



Professional expertise in investment management

In 2002, we developed and implemented an alternative investment product called private portfolio management.

►► Yusuf Ziya Toprak Chairman

The macro-economic achievements realized through the IMF supported economic program and the structural reforms passed through parliament generated a certain amount of optimism in the Turkish markets at the beginning of 2002. However, concerns surrounding the ailing health of the prime minister and the discord between coalition partners brought about early general elections, dispelling the optimistic outlook in the process.

The formation of a single party government following the elections enlivened the markets with the expectation of bringing long awaited political stability to the country. Coupled with positive expectations concerning Turkey's full accession to the EU,

the markets were buoyed on another wave of optimism. However, once the positive expectations arising from the Copenhagen summit were factored into prices, the markets were left with the uncertainty of the looming war in Iraq.

With the floating currency regime, FX-denominated investment instruments gained popularity in the Turkish markets. This trend increased domestic investors' demand for FX-denominated products and led to a significant rise in the transaction volume of eurobonds and the FX-denominated debt instruments issued by the Turkish Treasury.

The revised and IMF backed economic program put in place after the February 2001 crisis succeeded in pulling down inflation to the required level, despite the

difficult political atmosphere. The expectation that short-term interest rates would fall in parallel with inflation limited the real term high yields the investors were accustomed to on short-term investments. Moreover, long-term yields were volatile in reaction to the market's response to risk. Short-term fluctuations were observed in the Stock Market throughout the year and the ISE 100-Index closed the year with a 25% decrease.

The changes in market conditions have led investors to seek professional expertise for the management of their investments. In the face of this requirement, we developed and implemented an alternative product called Private Portfolio Management in 2002. The Private Portfolio Management offers professional investment management services tailored to the investors own risk-return

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profiles. This relatively new service in Turkish security markets is expected to comprise a substantial percentage of all managed assets in the near future.

In 2002, we restructured our Corporate Finance Department and reorganized it according to updated industrial segments present today. With the matrix organizational structure we have implemented, we believe we will now be able to produce corporate finance solutions that respond to more sophisticated requirements.

During the year, we acted as the joint global coordinator in the large scale international IPO of Petrol Ofisi. Also last year, we worked as the leader in two of the three private sector IPOs. We maintained our leading position in this area in a year when only a few IPOs were held due to difficult economic conditions.

In 2002, we preserved our second place position in the ISE Stock Market and increased our market share from 4.8% in 2001 to 4.9% in 2002. Meanwhile, our equity trading volume rose by 15.87% to US\$ 6.3 billion. İş Investment ranked third in the ISE Bonds and Bills Market among brokerage houses as far as transaction volume is concerned, reaching US\$ 2.9 billion.

In 2002, while the Type-A Variable Fund was the leading mutual fund among all Type-A funds in the marketplace yielding the highest return with 32%, İş Investment's Type-B Variable Fund ranked 13th with a return of 51%.

As we leave behind this year of difficulties for the country's economy and financial markets but one filled with success for İş

Investment, on behalf of the Board of Directors I would like to take this opportunity to thank our employees who have strived with great self-sacrifice to enable us to preserve our leadership in the capital markets. I would also like to express my special gratitude to our parent organization, İşbank, for its unswerving support and encouragement as we accomplished our goal of developing capital markets. I would like to also extend my sincerest thanks to our clients and business partners for the trust and confidence they have placed in İş Investment.

Sincerely yours,

Yusuf Ziya Toprak
Chairman