

*chairman's* **statement**



## WE PURSUE A CLIENT ORIENTED SERVICE APPROACH.

Despite the economic crisis which began in mid-1998, the long time passed to form the coalition government following the general elections in April and the two major earthquakes within three months that caused enormous loss of life and property in the country, the markets generally remained optimistic. In the last quarter of the year, equity transaction volume demonstrated an impressive increase, interest rates declined to their lowest levels in recent years and historically high records were set by the Istanbul Stock Exchange.

Political stability and the resulting optimistic expectations in the economy have been the driving force behind developments in the markets. Here in Turkey, the first quarter of 1999 was earmarked by expectations for a durable and stable political structure as the world economy tried to overcome the negative effects of the 1998 economic crisis. As we moved closer toward the general elections in April, the markets sensed this air of optimism and began to move forward. The government that came to power signed the stand-by agreement with the IMF, passed long-anticipated laws swiftly that would form the basis for social and economic reforms and decreased interest rates. Consequently, the ISE enjoyed the highest and most sustained index peak in its history.

Improvements in the overall economic picture of Turkey were brought about by a number of factors:

- \* The acceptance of Turkey as a candidate for full EU membership,
- \* The new monetary policy of the Turkish Central Bank,
- \* The stand-by agreement with the IMF including financial assistance and
- \* The consistency of the coalition government to provide solutions to macro-economic problems.

The results were a decrease in interest rates to their lowest levels in real terms and a large increase in the trading volume of equities. Thanks to the positively developing economic environment, İŞ Investment successfully realized İŞ Real Estate Investment Trust's public offering which constituted a landmark event for capital markets.

With its strong shareholder structure, wide distribution network, highly experienced human resources and client-oriented service approach, İŞ Investment succeeded in positioning itself as one of the market leaders right from its first year of operation. Aiming to provide the highest quality service and convenience to domestic clients, two branch offices have been added in 1999; one in İzmir and the other in Ankara.

Equity brokerage activities at İŞ Investment are geared toward both domestic and international investors. In 1999, İŞ Investment generated TL 1.9 trillion (US\$ 3.5 billion) in trading volume, ranking 10th among all the brokerage houses in Turkey and constituting 2.57% of the market's total turnover.

The fixed-income market is another area where İŞ Investment commands a leading position. In 1999, we ranked first among brokerage houses in the Bonds and Bills Market, with purchases and sales amounting to TL 1.2 quadrillion (US\$ 2.2 billion). In terms of repo transactions, we were placed second, with a record turnover of TL 6.6 quadrillion (US\$ 12.2 billion).

## İŞ INVESTMENT'S CLIENT PORTFOLIO EXHIBITED

İŞ Investment offers a comprehensive array of foreign securities with different risk and return profiles, according to investor preferences. In 1999, İŞ Investment was the most active domestic institution in the trading of FX-denominated securities with a transaction volume of approximately US\$ 1.0 billion.

In 1999, İŞ Investment was one of three Turkish institutions to become a member of ISMA - International Securities Market Association. Always aware of the importance of international institutional investors in Turkey, İŞ Investment has placed special emphasis on its marketing efforts that are customized to accommodate the needs of these clients. As a result, our client portfolio, which includes reputable fund managers and investment houses from developed countries, exhibited a substantial rate of growth in 1999; we plan to sustain this trend in 2000. The total domestic instrument sales volume to international investors increased nearly five-fold, from US\$ 104 million in 1998 to US\$ 567 million in 1999.

Following the decrease in interest rates, the preferences of the investors leaned toward equities and A-Type funds. Mutual funds under the management of İŞ Investment had a market share of 30% of the total mutual funds in Turkey and a total net asset value of US\$ 656 million as of the end of 1999. Among the 80 banks and brokerage houses presently managing mutual funds, İŞ Investment, by a large margin, ranks first in terms of market share and total net asset value.

The success of this ever-growing brokerage activity rests on the shoulders of our Research Department which consists of nine specialized company and industry analysts. The quality and the content of our research products have continually improved

and are prepared in both Turkish and English. These products continue receiving a warm welcome from domestic and international clients.

Due to unsuitable economic conditions, 1999 was not a good year for IPO activity; we led only two IPOs in 1999. We lead managed the İş Real Estate Investment Trust IPO, the largest activity of its kind in the domestic market after the privatization of İşbank in 1998. This public offering became the starting point for some practices such as registration via internet and gathering orders via facsimile.

Unfavorable conditions in both domestic and international capital markets continued into 1999; however, the performance of İş Investment demonstrated steady improvement. The total income of the Company increased to TL 10.1 trillion (US\$ 18.7 million), up from TL 3.7 trillion (US\$ 6.8 million) in 1998 and representing an increase of 174%. Interest income also increased by 104% to TL 5.0 trillion (US\$ 9.2 million). With its strong capital base and extensive capital market experience accumulated since 1974, İş Investment will extend its outstanding performance into the new millennium.

It is anticipated that the increasing trend of investments in domestic equities will continue into 2000 as well, provided there is no major deviation from the targets in the economic program. Thus, we hope that the number of equity issues will increase,

## A SUBSTANTIAL RATE OF GROWTH IN 1999.

new products such as private sector borrowing instruments will be introduced and the rapid growth of mutual funds will continue in the following year.

I feel indebted to the employees of İş Investment who have made steadfast efforts which have led to our success. I would be remiss if I did not also express my gratitude to our Board members for their continuous support. Additionally, I wish to thank our clients, both domestic and international, who have shown unswerving trust and confidence in our Company.



**Caner Çimenbiçer**  
Chairman