

AAA-rated Turkey star turns his attention to unloved banks

By Chris Stoley / 11 Jun, 2019



Emin Yigit Onat is featured in Citywire Selector's [Euro Stars 2019](#), ranking sixth out of more than 16,000 managers tracked by Citywire for his three-year risk-adjusted performance.

The Turkish market has been hard to call for generalist investors, as Emin Yigit Onat, CIO at HSBC GAM Turkey, knows all too well. However, the lead manager on the outperforming [HSBC GIF Turkey Equity](#) fund says context is key.

'As a typical emerging economy, Turkey is never short of news flow that impacts markets. Nevertheless, the reaction to geopolitical events and developments in local politics seems to be muted compared with several years ago.'

His €65 million country-specific fund has a particular focus on Turkey's financial sector, which makes up about one-quarter of its exposure. However, Onat again stresses the need to think relatively.

'The financials sector is the largest weight in the portfolio in absolute terms but the fund's position is underweight compared with the fund's benchmark, the MSCI 10/40 Net.

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Emin Yigit Onat

1/10 in Equity - Turkey
(Performance over 3 years)

Average Total Return: **+46.97%**

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'Issues around credit quality, operating spreads and higher interest rates have dampened sentiment towards financial stocks in the past two years. But if the pressure on the lira to depreciate stabilises, the sector will once again lead in performance,' he says.

FX focus

The lira is important for Yigit Onat, as it has come under intense scrutiny in recent months. 'We constantly analyse possible impacts of exchange rate moves, economic and political conditions, and commodity prices on our investment universe, and focus on ideas that can add value,' he says.

The FX focus has played a part in recent outperformance, as well, he adds. He ties this into three key themes that have driven his strong returns.

'We see three shifts taking place: from leveraged companies to cash rich ones; from consumer names to FX revenue-dominated industrials; and from high beta financials to lower beta service and export companies.

'Essentially, we have prioritised earnings growth over deeply-discounted names. This strategy helped us avoid many value traps, which would have been a major drag on our returns,' he says.

'We have focused mostly on companies which offered higher earnings visibility for the next several quarters, over companies which seemed attractively valued but offered no catalysts.'

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#6. Emin Yigit Onat

Company: HSBC GAM

Based: Turkey

Fund: HSBC GIF Turkey Equity AC EUR

Sector: Equity - Turkey

Manager ratio: 1.54

Personal performance for three years to 31 Jan 2019: 78.8%