

PORTFOLIO MANAGEMENT COMPANIES

Q. Who can establish a Portfolio Management Company (“PMC”)?

A. Joint Stock Companies incorporated in Turkey with a minimum capital of 2.000.000 TL.

If the size of the portfolio is:

- a) Up to or equal to TL 100,000,000; the Company must have a minimum capital of TL 2,000,000,
- b) Equal to or more than TL 100,000,001 and up to or equal to TL 500,000,000; the Company must have a minimum capital of TL 3,000,000,
- c) Equal to or more than TL 500,000,001 and up to or equal to TL 5,000,000,000; the Company must have a minimum capital of TL 5,000,000; and
- d) More than TL 5,000,000,000; the Company must have a minimum capital of TL 10,000,000.

Q. What are the conditions for the partners of the PMC?

A. The founding partners of the PMC:

- Must not be bankrupt etc,
- Must not be among the persons forbidden by the Board,
- Must not have been sentenced in a criminal proceeding,
- A liquidation decision must not have been taken about any of their companies,
- Must not have been sentenced for the crimes stated in Law on Prevention of Financing of Terrorism,
- Must have the required financial strength and the honesty and reputation,
- Must not have any due and payable tax debts.

Q. Is a foreign national be able to found a PMC?

A. Yes.

Q. How a PMC can be established?

A. Required documents shall be submitted to the Capital Markets Board of Turkey. PMC is established when the Capital Markets Board approved the application within a maximum of 6 months as of the date of application.

Q. When a PMC may start to perform its operations?

A. Once the PMC sets up the basics of the company required by the Board, PMC shall apply to the Capital Markets Board for the operation permit within 3 months starting from its incorporation.

Q. What does a PMC do?

A. PMCs may establish and manage Real Estate Investment Funds. A PMC is allowed to establish more than one Real Estate Investment Fund.

PMCs, manage a portfolio assessing the risks of the capital markets instruments on behalf of the investors. PMC manages the investors funds on behalf of them through its portfolio.

Q. What kind of instruments a PMC can add into its portfolio?

A. Portfolio of a PMC can consist of the following instruments:

- Real estates,
- Capital markets instruments,
- Stocks and bonds,
- Cash, etc.

Q. Why a PMC is advantageous?

A.

- i. Allowed to establish/manage Real Estate Investment Funds
- ii. It is subject to the supervision of Capital Markets Board.
 - ✓ Bound by the government authority- Capital Markets Board- audits,
 - ✓ Public disclosure
 - ✓ International law rules
 - ✓ Mandatory timely audit and valuation
- iii. Professional management team
- iv. Right for a success fee based on the size of the fund portfolio
- v. Unlimited number of Real Estate Investment Funds may be established under a PMC.

REAL ESTATE INVESTMENT FUNDS

Q. Who can establish a Real Estate Investment Fund (“REIF“)?

A. PMC and Real Estate Portfolio Management Companies may establish a REIF.

Q. What is REIF?

A. REIFs are defined as asset pools, without legal personality, established and managed by portfolio management companies (PMCs) or real estate portfolio management companies (REPMCs) for a definite or an indefinite period of time, pursuant to its Circular approved by the Capital Markets Board intending to manage the portfolio of the fund comprising of assets and other means of investment instruments on the basis of fiduciary ownership with the money collected from Qualified Investors in consideration for the fund unit sales.

Q. How a PMC can be established?

A. Required documents shall be submitted to the Capital Markets Board of Turkey. PMC is established when the Capital Markets Board approved the Circular of REIF.

Q. When a REIF may start to perform its operations?

A. Following the approval of the Circular, REIF shall apply to the Board within 6 months starting from the approval of the Circular. Once the Board approves the Issuance Certificate, REIF will be ready to offer fund units to the investors.

Q. What a REIF’s portfolio may contain?

A. Fund portfolio contains the realized investments funded by the money collected in return for fund units. REIF can also rent properties and collect rental fees.

Portfolio may be comprised of different types of investments such as:

- ✓ Houses,
- ✓ Shopping malls,
- ✓ Hotels,
- ✓ Hospitals,

- ✓ Offices,
- ✓ Rental Houses Etc.

Q. How the valuation of the REIF's portfolio is done?

A. Transactions to be executed at the Registry of Deeds on behalf of the REIFs will be issued by the collective signatures of the authorized representatives of both PMCs and the Portfolio Depository Institutions.

Q. How a REIF's total value is calculated?

A. The value assessments of the real property in the fund portfolio shall be executed by independent Real Estate Appraisal Firms. Other instruments in the portfolio are calculated based on their market price.

Q. Why a REIF is advantageous?

A.

- i. Common or personal investment instrument
- ii. It is subject to the supervision of Capital Markets Board.
 - ✓ Bound by the government authority- Capital Markets Board- audits,
 - ✓ Public disclosure
 - ✓ International law rules
 - ✓ Mandatory timely audit and valuation
- iii. Rent profit of the investors
- iv. Maximum tax advantages on the realization of the investment among others under the Turkish tax regulations
- v. Professional management
- vi. Rapid sale and flexibility of realization

Q. What are the tax advantages of REIFs for the investors?

A.

- ✓ **Income earned by a Turkish REIF is fully exempt from corporate tax.**
- ✓ **REIF income benefitting from corporate tax exemption is also subject to 0% withholding tax.**
- ✓ **There is no further withholding taxation upon dividend distributions/redemptions to/by investors.**
- ✓ **Individual investors resident in Turkey and participating in REIFs benefit from an income tax exemption in respect of half of the gross dividend amounts received from REIFs. Declared income will be subject to income tax at the progressive rate between 15% and 35%.**

Taxation on Sale of Fund Units:

<u>TURKISH INDIVIDUALS</u>	<u>ONLY 10% WITHHOLDING TAX</u> <u>NO INCOME TAX</u>
<u>FOREIGN INDIVIDUALS</u>	<u>ONLY 10% WITHHOLDING TAX</u> <u>NO INCOME TAX</u>
<u>TURKISH COMPANIES</u>	<u>CORPORATE INCOME TAX (20% CIT).</u> <u>NO WITHHOLDING TAX</u>
<u>FOREIGN COMPANIES</u>	<u>NO TAX</u>

Taxation of REIFs' Dividend Distributions:

<u>TURKISH INDIVIDUALS</u>	<u>50% OF THE INCOME IS TAXABLE</u> <u>NO WITHHOLDING TAX</u>
<u>FOREIGN INDIVIDUALS</u>	<u>NO TAX</u>
<u>TURKISH COMPANIES</u>	<u>CORPORATE INCOME TAX (20% CIT)</u> <u>NO WITHHOLDING TAX</u>
<u>FOREIGN COMPANIES</u>	<u>NO TAX</u>