TCMA

TURKISH CAPITAL MARKETS 2021 ANNUAL REVIEW

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2021 ANNUAL REVIEW

TCMA RESEARCH

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BROKERAGE COMPANIES 2021/12

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In this report, we will review brokerage and corporate finance activities, employee statistics and financial statements of intermediaries operating in the capital markets in 2021. Operational and financial data were obtained from 60 brokerage firms and 1 investment bank. More information on data sets can be found on www.tspb.org.tr.

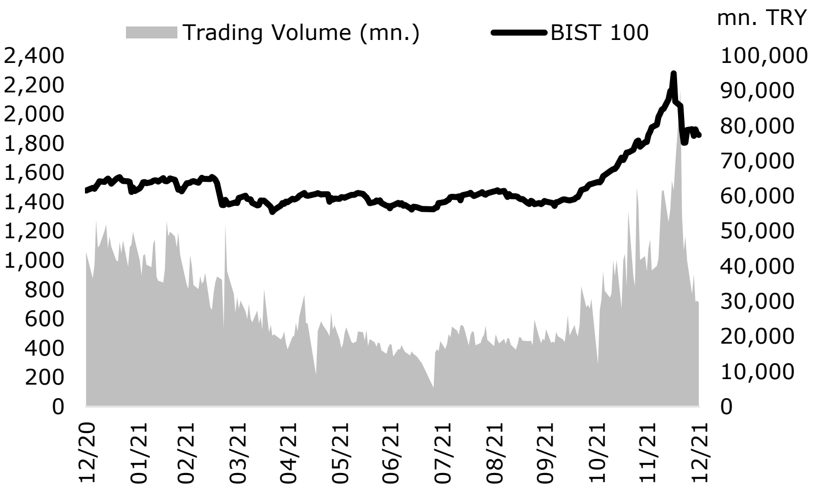
FINANCIAL MARKETS OUTLOOK

As multiple COVID-19 vaccines were developed starting from the end of the year 2020 and the population started to get vaccinated throughout the year, the global economy recovered, and capital markets showed good performance globally in 2021. MSCI World Index has increased by 19% in terms of U.S dollars in 2021.

However, in Turkey, the equity index BIST 100 was stagnant around 1,400 until September. As the Central Bank of the Republic of Turkey (CBRT) raised policy rates by 200 basis points to 19% in March, TL overnight reference rate (TLREF) also increased accordingly. As policy rates were kept unchanged, TLREF was constant until September. The 2 years benchmark government bond rate which started the year at around 14% rose to 19% in March and remained around 17%. Though, in September 2021, CBRT has initiated a rate cut policy evaluating the inflationary pressure as a temporary phenomenon and subsequently decreased interest rates by 500 basis points gradually to 14% until year end.

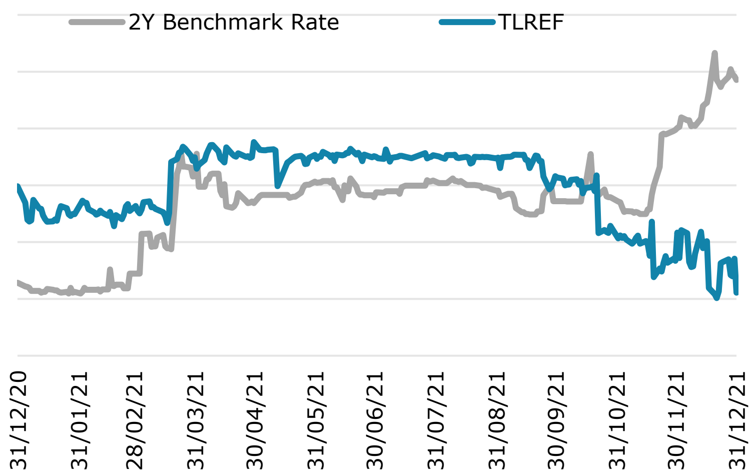
However, as inflation started to rise and the Turkish lira devaluated sharply the 2 years benchmark rate has increased by 500 points to 22% in the last quarter of the year. In this environment BIST 100 started to increase sharply, led by export-driven companies. On an annual basis, BIST-100 has increased by 26% in 2021. However, on a USD basis, BIST-100 recorded 30% decline due to the devaluation of the Turkish lira.

Figure 1: Equity Market



Source: Borsa Istanbul

Figure 2: Interest Rates



Source: Rasyonet

BROKERAGE ACTIVITIES

The total equity trading volume has increased by 14% in 2021 and reached TRY 15 trillion.

Similarly, total futures' volume has become TRY 8.9 trillion, with an annual increase of 56. Volume in leveraged transactions declined as a new withholding tax (10%) imposed on revenues generated through these transactions was introduced on January 1st, 2021.

Table 1: Trading Volumes (million TRY)	2020	2021	Change
Equity	**13,124,154**	**14,946,636**	**13.9%**
Brokerage Company	12,329,854	13,338,003	8.2%
Bank	794,300	1,608,633	102.5%
Fixed Income	**1,378,020**	**1,307,776**	**-5.1%**
Brokerage Company	274,946	247,364	-10.0%
Bank	1,103,074	1,060,412	-3.9%
Repo	**34,598,065**	**29,411,871**	**-15.0%**
Brokerage Company	6,742,262	6,843,620	1.5%
Bank	27,855,803	22,568,251	-19.0%
Futures	**5,703,182**	**8,872,143**	**55.6%**
Brokerage Company	5,486,306	8,482,584	54.6%
Bank	216,876	389,558	79.6%
Options	**25,341**	**43,945**	**73.4%**
Brokerage Company	20,278	40,786	101.1%
Bank	5,063	3,159	-37.6%
Warrants*	**64,384**	**79,881**	**24.1%**
Forex*	**12,441,775**	**12,637,436**	**1.6%**
Client	6,978,320	7,224,033	3.5%
Liquidity Provider	5,463,456	5,413,403	-0.9%

Source: Borsa İstanbul, TCMA

**Authorized only for brokerage companies*

Among all financial instruments mentioned above, options transactions increased the most on a yearly basis. As of 2021 year-end, the total volume of options transactions became TRY 44 billion, with an increase of 73% compared to 2020. On the other hand, total volume of repo-reverse repo transactions in 2021 decreased as compared to 2020. This decrease has mainly resulted from the drop in repo/reverse repo volume of the state-owned banks.

Table 1 shows double-sided trading volumes of intermediaries for all markets. The transactions by the Central Bank and Takasbank, Turkey's sole clearing and settlement bank, have been excluded from the table.

In the fixed income market, figures represent the sum of public and corporate bonds and bills traded at Borsa İstanbul and OTC markets.

EQUITIES

In 2021, 52 brokerage companies and 1 investment bank traded in the local equity market. The transaction volume has increased by 14% compared to 2020, reaching a total of TRY 15 trillion. Concentration in the sector remains high as the market volume of the first 3 institutions including the investment bank constitutes 33% of the total market volume.

As there is an increase in trading volume in all investor classes compared to 2020, foreign corporations take the lead in both nominal & proportional volume increase. Equity trading volume of foreign corporations has increased by 38% as compared to 2020. Therefore, share of foreign corporations in total trading volume of equities has risen from 22% to 26%.

Overall, foreigners' share in the total volume increased by 5 percentage points and reached 27%.

Meanwhile, transaction volume of domestic individuals has only increased by 5% despite the number of domestic investors reaching historic high records. Accordingly, the share of individual investors in equity transaction volume has decreased by 5 percentage points to 63%. According to MKK, the Central Securities Depository of Turkey, the number of domestic investors reached 2.3 million as the end of 2021, compared to 2 million as of 2020 year-end. Domestic individuals own 59% of the public equity portfolio.

Table 5 displays the breakdown of transaction volumes according to brokerage firms' departments. Accordingly, similar to 2020, internet has been investors' favorite medium for trading as it accounted for 55% of all equity trading volume even though its share slightly decreased in 2021. It is followed by Direct Market Access (DMA) transactions, with a 24% share in the total volume, recording a 4 percentage points increase on an annual basis. The share of internet and direct market access channels together constituted 79% of total equity market volume in 2021, which was similar in 2020 (78%). It indicates the digital transformation of the industry.

While domestic individual investors mainly prefer trading through internet, direct market access (DMA) has been frequently used by foreign institutional investors engaging in algorithmic and high-frequency trading. Total 14 intermediaries have offered this channel to their clients for equity trading in 2021. However, it must be noted that there is a prominent level of firm-based concentration. In 2021, 85% of total DMA transactions were made by only 2 institutions.

6% of total equity trading was done directly by the domestic sales departments of brokerage firms, while the share of branches, bank branches and representative offices in the total volume became 10% in of 2021.

Table 2: Breakdown of Trading Volume by Investors (2021)							
Investor	**Equity**	**Fixed Income**	**Repo**	**Futures**	**Options**	**Warrants**	**Forex**
Dom. Individuals	63.0%	14.0%	10.0%	46.9%	44.0%	52.9%	54.0%
Dom. Corporations	7.7%	31.4%	7.9%	12.0%	46.8%	47.0%	46.0%
Dom. Institutional	2.7%	53.9%	81.7%	6.5%	4.9%	0.1%	-
Domestic Investors	**73.4%**	**99.3%**	**99.7%**	**65.5%**	**95.7%**	**100.0%**	**99.9%**
Foreign Individuals	0.1%	0.1%	-	0.1%	-	-	0.1%
Foreign Corporations	26.1%	0.4%	0.1%	33.6%	0.7%	-	-
Foreign Institutional	0.3%	0.2%	0.2%	0.8%	3.6%	-	-
Foreign Investors	**26.6%**	**0.7%**	**0.3%**	**34.5%**	**4.3%**	**-**	**0.1%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: TCMA

**Departments with the highest share are highlighted*

FIXED INCOME

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

In 2021, the trading volume of investment institutions (including off-exchange transactions reported to Borsa Istanbul) decreased by 10% to TRY 258 billion. Meanwhile, repo / reverse-repo transactions (including off-exchange transactions reported to Borsa Istanbul) decreased by 15% to reach TRY 29 trillion.

In 2021, 37 brokerage companies and 43 banks traded in the outright purchase and sales market. Brokerage firms make up one-fifth of the total market share.

Meanwhile, 36 brokerage companies and 39 banks traded in the repo / reverse-repo market. The share of brokerage firms in total repo/reverse repo transactions is 23%. Concentration remains high in this market as more than half of the transactions in the repo market were done by 4 banks.

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

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

Domestic institutional investors accounted for 54% of the total outright purchase and sales volume, while domestic corporations' share is 31%. A significant part of the transactions carried out by domestic corporations corresponds to proprietary trading (21% share in total) of brokerage companies.

Domestic sales departments and branches together form 66% of total fixed income transactions volume (Table 5).

In the repo market, domestic institutional investors, which represent mutual funds and investment trusts, generated 82% of total repo transactions.

FUTURES

In 2021, total 52 brokerage companies and 10 banks operated in the futures market. Total futures volume generated by them has increased by 56% compared to 2020 and reached TRY 8.9 trillion as of 2021 (Table 1).

As shown in Table 3, index futures and equity futures transaction volume constitute the bulk part of futures transactions (notional value). The volume of equity contracts increased over 102% in 2021, resulting in an increase in their share in total contracts by 8 percentage points to 35%. Consequently, share of FX contacts decreased from 22% to 16% y-o-y.

Total trading volume of futures generated by brokerage companies and one investment bank constituted 98% of the total volume in 2021, while the volume generated by the rest of 10 banks is very limited. Almost ¼ of the total volume comes from one institution, while half of the total futures trading volume has been executed by the top 5 institutions.

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 domestic institutional investors is 7%, while the share of domestic corporations, which mainly reflects proprietary trading, constitutes 12% of total futures volume.

Meanwhile, foreign investors' share in total futures trading volume increased to 35% in 2021 from 31% in 2020.

Analyzing transaction volumes by departments; while internet is the most used channel with a share of 37%, the total share of internet transactions rose by 11 percentage points during the pandemic. This is followed by direct market access (DMA) whose share remained 30%. A total of 6 brokerage firms and 1 investment bank used DMA for futures transactions in 2021.

Table 3: Breakdown of Futures Volume

Underlying Asset	2020	2021
Indices	46.1%	35.6%
Currencies	16.3%	21.7%
Equity	27.1%	35.1%
Other	10.6%	7.6%
Total	**100%**	**100%**

Kaynak: Borsa İstanbul

OPTIONS

In 2021, 36 brokerage companies and 2 banks traded in the Borsa İstanbul options market. Trading volume of options transactions increased to TRY 41 billion (notional value) as of end-2021, with more than 100% increase compared to 2020. Transaction volume of equity and index options has increased, while currency options volume was stagnant bringing its share in total transactions to 29% down from 44% in 2020.

Table 4: Breakdown of Options Volume

Underlying	2020	2021
Indices	31.9%	31.0%
Currencies	44.0%	29.2%
Equity	24.1%	39.8%
Total	**100%**	**100%**

Source: Borsa İstanbul

In line with the significant increase in the trading volume, the breakdown of option volume in terms on underlying instruments saw significant changes.

In 2021, trading volume of equity options has increased by 250% and their share has reached 40%. Increasing popularity of equity options has mainly resulted from the short selling restrictions on equities.

In 2021, brokerage companies generated a total options trading volume of TRY 41 billion. %75 of these transactions was executed by 5 brokerage companies. Almost half of the total option trading was executed by domestic individuals. As given in Table 5, majority of the transactions executed by corporations (%33) reflect proprietary trading, which was followed by branches (%29) that individual investors use.

The share of internet and DMA transactions in options trading market remain low compared to other markets, with a share of %8 each.

WARRANTS

Only brokerage companies are authorized to execute warrant transactions. In 2021, 43 brokerage companies executed warrant transactions, mainly for individual investors. Moreover, the top 3 brokerage companies represent more than 75% of total warrant volume. 2 brokerage firms that issue warrants constitute more than half of the total warrant volume, while a non-issuer brokerage firm generates around ¼ of the total warrant volume.

Warrant trading volume increased by 26% in 2021 and reached TRY 80 million. As presented in Table 5, the majority of the transactions (37%) belongs to proprietary trading, which was followed by internet transactions (32%) and transactions made by representative offices (25%).

FOREX MARKET

Only brokerage companies are authorized to execute leveraged forex transactions. In 2021, the total volume of these transactions remained at TRY 13 trillion in 2021. TRY 7,1 trillion of these transactions reflected transactions with clients.

The forex market is highly concentrated. While 33 brokerage firms traded in the forex market in 2021, 45% of the transactions were executed by the top 3 companies.

In 2021, 30% of leveraged transactions were executed through the internet, while 19% of these transactions were executed by domestic sales departments. The proprietary trading share shown in Table 5 mostly reflects transactions with liquidity providers.

Table 5: Breakdown of Trading Volume by Departments (2021)

	Equity	Fixed Income	Repo	Futures	Options	Warrants	Forex
Domestic Sales	6.2%	40.2%	53.1%	8.9%	17.5%	3.2%	18.5%
Branch, Bank Br., Rep. Office	9.7%	25.7%	26.8%	13.9%	29.8%	27.3%	8.4%
Branches	7.3%	10.2%	4.6%	12.7%	28.6%	2.6%	8.2%
Bank Branches	0.9%	14.5%	22.0%	0.4%	0.5%	0.1%	0.2%
Rep. Offices	1.4%	1.0%	0.2%	0.8%	0.6%	24.6%	-
Internet	55.0%	-	-	37.3%	7.9%	32.3%	29.6%
Direct Market Access	24.1%	-	-	29.7%	8.2%	-	-
Call Center	-	-	0.7%	0.1%	-	-	-
Asset Management	0.2%	-	0.1%	0.3%	-	-	-
Proprietary Trading	1.7%	21.5%	5.1%	5.0%	32.5%	37.2%	43.5%
International Sales	3.1%	12.6%	14.2%	4.9%	4.3%	-	-
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: TCMA

** Departments with the highest share are highlighted. Proprietary trading is not taken into account for warrants and forex transactions as it reflects transactions of issuers and with liquidity providers, respectively.*

CORPORATE FINANCE

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

As of 2020 Q3, the IPO market started to revive in Turkey and this revival has continued throughout 2021 as well. In 2021, 52 companies and 2 exchange-traded funds (ETF's) went public. Companies raised a total of TRY 22 billion in 2021 in these IPOs.

Table 6: Equity Offerings and Bond Issuance		
Initial Public Offering	**2020**	**2021**
Number of companies	8	52
IPO size of co.'s (mn TRY)	1,124	21,561
Number of ETFs	9	2
IPO size of ETFs (mn TRY)	68	25
Bond Issuance		
Number of companies	1,254	1,294
Size (million TRY)	199,494	258,444

Source: Borsa Istanbul

5 IPOs with over TRY 1 billion of equities offered constitute 35% of the total IPO revenue in 2021. As a result, brokerage companies completed 52 initial public offerings and

While the number of corporate bond issues did not change much, their total size increased by 30% to TRY 258 billion.

Out of the 1,294 bonds issued, 1,085 were issued by brokerage companies, while the rest was issued by investment banks.

According to the data compiled by our Association, brokerage companies took 1,400 new corporate finance projects in 2021. Brokerage companies completed 1,306 projects in 2021, of which 1,085 were bond issues.

Brokerage companies completed 52 company public offerings, 2 exchange traded fund offerings totaling to 54 IPO projects in 2021. As multiple brokerage firms can co-lead, grand total number of IPO's projects undertaken by brokerage firms is 59 in Table 7.

Table 7: Corporate Finance Activities (Completed Projects)	2020	2021
Initial Public Offering	17	59
Secondary Public Offering	0	0
Debt Instruments Issuance	1,100	1,085
M & A / Buy-Side	5	4
M & A / Sell-Side	12	11
Private Equity	0	0
Other Financing	1	4
Capital Increases	24	35
Dividend Distribution	23	36
Privatization/Buy-Side	0	0
Privatization/Sell-Side	3	0
Other Consultancy	93	72
Total	**1,278**	**1,306**

Source: TCMA

ASSET MANAGEMENT

In Turkey, brokerage companies may provide discretionary asset management services in addition to traditional brokerage services. The number of brokerage companies offering asset management services stood at 18 in 2021.

Table 8: Asset Management by Brokerage Companies	2020	2021
Number of Investors	**3,048**	**2,634**
Corporates	56	46
Individuals	2,992	2,588
Portfolio Size (TRY mn.)	**3,234**	**4,361**
Corporates	906	1,038
Individuals	2,328	3,324

Source: TCMA

The portfolio size managed by brokerage companies increased by 35% y-o-y to TRY 4.4 billion. As of the end of 2021, 18 brokerage companies provide asset management services to 2,634 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 43% y-o-y and reached TRY 3.3 billion.

While the number of corporate investors decreased slightly, the portfolio size of corporate investors' assets increased by 15% y-o-y to TRY 1 billion, reflecting asset management activities of one brokerage company.

MARGIN TRADING

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

As investors' interest gained momentum in the equity market mainly in the last quarter of the year, brokerage companies' total loan size in margin trading reached TRY 6.8 billion with an increase of 68% by the end of 2021. The number of margin trading investors increased by 20% compared to 2020 and reached almost 30,000.

Top 2 brokerage companies 27% share of the total loan size. 47 brokerage companies have clients with a positive margin trading balance at the end of 2021.

Meanwhile, the average loan per investor ranges between TRY 17,280 and TRY 1.9 million across brokerage companies.

Table 9: Margin Trading

	2020	2021
Loan Size (million TRY)	**6,817**	**11,446**
No. of Margin Trading Investors	24,933	29,979
Average Loan/Investor (TRY)	273,402	381,808

Source: TCMA

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.

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 2021, the number of representative offices, which usually cost relatively less to open compared to branches, increased by 33. By the end of 2021, 18 brokerage companies have a total of 128 representative offices.

As of the end of 2021, 26 brokerage companies have a total of 302 branches.

Table 10: Branch Network

	2020	2021
Branches	278	302
Representative Offices	95	128
Bank Branches	9,252	9,397
Total	**9,625**	**9,827**

Source: TCMA

While bank-owned brokerage companies work with their group banks' branches for order transmission or customer services, 4 independent brokerage companies have signed intermediation contracts with various banks for order transmission. The number of bank branches is 9,397 at the end of 2021.

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 are only involved in advertising activities and do not transmit orders.

EMPLOYEES

At the end of 2021, the total number of employees in the sector increased by 12% y-o-y to 6,179 y.

As illustrated in Table 12, the average number of personnel is highest in the domestic sales department with 27 employees.

Table 11: Number of Employees	2020	2021
Female	2,318	2,656
Male	3,215	3,523
Total	**5,533**	**6,179**

Source: TCMA

As illustrated in Table 12, the average number of personnel is highest in the domestic sales department with 27 employees.

As illustrated in Table 12, even though number of women employees increased by 15% in 2021, it is notable to mention that the proportion of women employees decreased in 8 departments and increased in 7 departments.

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

Table 12: Brokerage Companies' Employees	Total Number of Employees				Avg. No. of Employees	
	2020	Women%	2021	Women%	2020	2021
Branch, Bank Br., Rep. Office	1,899	46.1%	2,140	43.6%	5	5
Branches	1,325	44.1%	1,392	40.7%	5	5
Bank Branches	574	52.8%	748	50.3%	6	6
Domestic Sales	1,048	51.3%	1,253	48.6%	24	27
Broker	71	31.7%	71	39.4%	2	2
Dealer	206	41.1%	167	40.8%	7	7
International Sales	156	37.3%	174	35.9%	5	6
Treasury	134	32.8%	138	34.3%	4	4
Portfolio Management	32	13.9%	39	12.5%	2	2
Corporate Finance	142	34.8%	145	37.3%	4	4
Research	177	24.6%	205	24.9%	4	4
Financial & Admin. Affairs	722	43.1%	760	43.9%	12	12
Internal Audit	194	43.3%	213	44.3%	3	4
Human Resources	82	72.5%	98	73.2%	3	3
IT	286	15.8%	344	15.4%	5	6
Other	384	42.6%	432	41.4%	7	7
Total	**5,533**	**43.1%**	**6,179**	**42.1%**	**92**	**101**

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 it provides more standardized and clear information on the brokerage companies.

Illustrated in Table 13, the total assets of brokerage companies increased by 34% y-o-y to TRY 61 billion. While cash and cash equivalents and financial assets increased by TRY 10.6 billion y-o-y to TRY 17.2 billion on the assets side, short term financial liabilities more than doubled to TRY 16.9 billion on the liabilities side.

The industry has a liquid balance sheet with TRY 58 billion in current assets. Of the total assets, TRY 17 billion are cash and cash equivalents and TRY 30 billion are short-term trade receivables.

Short-term trade receivables increased by 41% to 30 billion TRY, reflecting the increase in the balance of clearing and custody center receivables, and the receivables from margin trading customers.

Table 13: Balance Sheet (TRY million)

	2020	2021
Current Assets	**38,621**	**57,576**
Cash and Cash Equivalents	10,595	17,202
Financial Assets (Short-term)	4,347	7,399
Trade Receivables (Short-term)	21,247	30,009
Others	2,433	2,967
Non-Current Assets	**2,727**	**3,810**
Financial Assets (Long-term)	1,242	1,881
Others	1,486	1,929
TOTAL ASSETS	**41,349**	**61,386**
Short-Term Liabilities	**28,696**	**42,024**
Financial Liabilities (Short-term)	8,832	16,894
Trade Payables (Short-term)	17,847	22,060
Others	2,017	3,070
Long-Term Liabilities	**1,073**	**2,583**
Equity	**11,580**	**16,780**
Paid-in Capital	2,837	3,542
Adjustments on Equity	229	241
Shares Premiums/Discounts	9	112
Non-Classified to Profit or Loss	487	642
Income or Expenses Classified to P/L	810	1,214
Retained Profit/Loss	2,785	5,255
Net Profit/Loss	4,424	5,775
TOTAL LIABILITIES	**41,349**	**61,386**

Source: TCMA

As illustrated in Table 14, short-term assets (consisting of cash and cash equivalent and short-term financial assets) of TRY 22 billion make up the largest portion of brokerage companies' total assets which mainly represents repo and deposits. Repo and deposits increased by TRY 5 billion to TRY 15 billion y-o-y.

In 2021, the equity investments of brokerage companies almost doubled y-o-y and reached TRY 5 billion, while investments in corporate bonds decreased by 9% to TRY 901 million. Other financial assets of the brokerage companies that more than tripled, reflects some companies' increasing their mutual fund assets.

Total equity of investment firms increased by TRY 5.2 billion and reached TRY 16.8 billion at the end of 2021, reflecting the increase in previous fiscal years' earnings. In 2021, 19 institutions increased their paid-in capital by TRY 709 million.

Table 14: Short-Term Assets (TRY million)		
Financial Instruments	**2020**	**2021**
Repo and Deposits	9,123	14,812
Public Bonds & Bills	556	649
Corporate Bonds & Bills	984	901
Equities	2,515	4,811
Other	291	1,038
Total	**13,470**	**22,210**

Source: TCMA

INCOME STATEMENT

In 2021, brokerage companies' revenue grew by 37% y-o-y to TRY 11.7 billion.

Commission revenues increased by only 9% y-o-y in 2021 reaching TRY 5.8 billion. While stock trading volume rose by 14% y-o-y in 2021, commissions on equity trading slightly decreased by 1%. However, commissions on equity trading is still the biggest part of total commissions and represents two-thirds of brokerage firms' total revenues.

The highest increase in commission revenues, on the other hand, was generated through derivatives transactions in 2021. However, those revenues only constitutes 16% of total brokerage commissions.

Amid the 68% increase in the total loan size of margin trading investors and high interest rates in 2021, interest revenue from customers showed 175% growth. 2 brokerage firms' interest revenue from customers make up ¼ of the industry's total interest revenue from customers.

The increase in IPO activities in 2021 resulted in an increase in brokerage firms' corporate finance revenues. Brokerage companies' corporate bond and IPO revenues increased by 182% in 2021 to TRY 661 million. As illustrated in Table 17, revenues from the corporate finance activities rose by 136% y-o-y to TRY 792 million.

Table 15: Breakdown of Revenues (TRY million)			
	2020	**2021**	**Change**
Brokerage Commissions	5,306	5,773	8.8%
Proprietary Trading	1,318	1,838	39.5%
Corporate Finance	335	792	136.3%
Asset Management and Funds Sales	75	111	48.7%
Interest Revenue from Customers	887	2,435	174.6%
Other	575	714	24.3%
Total	**8,494**	**11,663**	**37.3%**

Source: TCMA

Table 16: Breakdown of Brokerage Commissions (TRY million)	2020	2021	Change
Equities	4,405	4,382	-0.5%
Derivatives	704	1,058	50.2%
Forex	597	718	20.2%
Fixed Income	98	108	10.2%
Foreign Securities	243	304	25.1%
Gross Profit from Commissions	**6,047**	**6,569**	**8.6%**
Deductions from Commissions	-741	-797	7.5%
Net Profit/ Loss Total	**5,306**	**5,773**	**8.8%**

Source: TCMA

Mergers & acquisition transaction revenues decreased by 37% y-o-y to TRY 27 million. However, when data of one brokerage firm which closed down in Q3 2021 is included, this revenue decreases 9% y-o-y to TRY 39 million.

Table 17: Breakdown of Corporate Finance Revenues (TRY million)	2020	2021	Change
Initial Public Offerings	234	661	182.0%
Mergers & Acquisitions	43	27	-37.3%
Other Capital Increases	27	40	48.8%
Corporate Actions	10	12	22.2%
Others	21	52	146.7%
Total	**335**	**792**	**136.3%**

Source: TCMA

One brokerage firm makes up 57% of the industry's other financial advisory revenues of TRY 21 million

Going back to Table 15, while clients' credit balance increased by 68%, with the help of the increase in interest rates compared to the previous year, interest income from clients rose remarkably by 175% to TRY 2.4 billion.

Mutual fund sales revenues increased by 31% to TRY 65 million in 2021. Brokerage companies' discretionary asset management revenue, increased by 84% to TRY 46 million. TRY 714 million recorded as other income in Table 15 is attributable to 2 brokerage companies' income from advisory and market research services provided to their parent company abroad.

Table 18: Breakdown of Expenses (TRY million)	2020	2021	Change
Marketing, Sales, Distribution and R&D	**848**	**1,242**	**46.5%**
Trading Commissions Paid to Exchanges	648	890	37.3%
Other Marketing, Sales, Distribution and R&D	200	352	76.4%
Administrative	**2,633**	**3,752**	**42.5%**
Salaries and Fringe Benefits	1,480	1,982	33.9%
Depreciation Expenses	125	183	46.8%
Depreciation Expenses on Intangible Assets	24	21	-11.6%
Membership Fees and Contributions	28	35	21.6%
Commissions and Other Service Charges	59	92	55.7%
Taxes and Other Legal Dues	171	318	86.1%
Other Administrative Expenses	746	1,123	50.5%
Total	**3,481**	**4,995**	**43.5%**

Source: TCMA

As illustrated in Table 18, brokerage companies' aggregate expenses rose by 44% to TRY 5 billion in 2021. Total personnel expenses make up TRY 2 billion of all expenses reflecting the increase in the number of personnel. The average personnel expense in 2021 rose lower than CPI, by 16% to TRY 27,729.

As a result, while gross income rose by 37% to TRY 11.7 billion, total expenses increased by 44% to TRY 5 billion.

In conclusion, brokerage companies' operating profits increased by 37% to TRY 5.1 billion in 2021.

Other operating revenue (which mostly reflects revenue from holding foreign exchange denominated assets) and other operating expenses which reflect FX losses were occurred predominantly by few members.

Table 19: Income Statement (TRY million)

	2020	2021	Change
Sales Revenues (net)	578,301	646,318	11.8%
Cost of Sales	-569,806	-634,655	11.4%
Gross Profit/Loss	**8,494**	**11,663**	**37.3%**
Marketing, Sales and Distribution Expenses	-847	-1,239	46.2%
Administrative Expenses	-2,633	-3,752	42.5%
Research & Development Expenses	-0.7	-3.4	364.4%
Other Operating Income	715	1,949	172.6%
Other Operating Expenses	-616	-1,596	159.2%
Operating Profit/Loss	**5,113**	**7,021**	**37.3%**
Income from Investment Activities	6	6	6.6%
Expenses from Investment Activities	-0.9	-0.1	-92.1%
Profit/Loss from Participations	33	47	42.6%
Profit/Loss Before Tax from Financial Expenses	**5,151**	**7,074**	**37.3%**
Financial Income	1,745	3,617	107.2%
Financial Expenses	-1,266	-3,075	142.9%
P/L Before Tax from Continued Operations	**5,630**	**7,617**	**35.3%**
Cont. Operations Tax Income / Expense	**-1,206**	**-1,842**	**52.7%**
Current Tax Income / Expense	-1,098	-1,903	73.3%
Deferred Tax Income / Expense	-108	61	-156.4%
Profit /Loss from Continuing Operations	**4,424**	**5,775**	**30.5%**

Source: TCMA

In conclusion, brokerage companies' profits increased by 31% to TRY 5.8 billion with the rising income from operations.

Of the 60 brokerage companies and 1 investment bank, 58 posted a profit in 2021 (Table 20).

Table 20: Profitability

	2020	2021
# of Companies	**60**	**61**
# of Companies With Profits	55	58
# of Companies With Losses	5	3
Net Profit (TRY million)	**4,424**	**5,775**
Total Profit (TRY million)	4,435	5,790
Total Losses (TRY million)	-11	-15
Profitability	**52.1%**	**49.5%**
Return on Equity	**48.0%**	**41.3%**

Source: TCMA

ASSET MANAGEMENT COMPANIES 2021/12

Deniz Kahraman

Turkish Capital Markets Association collects and analyses the asset management industry's data on a monthly and quarterly basis. In this report, we will review 51 asset management companies' assets under management, employee statistics and the 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.

There are two categories of asset management companies. Asset management companies with activities are restricted to real estate investment and venture capital funds management have lower regulatory requirements. As of December 2021, there are 51 asset management companies in the market. 4 asset management companies were established and started to manage assets in 2021. 10 of these companies' activities are restricted. One company has not started managing assets yet. As a result, the number of asset management firms actively managing assets is 50 as of end 2021.

Table 1: Asset Management

	Number of Firms	Number of Funds/Clients	Assets Under Management (TRY million)
Investment Funds	48	979	325,700
Pension Funds	24	372	243,834
Discretionary Management*	31	4,096	82,439
Investment Trusts	7	13	920
Total	**50**	**5,460**	**652,893**

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 79% in 2021 to TRY 653 billion. The total portfolio size of pension funds grew by 43%, while investment funds' portfolio grew by %114.

By the end of 2021, the number of mutual funds increased to 979 from 659 in 2020 mainly due to the rapid increase in the number of hedge funds. The number of these funds, most of which are foreign currency denominated making eurobond investments, increased from 228 to 376 in the same period. On the other hand, the number of pension mutual funds decreased from 404 to 372.

Table 2: Assets under Management (TRY million)	2020	2021	Change
Investment Funds	151,853	325,700	114.5%
Pension Funds	171,015	243,834	42.6%
Discretionary Management	41,013	82,439	101.0%
Individuals	13,694	36,144	163.9%
Corporates	27,318	46,295	69.5%
Investment Trusts	735	919	25.0%
Total	**364,616**	**652,893**	**79.1%**

Source: TCMA

As the end of 2021, 15 of the 50 firms that provide asset management services are owned by banking industry groups. Bank-based institutions manage 81% of the total assets under management.

As of the end of 2021, the top three institutions (Ziraat, Ak and İş respectively) with the highest portfolio size constitute %46 of the total assets under management.

Table 3: Number of Investment Funds	2020	2021	Change
Investment Funds	659	979	48.6%
Pension Funds	404	372	-7.9%
Discretionary Management	3,104	4,096	32.0%
Individuals	2,818	3,717	31.9%
Corporates	286	379	32.5%
Investment Trusts	12	13	8.3%
Total	**4,179**	**5,460**	**30.7%**

Source: TCMA

Investment Funds

As the end of 2021, there are 48 firms managing mutual funds. The size of the investment funds portfolio increased by TRY 174 billion in this period compared to 2020 and reached TRY 326 billion.

Among the companies that manage investment funds, 59% of the total portfolio is managed by five companies (Yapı Kredi, İş, Ak, Azimut and Ziraat).

According to MKK (Central Securities Depository of Turkey), the total number of investment fund investors increased by 104,860 compared to the previous year to reach 3.2 million. Individual investors, who constitute a significant part of these investors, make up 66% of the total investment 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 total investment funds was 66 % in 2020, this ratio decreased to 57% as of end-2021. The steady increase in hedge funds caused the total weight of these funds to increase from 24% to 31%.

Table 4: Investment Fund Portfolio Size (TRY million)	2020	2021	Change
Mutual Funds	99,665	184,372	85.0%
Real Estate Investment Funds	9,085	16,719	84.0%
Venture Capital Investment Funds	3,081	15,776	412.0%
Exchange Traded Funds	3,925	7,377	87.9%
Hedge Funds	36,098	101,455	181.1%
Total	**151,853**	**325,700**	**114.5%**
Private Funds	16,941	39,252	131.7%

Source: TCMA

While the number of hedge funds increased by 148 to 376 in 2021 compared to 2020, the portfolio size of these funds increased by 181% to TRY 101 billion. In this period, hedge funds denominated in foreign currency offered an attractive alternative for investors.

As of the end of 2021, the number of real estate funds managed by 20 asset management firms reached to 76, and the size of these funds exceeded TRY 17 billion. The first real estate funds were established only in 2016.

The number of venture capital mutual funds increased from 38 funds with a portfolio size of TRY 3 billion at the end of 2020 to 101 funds with a portfolio size of TRY 15.7 billion by end 2021.

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 132% in the last year, approaching TRY 39 billion.

Table 5: Number of Investment Funds	2020	2021	Change
Mutual Funds	335	411	22.7%
Real Estate Investment Funds	45	76	68.9%
Venture Capital Investment Funds	38	101	165.8%
Exchange Traded Funds	13	15	15.4%
Hedge Funds	228	376	64.9%
Total	**659**	**979**	**48.6%**
Private Funds	125	184	47.2%

Source: TCMA

Table 6: Investment Funds Net Capital Inflows (TRY million)				
	Asset Size December 2020	Net Capital Inflows January – December 2021	January – December 2021 Capital Gains	Asset Size December 2021
Hedge Funds	35,691	30,418	35,379	101,488
Money Market Funds	26,563	6,823	7,363	40,749
Debt Securities Funds	23,451	4,606	7,490	35,547
Fund of Funds	12,812	10,697	2,866	26,375
Equity Funds	10,501	9,462	4,435	24,398
Variable Funds	9,191	912	7,312	17,415
Real Estate Funds	8,222	5,852	2,137	16,211
Venture Capital Funds	3,068	4,250	6,976	14,294
Participation Funds	5,154	4,414	-1,158	8,410
Precious Metal Funds	2,899	4	5,201	8,104
Blend/Mixed Funds	1,306	2,529	1,061	4,896
Capital Protected Funds	1,020	-346	135	809
Total	**139,878**	**79,622**	**79,196**	**298,696**

Source: CSD

The Central Securities Depository of Turkey 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 299 billion as of the end of 2021) presented in Table 5 is lower than the amount compiled by our Association (TRY 326 billion).

In June 2020 a 15% tax was imposed on the portfolio management earnings of foreign currency-denominated hedge funds. With the abolition of the tax on earnings in December 2020, growth regained its momentum. In 2021, TRY 30 billion inflow occurred in hedge funds.

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 7: Mutual Funds' Portfolio Composition		
	2020	2021
Equity	12.1%	12.9%
Government Bonds	**11.8%**	**14.5%**
Domestic	4.7%	3.6%
Eurobond	4.9%	9.1%
Sukuk	2.2%	1.8%
Corporate Bonds	**33.2%**	**33.9%**
Domestic	20.2%	15.8%
Eurobond	10.8%	15.7%
Sukuk	2.2%	2.4%
Deposits	6.5%	6.2%
Repo	15.1%	5.9%
Takasbank Money Market	3.0%	2.8%
Foreign Securities	7.3%	11.6%
Investment Funds	7.3%	8.3%
Precious Metals	1.9%	2.2%
Other*	1.8%	1.5%

Source: Takasbank (Settlement and Custody Bank)
* Includes other securities, cash collateral for futures

It is seen that 24% of mutual funds invest in relatively short-term investments such as corporate bonds, repo, Takasbank money market.

The ongoing interest and price increases in the stock market in 2021 led to the weight of domestic stocks in the total AUM to increase by 1 point to 13%.

With the rising interest in the hedge funds, the total size of Eurobonds within the investment funds increased by 229% in TRY terms to reach 24.8% of fund assets.

Pension Funds

As of 2021, 24 institutions manage pension funds in Turkey. In 2021, the size of pension funds, including auto-enrolment system funds, increased by 43% compared to the end of 2020 to TRY 244 billion. The first five institutions (Ziraat, Ak, İş, Yapı Kredi and Garanti Portfolio) manage 85% of the total pension funds.

The fund size in the auto-enrolment system, which was introduced in 2017 and gradually expanded, constitutes TRY 14.6 billion of the total pension investment fund size. As of end-2021, the total number of participants in the auto-enrolment system is 6.2 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 sukuks in pension fund portfolios increased by TRY 16 billion to TRY 53 billion by the end of 2021.

In the same period, the domestic government bonds share in the total portfolio decreased to 17% by the end of 2021 from 22% in December 2020. The weight of gold increased by 4 percentage points, while the share of investment funds increased by 1 percentage point.

Table 8: Pension Funds' Portfolio Composition

	2020	2021
Equity	12.9%	12.6%
Government Bonds	**56.8%**	**52.6%**
Domestic	21.7%	16.7%
Eurobond	15.3%	15.3%
Sukuk	19.8%	20.6%
Corporate Bonds	**11.7%**	**9.8%**
Domestic	8.6%	7.6%
Eurobond	1.5%	1.3%
Sukuk	1.6%	0.9%
Deposits	6.2%	5.6%
Repo	3.9%	1.3%
Takasbank Money Market	1.2%	1.1%
Foreign Securities	2.3%	3.6%
Investment Funds	2.8%	4.0%
Precious Metals	4.2%	8.6%
Other*	-2.0%	0.8%

Source: Takasbank (Settlement and Custody Bank)
* Includes other securities, cash collateral for futures

Discretionary Asset Management

As of the end of 2021, there are 31 firms providing discretionary asset management services in Turkey. 3,717 real and 379 legal persons' portfolios totaling TRY 82 billion 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 2021 turned to one of the top four asset management companies in this branch (Azimut, İstanbul, Yapı Kredi and Tacirler respectively).

The five institutions with the highest discretionary asset management (Ziraat, Azimut, Ak, İstanbul and İş Portfolio) manage 87% of the total assets under management.

Table 9: Discretionary Asset Management (TRY million)	Collective Investment Securities	Other Securities	Total
Real Persons	30,037	6,108	36,145
Legal Entities	15,814	30,481	46,295
Total	**45,850**	**36,589**	**82,439**

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, 83% of the investments of TRY 36,1 billion belonging to 3,717 real persons are invested in mutual funds. This figure stands at 34% for the portfolio of TRY 46 billion belonging to legal entities.

Investment Trusts

Portfolios of investment trusts that outsource asset management services might be managed by asset management firms. Only a small portion of investment trusts are managed by asset management firms. Currently, 13 of 52 investment trusts receive asset management services from asset management companies.

The portfolio size of investment trusts managed by asset management companies increased by %25 to TRY 920 million as the end of 2021. 75% of the total portfolio of investment trusts consists of securities investment trusts.

On the other hand, the portfolio size of venture capital investment trusts that managed by asset management firms increased by 118% to TRY 229 million.

Table 10: Investment Trusts' Portfolio Value (TRY million)	2020	2021	Change
Securities Investment Trusts	620.5	687.7	10.8%
Real Estate Investment Trusts	10.0	3.1	-69.0%
Venture Capital Investment Trusts	104.9	228.9	118.2%
TOTAL	**735.4**	**919.7**	**25.1%**

Source: TCMA

EMPLOYEES

With increasing AUM and the establishment of new firms the number of employees reached 932 by the end of 2021. Women constitute only 39% of the total number of employees in the asset management industry.

Among the 51 asset management firms, five firms (İş, İstanbul, Azimut, Ak and Yapı Kredi) that have 50 or more employees each, employ 34% of the total number of employees in the industry. On the other hand, there are 22 institutions that have 10 or less than 10 employees. Looking at the sector in general, the average number of employees per company is 18.

While 131 new jobs were created in 2021, 45% of the increase in the number of employees consist of people below the age of

30. More details regarding personnel can be reached through our website.

The distribution of employees in asset management companies by the 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 21 asset management companies with a either risk management or fund service unit and 28 asset management companies have research department.

As of the end of 2021, 21% (231 people) of the employees work in the asset management department. Only 21% of the employees in this department are female.

Table 11: Employees by Department

	# of Employees				Average # of Employees	
	2020	Female Ratio (%)	2021	Female Ratio (%)	2020	2021
CEO	49	6.1	51	7.8	1	1
Asset Management	217	19.4	231	21.2	5	6
Domestic Sales	99	52.5	112	58.0	4	5
International Sales	16	25.0	26	50.0	2	2
Financial Advisory	4	50.0	6	26.9	2	1
Research	37	29.7	45	37.8	2	2
Risk Management	30	46.7	42	52.4	1	1
Fund Service Unit and Operations	71	52.1	86	55.8	3	3
Financial & Administrative Affairs	110	49.1	120	48.3	2	2
Internal Audit	67	47.8	76	51.3	2	2
Human Resources	4	75.0	7	71.4	1	1
Information Technology	13	15.4	21	23.8	1	1
Other	84	36.9	109	33.9	3	3
TOTAL	**801**	**36.2**	**932**	**38.5**	**16**	**18**

Source: TCMA

FINANCIALS

In 2021, the total assets of asset management firms increased by 92% compared to the end of 2020 and reached TRY 3.4 billion.

In May 2021, the requirement of initial capital amount of portfolio management companies was increased from TRT 2 million to TRY 6 million. The minimum equity requirements have also been increased depending on the size of the managed portfolio and have been determined between TRY 6 million and TRY 20 million. Compliance with the new regulation was required to be made until 31 December 2021. 34 of the 51 portfolio management firms have increased their paid-in capital as of the end of 2021.

The growth in shareholders' equity is invested in short-term current assets. In 2021, cash and cash equivalents across the industry increased by 49% compared to the end of 2020 and reached TRY 1.2 billion. In this period, the growth in short-term financial investments increased by 79% to 1 TRY billion.

51% of the total assets of asset management firms belong to five institutions (Repie, Garanti, Ak, İş and Yapı Kredi).

Table 12: Balance Sheet of Asset Management Companies (TRY million)	2020	2021	Change
Current Assets	**1,697.1**	**3,306.5**	**94.8%**
Cash and Cash Equivalents	784.8	1,165.9	48.6%
Financial Assets (Short-term)	583.0	1,041.4	78.6%
Other Current Assets	329.3	1,099.1	233.8%
Non-Current Assets	**89.6**	**130.2**	**45.3%**
Tangible Assets	31.1	41.7	34.1%
Financial Assets (Long-term)	16.8	31.6	88.1%
Other Non-Current Assets	41.7	56.9	36.5%
TOTAL ASSETS	**1,786.7**	**3,436.7**	**92.3%**
Short-term Liabilities	216.2	406.2	87.9%
Long-term Liabilities	65.1	196.9	202.5%
Equity	**1,505.4**	**2,833.6**	**88.2%**
Paid-in Capital	435.7	582.0	33.6%
Adjustments on Equity	5.0	5.6	12.0%
Share Premiums/Discounts	8.1	5.3	-34.6%
Other Comprehensive Income	3.5	7.8	122.9%
Reserves on Retained Equities	106.8	124.2	16.3%
Retained Profit/Loss	291.1	609.5	109.4%
Net Profit/Loss	655.0	1,499.3	128.9%
TOTAL LIABILITIES	**1,786.7**	**3,436.7**	**92.3%**

Source: TCMA

Operating Income

Income stream of asset management companies can be split into three categories: asset management commissions, consultancy fees and fund sales revenues. However, in practice, nearly all income is generated by asset management commissions.

Compared to 2020, pension fund management revenues of asset management companies reached TRY 187 million with an increase of 19%. Revenue from investment funds increased by 57% to TRY 1.4 billion, due to an increase in asset size. Income generated through investment funds constituted 78% of all income of asset management firms in 2021.

Table 13: Breakdown of Asset Management Companies' Revenues (TRY million)	2020	2021	Change
Asset Management Commissions	**1,137.2**	**1,768.5**	**55.5%**
Collective Asset Management	**1,055.2**	**1,603.5**	**52.0%**
Pension Funds	156.8	187.2	19.4%
Investment Funds	891.2	1,400.4	57.1%
Mutual Funds	642.5	841.6	31.0%
Real Estate Funds	62.8	90.6	44.3%
Venture Capital Funds	24.4	184.1	653.6%
Exchange Traded Funds	7.1	13.9	97.4%
Hedge Funds	154.4	270.3	75.0%
Investment Trusts	7.2	15.8	120.5%
Discretionary Asset Management	**82.0**	**165.0**	**101.3%**
Retail	55.4	110.6	99.7%
Corporate	26.6	54.4	104.8%
Investment Consultancy Revenues	**4.4**	**5.6**	**27.9%**
Mutual Fund Sales Revenues	**0.0**	**1.6**	**-**
TOTAL	**1,141.6**	**1,775.7**	**55.5%**

Source: TCMA

Similar to previous years, consultancy fees and fund sales revenues did not constitute a significant portion of firms' revenues in 2021.

As a result, operating income of asset management companies' increased by 56% to TRY 1.8 billion in 2021.

Investment Funds

Depending on a rapid increase in investment funds' asset size from 2020 to 2021, income derived from investment funds rose by 31% to TRY 842 million. While hedge funds' assets grew by 181% year over year, revenue from these funds increased 75% to TRY 270 million.

While the portfolio of venture capital funds has increased to 16 billion from TRY 3 billion in the previous year, 4.5 billion of this rise arieses from an asset management firm specializing in venture capital fund management. Accordingly, earnings from VC funds increased to TRY 184 million from TRY 24 million.

The average annual commission charged by asset management companies can be calculated by dividing annual revenues by the average portfolio value. The average commission rate for investment funds is 0.64% (Table 13). In 2020, this figure was 0.60%.

Table 14: Asset Man. Commission Rates	2020	2021
Investment Funds	0.60%	0.64%
Pension Funds	0.11%	0.10%
Discretionary Asset Man.	0.24%	0.31%
Investment Trusts	1.12%	1.86%
TOTAL	**0.34%**	**0.38%**

Source: TCMA

Pension Funds

Although the total size of TRY 244 billion of the pension funds represents 81% of investment funds, the income from pension funds is one-tenth of the income derived from investment funds.

In 2021, the size of pension funds increased by 43% compared to the previous year and the revenue obtained from the management of these funds increased moderately by 19% to TRY 187 million. Asset management companies made an annual 0.10% commission from pension funds management.

Discretionary Asset Management

while the portfolio size doubled in 2021, revenue from discretionary asset management increased at a similar rate to reach TRY 165 million. Performance premiums resulting from superior performance played an active role in the growth of revenue from discretionary asset management services. In 2021, the annual average commission rate of companies providing discretionary asset management services is 0.30%.

Investment Trusts

While the portfolio size grew modestly by 25%, the revenue obtained from investment trusts in 2021 was TRY 15.8 million which represents a much higher growth of 121%. In this period, the annual average commission charged by asset management companies is 1.86%.

Expenses

In 2021, general administrative expenses increased by 54% compared to the previous year and amounted to TRY 785 million. 57% of these expenses are personnel expenses. In 2021, the monthly average cost of an employee increased by 35% compared to the same period of the previous year and reached TRY 43,397. On the other hand, in parallel with the increasing profitability, the average monthly profit per employee increased doubled to reach TRY 145,246.

Profitability

Due to the boost in assets under management and rising returns, the profitability of asset management firms has been increasing significantly since 2019. Gross profit in 2021 rose by 57% compared to the previous year and reached TRY 1.9 billion.

Table 15: Income Statement of Asset Management Companies (TRY million)

	2020	2021	Change
Sales Revenues (net)	1,498.4	2,478.6	65.4%
Cost of Sales	-267.1	-542.7	103.2%
Gross Profit/Loss	**1,231.3**	**1,935.9**	**57.2%**
Marketing, Sales and Distribution Expenses	-25.6	-31.8	24.3%
Administrative Expenses	-509.1	-784.5	54.1%
Salaries and Fringe Benefits	-295.1	-448.0	51.8%
Research & Development Expenses	0.0	0.0	182.8%
Other Operating Income	66.9	610.1	812.4%
Other Operating Expenses	-22.8	-44.3	94.5%
Operating Profit/Loss	**740.7**	**1,685.4**	**127.5%**
Income from Investment Activities	61.1	94.2	54.2%
Expenses from Investment Activities	-29.4	-24.1	-18.0%
Profit/Loss Before Financial Expenses	**772.4**	**1,755.5**	**127.3%**
Financial Income	75.3	210.9	180.3%
Financial Expense	-4.0	-7.3	81.0%
Profit/Loss Before Tax	**843.6**	**1,959.1**	**132.2%**
Current Tax Income / Expense	-175.9	-349.1	98.5%
Deferred Tax Income / Expense	-12.7	-110.8	772.6%
Net Profit/Loss	**655.0**	**1,499.3**	**128.9%**

Source: TCMA

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 surge by 128% in the last year and reached TRY 1.7 billion.

A significant increase observed in other operating income is the reflection of the accrued premia of an asset manager that have not been collected yet.

Net income from the asset management companies’ own investment activities increased by TRY 38 million. After taxes, net income reached TRY 1.5 billion in 2021, an increase of 129% compared to 2020. Net profitability and equity profitability also increased in line with rising revenues.

Table 16: Profitability of Asset Management Companies

	2020	2021
# of companies	**49**	**51**
# of companies with profits	35	45
# of companies with losses	14	6
Net Profit (million TRY)	**655.0**	**1,499.3**
Total Profit (TRY million)	668.1	1,507.8
Total Losses (TRY million)	-13.0	-8.5
Profitability	**53.2%**	**61.7%**
Return on Equity	**64.8%**	**92.6%**

Source: TCMA

While 45 firms made a profit of TRY 1.5 billion in 2021, Re-pie, Ak, Yapı Kredi, İş and Ziraat, which were the most profitable companies in 2021 respectively, accounted for 64% of the sector's total profit. 6 firms occurred a total loss of TRY 8.5 million.

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