategies and portfolio performances as well as tailor-made reporting at requested intervals.

## Benchmark Based Dynamic Management Style

The benchmarks are taken into consideration during the portfolio performance analysis, accordingly, plays an important role in portfolio management. All portfolios are managed proactively by considering the effects of changing micro and macro variables on each asset class and responding to these changes appropriately.

## Comprehensive Risk Management Process

The risk indicators of all DPM portfolios are constantly monitored by the Risk Management, Legislation and Compliance Department and regularly overviewed at the weekly Risk Committee. The value of risk calculations are tracked closely while stress-test calculations are undertaken using the RiskTurk application.

TL Portfolio models are as follows:

- TRY Deposit
- TRY Benchmark
- TRY Absolute Return
- Functional
- Discretionary Dynamic Model

Equity Portfolio models are as follows:

- Equity Dynamic

Foreign Exchange Portfolio models are as follows:

- FX Deposit (EUR/USD)
- FX Dynamic (EUR/USD)

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## Products and Services

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### Key Performance Indicators

	2020	2019	2018	2017	2016
<b>Number of Clients</b>	<b>504</b>	<b>552</b>	<b>655</b>	<b>667</b>	<b>537</b>
<b>Institutional</b>	<b>11</b>	<b>9</b>	<b>10</b>	<b>12</b>	<b>15</b>
<b>Individual</b>	<b>493</b>	<b>543</b>	<b>645</b>	<b>655</b>	<b>522</b>
<b>Assets under Management (TL mn)</b>	<b>3,146</b>	<b>2,452</b>	<b>2,097</b>	<b>1,699</b>	<b>1,299</b>
<b>Institutional</b>	<b>1,844</b>	<b>1,156</b>	<b>852</b>	<b>683</b>	<b>644</b>
<b>Individual</b>	<b>1,302</b>	<b>1,296</b>	<b>1,245</b>	<b>1016</b>	<b>655</b>

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# Products and Services

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## D. Investment Advisory

The investment Advisory Department provides consultancy services to domestic and international institutions and individual clients in determining investment strategies for their portfolios. The main objective of the Department is to provide customized asset allocation based on the risk profile and requirements of the client. By creating investment ideas focused on customer satisfaction, advisory services are provided to the client with priority given towards achieving targeted risk-adjusted returns along with targeted volume and profitability. The primary objective of this strategic service is to reach institutional and individual investors who are in need of tailored investment strategy solutions developed by professional asset managers on their view and expectations.

### Proactive and Efficient Asset Allocation

The Department is responsible for continuously monitoring client portfolios and offering advice according to client asset allocations and risk preferences. During the asset allocation process, efficient frontier of Turkish investment instruments, which are able to give the best return on a given level of risk, are used in addition to a variety of selected instruments. Portfolio diversification is efficiently exercised in accordance with the client's risk profile in order to reduce the risk exposure. The Portfolio Advisory Department differentiates itself from the competition with its highly skilled, well-educated team of professionals. Qualified teamwork and a wide range of experience in different asset classes back up the strong position of the Unit.

### Unique Risk Standards

Since financial goals and needs of the investors may vary, the Investment Advisory Department puts the utmost emphasis on knowing the risk parameters and return expectations of the client. Consequently, the Unit classifies its client base according to their risk perception and asset class preferences. In order to determine the clients' risk preferences, questionnaires and personal meetings are conducted. The Department has its own risk standards for each risk/asset class group. Utilizing these standards, the Investment Advisory Committee monitors and supervises the portfolios within the asset/risk group on a weekly basis.

### Discretionary Dynamic Model

Discretionary Dynamic Managed Model has been offered in April 2019 to serve affluent and private banking clients. Throughout the year, model returns have been evaluated by weekly investment advisory committees, model performance widely followed and achieved return over benchmark.

## Investment Advisory Department in 2020

In 2020, the Investment Advisory Unit was successful in improving service quality as well as the client loyalty.

### Key Performance Indicators

#### Investment Advisory

	2020	2019	2018	2017	2016
<b>Number of Clients</b>	<b>81</b>	<b>84</b>	<b>60</b>	<b>47</b>	<b>39</b>
<b>Assets under Management (TL mn)</b>	<b>2.189</b>	<b>1.816</b>	<b>1.258</b>	<b>957</b>	<b>870</b>



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# Marketing and Sales Management

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YKAM aims to create high value for its clients and strives to achieve its performance targets in all investment products under management. The Company takes advantage of its strength in innovation, advanced know-how in asset management, expertise in all asset classes traded in both global and local markets and commitment to produce alternative investment products with clearly defined risk parameters. YKAM has been the pioneer in Turkey to launch the first capital guaranteed funds, fund of funds and foreign currency denominated fund.

YKAM supports its marketing processes with intensive advertising and product promotion activities and enhances its investor information platforms. Additionally, the Company reshuffles product management portfolio in line with investors' needs, potential trends and designs as well as changes in legislation.

## New Product Development Process

Ensuring strong and steady coordination among company, sales network and support units, YKAM has always exhibited outstanding performance in designing new asset management products. The main decision hub for product development process is the New Product Committee meeting, which meets regularly and comprises of extensive quorum of employees from different functions including marketing and sales management teams of distribution channels, representatives of the sales force and portfolio managers. With utmost attention on investment performance, the Portfolio Management Group, in close cooperation with Marketing and Sales Management, discusses prospect products, evaluates and decides on the suggestions to be delivered to the New Product Committee. At committee meetings, decisions about the new products are taken with consensus of all participants.

## Innovation and Leadership

Being the innovation leader in Turkey, YKAM introduced these high value -adding products for the first time to the market:

- Only asset management company in Turkey with international rating and holding the highest grade in Fitch Ratings' scale of asset management rating.
- Pioneering the fund specific international rating, YKAM is the first and only asset management company in Turkey which manages funds having international rating.
- First comprehensive CRM infrastructure
- First Capital Guaranteed Funds
- First Fund of Funds
- First Private Sector Bonds&Bills Fund
- First BIST - Dividend Index Fund
- First Target Date Fund
- First Foreign Currency Denominated Fund
- First Redeeming Hedge Fund

## Core Strengths

Sales Management at YKAM is based on the following core strengths:

- Advanced communication skills, efficient communication tools, strong sales support and coaching experience
- Client centric approach in all steps of the product sales process
- Providing all know-how and knowledge about products' specifications to distribution channels
- Providing support for after sales process and all CRM services given by distribution channels

## Competitive Advantages

Benefiting from its high competitive advantages, YKAM displays outstanding performance by providing tailor -made solutions to meet the investment demands of all client segments:

- First and only international rating agency rated Asset Manager in the premier league of the fund sector .
- First and only asset management company in Turkey which manages funds having international rating.
- Holding the "Highest Standards (tur)" grade which is the top grade in Fitch Ratings' scale of asset management rating between 2013 and 2016.
- First Target Date Fund has been launched.
- First Foreign Currency Denominated Fund has been launched.
- Private banking funds are offered exclusively for HNWIs.
- Hedge fund is offered to HNWIs and institutional investors.
- Managed Fund Accounts, a fund basket product, constituted by 3 different risk levels and return potentials, which is offered to individual clients.
- 2 new retail banking products launched. «Deposit + Fund» and «İlk Param»

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# Marketing and Sales Management

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- Volume of assets directed to Investment Advisory has reached to TL 870 mn.
- YKAM enjoys its operational strength established by courtesy of cooperation with several business partners.
- YKAM takes advantage of its in-depth experience in third party business and pioneers the sector in many fields.
- YKAM has considerable strength in fixed income and equity funds.
- YKAM has a leading position in alternative investments.
- YKAM Third Funds of Fund managed by an algorithmic model and three hedge funds launched. YKAM is one of the pioneers in the management of discretionary mandates.
- Luxembourg domiciled Yapı Kredi SICAV fund has been launched for sales and marketing phase in major European countries
- Third party sales channels expanded.
- The first digital media advertisement work was carried out.

## International Recognition

With its marketing efforts in international area, YKAM continued to receive recognition from leading institutions. In 2013, Fitch Ratings upgraded Yapı Kredi Asset Management's credit note to Highest Standards (tur) which is the highest grade in Fitch's scale of asset management rating and is the only rating assigned to a Turkish asset management company.

Yapı Kredi Asset Management has been awarded by 5 prestigious awards in 2020. The company awarded by "Turkey's Best Asset Management Company" by 2 different magazines, Global Brands and International Business. Furthermore, YKAM has been awarded as "The Next 100 Global Awards 2020 - Pension Funds Management" and "Fund & Asset Management Awards - Asset Management Company of the Year Turkey 2020" Global Banking and Finance Review. YKAM also awarded by "Pension Funds Yield Leader 2019" by Turkish Capital Markets Association with Allianz Yaşam ve Emeklilik Mixed Pension Fund.

Yapı Kredi Asset Management has been awarded by 9 prestigious awards in 2019. The company awarded by "Turkey's Best Asset Management Company" by 3 different magazines, Global Brands, Global Banking and Finance Review and International Business. Furthermore, YKAM has been awarded as "Pension Fund Management – Turkey 2019" and "Best Fund Manager – Turkey 2019" by International Investor as well as "Best Pension Fund – Turkey 2019" by World Finance. YKAM also awarded by "Business Excellence Award" by bizz Awards, "Most Dynamic in Pension Fund Management Services 2019 – Turkey" by Global Business Insight and "Best Pension Funds Management Company Turkey 2019" by Global Banking and Finance Review.

Four mutual funds and three pension funds managed by Yapı Kredi Asset Management have earned "High Fund Quality Rating" first in 2013 by Fitch Ratings. Thus, Yapı Kredi Asset Management manages four mutual and three pension funds, rated by an international rating group first time in Turkey. In 2016, Highest Standards (tur), 4 Mutual Funds and 2 Pension Funds grades have been affirmed by Fitch Rating, which has chosen not to rate asset management companies in Turkey in the field of fund and company ratings for commercial reasons. Therefore, Fitch Ratings no longer provide rating as of 5th of August, 2016.

In 2018, Yapı Kredi Asset Management has been awarded with "Pension Funds Management - 2017 Highest Return" third year in a row from Turkish Capital Markets Association. From international magazines YKAM won "Best Asset Management Company Turkey - 2018" from 4 magazines, Global Brands, Global Business Outlook, Wealth and Finance and International Business. On the other hand two awards for pension funds management as well as "Most Innovative Asset Management Company - Turkey, 2018" from International Finance Awards and "Best Investment Strategy - Turkey 2018" from Business Vision.

YKAM has been awarded with 6 awards in 2017 from Finance Digest, Global Banking and Finance Review and Turkish Capital Markets Association (TCMA). It was an honor to get awarded as "Best Asset Management Company, Turkey 2017" and "Best Pension Funds Management Company, Turkey 2017" from Global Banking and Finance Review and "Brand Excellence in Asset Management, Turkey 2017" and "Brand Excellence in Pension Funds Turkey 2017" from Finance Digest. On the other hand we have been awarded with "Pension Funds Management - 2016 Highest Return" second year in a row and "The Best Social Responsibility Project" from Turkish Capital Markets Association.

YKAM has been selected as "Best Asset Manager, Turkey" by EMEA Finance Magazine and has won "Best Asset Management Company, Turkey" award of Global Brands Magazine in 2016. In addition, YKAM has been awarded "Pension Fund Management – 2015 Highest Return" in the category of "Asset Management" by Turkish Capital Markets Association (TCMA).

Selection and assessment criteria included investment performance, outstanding success in risk management and investment process, leading position in the sector, assets under management; strong IT infrastructure and various other factors. These awards indicate Yapı Kredi Asset Management's outstanding performance in growing its assets under management (AuM) with high profitability as well as international recognition of its experience.

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## Internal Control

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### Internal Control Department determines necessary steps to be taken at all levels and in all functions.

Internal control activities are maintained as an integrated part of daily activities of the Company by monitoring the predefined risks. Internal Control Department carries out its activities with the aim of protecting the Company's assets, ensuring efficiency of business processes and reliability of the data as well as full compliance of operations with prevailing legislation, other regulations and the Company's rules and procedures. The Department targets to mitigate risks, which the Company is exposed through its activities, by implementing effective control points in processes. Internal Control Department is concerned with the entire range of YKAM's internal controls, including operational, financial and compliance controls.

In YKAM, all control and audit activities are conducted in accordance with international audit standards. Comprehensive software called My-Con is being used in order to monitor and report all results of audit activities within the Company. Control problems are identified and deficiencies are regularly reported, whereas serious matters are reported to the Board of Directors through Audit Committee. The Board of Directors and Audit Committee are responsible for making sure that the internal control systems within the Company are adequate. On behalf of the Board of Directors, the Audit Committee provides independent review and oversight on the efficiency and adequacy of internal control systems.

Reviewing all transactions and operations throughout the Company with a risk-based approach, Internal Control Department addresses risks to achievement of the Company's objectives and determines necessary steps to be taken at all levels and in all functions for effectively managing risks. In this context, Internal Control Department perform risk assessment on the processes annually and updates the control points according to new risk assessment. The assessment of the Department is reported to the senior management. At risk analysis executed with the business units of the Company, risk analysis of the internal control system are reviewed and updated. In coordination with relative units of the Company, Internal Control Department establishes policies, procedures and objectives as well as control points to ensure that management directives are thoroughly carried out. Internal Control Department also takes a pro-active role on development of technology based projects within the Company or adapting the Company to the changes in legal regulations by supporting or consulting the related units. An executive summary of control activities of the Internal Control Department are reported to the Board of Directors with annual activity report.

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## Internal Audit

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**Depending on the decision of the Board of Directors, Internal Audit Department fulfills its duties and responsibilities independently with its own initiative.**

Providing an independent and objective assurance function, Internal Audit Department performs audits in compliance with internal regulations, local laws and international internal audit standards and recommends the best practices. The Internal Audit Department is also responsible for evaluating the effectiveness and adequacy of management procedures and business processes from a risk-oriented perspective.

At Yapı Kredi Asset Management, regular and process audits are determined based on an Annual Audit Plan and submitted to the Board of Directors for approval via the Audit Committee. The Annual Audit Plan is prepared following meetings with senior management to assess each unit's risk priorities and follow-up corrective actions on previously identified risks. In addition, internal audit findings are submitted to the Board of Directors at least 4 times a year via the Audit Committee.

As per the decision of the Board of Directors, Yapı Kredi Asset Management Internal Audit Department independently fulfills its tasks and responsibilities. Within the Internal Audit Department Charter, the BoD granted unrestricted access to all information and the authority to investigate any Company activity.

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## Technology

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All YKAM operations rely heavily on advanced use of technology. By means of this awareness, the Company strives to stay ahead of the technological curve by implementing solutions that give a technological edge to current and potential operations. Along with many power users those have extensive knowledge and experience, YKAM enjoys a critical advantage in diagnosing operational problems due to technological inadequacies, as well as a version of bottlenecks by providing alternative solutions, and in-house development capabilities.

Such a buoyant culture of technological innovation has yielded many positive results for the Company in terms of efficiency; many front office operations as well as most investment compliance, risk management and back office functions are well automated. The level of automation at YKAM allows employees to spend more time on value adding processes instead of operational routines.

The Company works with many solution partners for development of technological solutions and uses customized solution packs for each and every function. Fund management and private portfolio management clients are managed via the portfolio management system. This system is a system capable of instant fund management and is a complementary part of the investment compatibility function within the intra-day flows deterring active violations, reporting passive ones with advanced pre-settlement compatibility system. This system which is also capable of calculating the fund price is used with a view to controlling accuracy of fund prices so calculated by the Fund Service Department, as well. Furthermore, this platform enables activities such as CRM, MIS, auditing, compatibility, total data and analysis-based marketing and sales reporting as required by and set forth in the legislation to be carried out whilst providing accounting, taxes, NAV and operational applications making other various calculations.

An IT transformation program has been created by taking into consideration requirements of the renovated business model, a result of the growth strategy and new competencies supported by the new legislation. The program aimed to design the IT infrastructure in a manner meeting the new business model and expectations of the legislation and was finalized.

The front office also relies heavily on the prompt and accurate flow of real-time market data and news that is disseminated by service providers such as Reuters, Bloomberg, Matrix and Foreks. Financial analysis packages such as Finnet and Stockground, technical analysis packages such as Metastock and statistical analysis packages such as EViews assist both the research teams and asset managers in decision-making processes.

RiskTurk, a third party risk assessment solution package and Rasyonet, another third party solution, are widely used by asset management, risk management, marketing and sales units in risk assessment and evaluation of the competitive environment.

YKP looked for new ways of integrating in-house technological solutions and ones provided by our business partners with a view to further increasing efficiency and eradicating user errors stemming from use of multiple platforms and succeeded in finding a solution to this problem owing to the new platform. Such integration built under a single roof increased the company's analytic skills and reporting capacity and, moreover, decision-making processes were strengthened.

It is aimed to eliminate the operational risk in manual data entries by integrating the data, used in programs and reports, with the service providers. The service area was expanded in the development of analysis and return reports, which were initiated following data improvement studies. Developments in the reporting tools are made and result-oriented production is targeted.

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## Human Resources

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Considering employees among its most valuable assets, YKAM truly acknowledges employee satisfaction as one of the prerequisites of sustainability business and client satisfaction. With this awareness, the Human Resources Department closely cooperates with all business segments to provide, protect and control the working environment, which is of crucial importance for solid and sustainable growth.

YKAM's human resources approach is to place the most suitable candidate to the right position in order to maintain effective workforce. YKAM also intensively focuses on training and development programs to ensure continuous improvement in service quality. Yapı Kredi Banking Academy has a structured training catalogue corresponding to each function at the company. Employees are strongly encouraged to plan their own annual training programs taking into consideration both compulsory and elective courses from the training catalogue. In addition to ongoing training and development activities, by cooperating with leading business schools in Turkey and Europe, and organizing training & development programs, Yapı Kredi Banking Academy supports career development of employees.

On the other hand YKAM provides competitive benefits for its employees. All YKAM employees and their families benefit from Yapı Kredi Bank's employee group pension plan which provides additional support during retirement. Employees also benefit from group health and life insurance.

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## YKAM Employee Profile

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### YKAM Employee Profile

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**39**  
AGE

**11**  
TENURE with  
FIRM

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### GENDER

**67%**  
MALE

**33%**  
FEMALE

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### EDUCATION

**37%**  
Bachelor's Degree

**-%**  
PhD Degree

**6%**  
High School

**2%**  
Associate Degree

**55%**  
Graduate Degree

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## Community Involvement

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Koç For My Country Variable Fund (YKAM Third Variable Fund) has been a part of the "No Barriers for my Country" project run by Koç Holding. Nearly 70 percent of the revenues earned from the sale of the fund, which was established under the theme of "No Barriers for my Country" of Koç Holding are used exclusively for different projects. The projects are decided by Yapı Kredi Bank, Yapı Kredi Asset Management, Koç Holding and Vehbi Koç Foundation annually.

The investment fund may widen its focus as "For my Country" projects expand in scope. As a result, individuals with different issue priorities can participate in the projects.

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## Business Partners

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### Finance/ Account / Administration

PricewaterhouseCoopers – Financial audit  
Ernst & Young – Tax Audit  
Yapı Kredi Bank – Custodian  
ATP Tradesoft – Financial and operational software

### Risk Management / Compliance

RiskTürk – Market, Leverage & Liquidity Risk, Performance Report  
Rasyonet – Investment fund and pension funds data reporting / Fixed Income Module  
GTP Tradesoft – Concentration, Counterparty & Correlation Risk, Compliance, Risk Management Module

### Marketing

MagiClick – Corporate Website

# Fund Performance

## Mutual Funds Performance

Code	Fund Name	2020	2019	2018	2017	2016
YLB	Yapı Kredi Asset Management Money Market Fund	9.76%	20.34%	18.22%	11.86%	9.50%
YDK	Yapı Kredi Asset Management Working Account Short Term Bonds and Bills Fund	8.83%	19.76%	15.70%	10.44%	8.67%
YHT	Yapı Kredi Asset Management Short Term Bonds and Bills Fund	8.29%	19.79%	16.47%	10.45%	8.76%
YOT	Yapı Kredi Asset Management Mid Term Bonds and Bills Fund	9.19%	24.24%	13.80%	9.10%	8.82%
YBE	Yapı Kredi Asset Management Eurobond (Dollar) Bonds and Bills Fund	30.05%	26.18%	26.94%	17.21%	21.41%
YBS	Yapı Kredi Asset Management Private Sector Bonds and Bills Fund	10.30%	20.13%	16.18%	11.24%	9.82%
YAN	Yapı Kredi Asset Management First Fund of Funds*	31.96%	29.09%	14.48%	13.44%	0.00%
YKT	Yapı Kredi Asset Management Gold Fund	53.49%	29.72%	36.03%	17.05%	27.95%
YBP	Yapı Kredi Asset Management DPM First Variable Private Fund	19.03%	30.42%	23.09%	14.29%	11.02%
YDP	Yapı Kredi Asset Management DPM Third Variable Private Fund	15.48%	28.09%	17.68%	15.35%	11.80%
YSU	Yapı Kredi Asset Management Third Variable Fund	12.00%	24.94%	11.58%	13.16%	5.88%
YFV	Yapı Kredi Asset Management SUKUK Fund	6.65%	24.87%	15.96%	8.71%	5.82%
YAK	Yapı Kredi Asset Management Balanced Fund	20.71%	24.63%	-5.61%	26.39%	8.70%
YHS	Yapı Kredi Asset Management First Equity Fund (Equity Intense Fund)	33.68%	28.41%	-16.43%	48.29%	9.81%
YEF	Yapı Kredi Asset Management ISE 30 Index Equity Fund (Equity Intense Fund)	16.10%	25.75%	-17.79%	50.23%	10.26%
YAS	Yapı Kredi Asset Management Koc Holding Affiliate and Equity Fund (Equity Intense Fund)	49.38%	40.71%	-23.03%	27.09%	17.93%
YAY	Yapı Kredi Asset Management Foreign Technology Sector Equity Fund	68.84%	46.89%	26.85%	39.46%	22.30%
YDI	Yapı Kredi Asset Management Second Equity Fund (Equity Intense Fund)	50.35%	51.28%	-18.68%	46.47%	6.56%
YTD	Yapı Kredi Asset Management Foreign Fund Basket Fund	36.51%	25.71%	29.95%	16.33%	21.17%
YOA	Yapı Kredi Asset Management DPM Bonds and Bills (Foreign Currency) Private Fund**	31.90%	29.28%	34.77%	14.86%	20.28%
YAC	Yapı Kredi Asset Management Second Fund of Funds***	31.84%	28.23%	12.52%	-	-
YPV	Yapı Kredi Asset Management Third Fund of Funds****	24.15%	-	-	-	-

\* 2017 performance calculated as of issue date 31 Jan 2017.

\*\* 2016 performance calculated as of issue date 9 June 2016.

\*\*\*2018 performance calculated as of issue date 19 March 2018.

\*\*\*\*2020 performance calculated as of issue date 11 May 2020.

Source: Rasyonet



# Fund Performance

## Pension Funds Performance

Code	Fund Name	2020	2019	2018	2017	2016
AEN	Allianz Yaşam ve Emeklilik Mixed Pension Fund	9.43%	20.84%	16.42%	11.07%	10.19%
ALU	Allianz Yaşam ve Emeklilik First Government External Debt Securities Pension Fund	53.25%	46.75%	-22.40%	29.27%	20.81%
ALR	Allianz Yaşam ve Emeklilik Dynamic Variable Pension Fund	50.05%	39.31%	21.15%	43.45%	24.35%
ALU	Allianz Yaşam ve Emeklilik Koç Companies Affiliates Index Pension Fund	17.21%	25.11%	-1.26%	19.04%	13.91%
AMA	Allianz Yaşam ve Emeklilik Prudent Variable Pension Fund*	9.85%	26.22%	3.26%	7.55%	8.12%
AMB	Allianz Yaşam ve Emeklilik 2035 Target Date Pension Fund*	9.34%	27.76%	3.79%	8.60%	8.44%
AMF	Vakıf Emeklilik Ve Hayat Pera 1 Variable Group Pension Fund*	10.45%	34.75%	-1.44%	10.73%	9.92%
AMG	Allianz Yaşam ve Emeklilik Money Market Temporary Liquid Managed Pension Fund	34.82%	25.63%	30.72%	15.05%	17.32%
AMH	Allianz Yaşam ve Emeklilik Money Market Liquid Managed Pension Fund*	7.61%	34.89%	0.89%	34.48%	12.31%
AMN	Allianz Yaşam ve Emeklilik Income-oriented Government Debt Instrument Pension Fund*	6.43%	23.36%	15.81%	11.11%	12.09%
AMP	Allianz Yaşam ve Emeklilik Income-oriented Government Debt Instrument Group Pension Fund*	10.23%	21.90%	18.28%	11.88%	9.61%
AMR	Allianz Yaşam ve Emeklilik Growth-oriented Equity Pension Fund*	30.99%	18.34%	28.38%	24.64%	15.41%
AMY	Allianz Yaşam ve Emeklilik Managed Pension Fund*	54.35%	40.76%	23.64%	15.45%	21.72%
AMZ	Allianz Yaşam ve Emeklilik First Managed Group Pension Fund*	56.11%	30.98%	36.35%	18.36%	30.44%
APG	Allianz Yaşam ve Emeklilik Second Managed Group Pension Fund*	18.07%	29.93%	2.01%	15.86%	14.50%
AUA	Allianz Yaşam ve Emeklilik Income-oriented Second Government External Debt Instruments Pension Fund	27.13%	28.82%	-1.73%	26.55%	10.17%
AUG	Allianz Yaşam ve Emeklilik ISE Dividend Index Pension Fund	38.81%	18.47%	28.13%	23.96%	14.66%
AZA	Allianz Yaşam ve Emeklilik Pera Y Managed Group Pension Fund*	8.31%	28.28%	4.71%	8.17%	8.97%
AZD	Allianz Yaşam ve Emeklilik Gold Pension Fund	34.50%	25.80%	29.63%	15.19%	16.52%
AZK	Allianz Yaşam ve Emeklilik Standard Pension Fund*	8.47%	25.95%	3.45%	7.23%	7.95%
AZL	Allianz Yaşam ve Emeklilik Contribution Pension Fund*	10.24%	21.85%	18.14%	11.75%	8.69%
AZM	Allianz Yaşam Ve Emeklilik Attack Variable Group Pension Fund	36.05%	26.88%	31.57%	15.33%	17.10%
AZN	Allianz Yaşam Ve Emeklilik Initial Participation Pension Fund*	56.60%	30.91%	35.99%	17.48%	27.79%
AZO	Allianz Yaşam Ve Emeklilik Initial Pension Fund	51.72%	39.24%	21.00%	18.72%	20.90%
AZT	Allianz Yaşam Ve Emeklilik Koç Holding Emekli Vakfı First Variable Group Pension Fund	11.00%	36.62%	-0.57%	10.25%	9.09%
FYY	Allianz Hayat ve Emeklilik First Government External Debt Securities Pension Fund* (2)	17.60%	29.83%	-	-	-
KOE	Allianz Hayat ve Emeklilik Second Government External Debt Securities Pension Fund (3)	12.77%	23.22%	18.30%	-	-
VGP	Türkiye Hayat ve Emeklilik A.Ş. VEM Turkcell Group Employees Pera 1 Variable Group Pension Fund**	19.53%	21.10%	15.55%	17.96%	-

\* Fund manager changed as YKAM in 2019

\*\*Title of the issuer changed as Türkiye Hayat ve Emeklilik A.Ş. on 25 August 2020.

(1)2015 performance calculated as of issue date 6 July 2015.

(2) 2018 performance calculated as of issue date 11 May 2018.

(3)2018 performance calculated as of issue date 11 May 2018.

(4)2016 performance calculated as of issue date 19 September 2016.

Source: Rasyonet

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## Directory

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### Yapı Kredi Asset Management

**Trade Register Number:** 470218-417800

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**Mersis Number:** 570017809600014

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**Address:** Yapı Kredi Plaza A Blok  
Levent Mah. Cömert Sok. No:1A/28  
34330 Beşiktaş – İstanbul

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**Telephone:** 0212 385 48 48

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**Fax:** 0212 325 01 23

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**Website:** <https://yapikrediportfoy.com.tr>

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**Social Media Information:** Yapı Kredi Asset Management has an active presence in LinkedIn under the name Yapı Kredi Asset Management

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Part II

# Financial Report