

Fund Focus: Mukafat Portfoy Yonetimi makes real estate debut

In this final installment of a special two-part exclusive on Mukafat Portfoy's new portfolio management strategies, VINEETA TAN and MARC ROUSSOT take stock of the Islamic asset manager's foray into the real estate investment fund space.

In January this year, Mukafat Portfoy introduced its first real estate investment fund (REIF) — the First Fuel Sector Real Estate Investment Fund (MBG), alongside its second **venture capital (VC) fund**. The Islamic asset manager followed up with another REIF in August, the Yonca Real Estate Investment Fund (MPG). These are the first REIFs to operate on a non-interest basis.

Why the aggressive push into the REIF space? REIF regulations may have been in place since January 2014, but it was not until this year when market conditions were ripe, combined with new regulatory incentives for Shariah compliant alternative funds, that propelled Mukafat Portfoy to look at Islamic REIFs.

At a macroeconomic level, Turkey's promising demographics make it a fertile market for real estate investments.



"Despite certain global and regional instability in recent years, not only domestic but also international investors continue to consider Turkey as an emerging market, particularly in the real estate sector because of its high population growth and strong demand for real estate. Also, the regulation is largely in line with global standards. Therefore, global international funds are seeking opportunities to benefit from the growth potential of Turkish real assets," explains Kagan Candan, the general

manager of Mukafat Portfoy, adding that the main subscribers of alternative funds are international funds.

At a micro level, the spur in Shariah REIFs — similar to Islamic VC funds — is triggered by the favorable tax treatments. It was decided any earnings from both these types of funds would be fully exempted from corporate tax and subjected to a 0% withholding tax.

Both the REIFs are targeting annual returns of between 20-25%; MBG will invest in fuel-related properties, specifically gas stations, while MPG will gain exposure in commercial real estate. Candan confirms that Mukafat Portfoy is working on a logistics REIF.

Table 1: Key information on Mukafat Portfoy's two REIFs

	MBG	MPG
Launch date	19 th January 2018	16 th August 2018
Brief description	The funds aim to deliver interest-free capital appreciation and income through investment in Turkish real estate either through sales and acquisitions or rental of properties.	
Expected annual yield	>20-25%	
Target sectors	Gas stations	Commercial properties