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ITF404
INVESTMENT ANALYSIS AND PORTFOLIO MANAGEMENT

Subject: RG6 – İzmir Tarihi Kemeraltı Real Estate Investment Fund Report

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Abstract

This case study seeks to thoroughly assess the performance measurement and presentation adherence of the RG6 – İzmir Tarihi Kemeraltı Real Estate Investment Fund's disclosed cumulative return assertion of 130.76% in accordance with CFA GIPS Standards. Our research validates the fund's nominal return via independent data checks and encompasses nominal/real return evaluation, suitable benchmark selection, and risk assessment. Ultimately, it seeks to offer a GIPS-compliant method for the fund's performance reporting by pinpointing the ethical advertising disclosures mandated by GIPS to mitigate the risk of deceiving investors.

Introduction

Performance reporting plays a critical role in investment decision-making, particularly for alternative assets such as real estate funds, where valuation and liquidity differ significantly from publicly traded securities. In this context, cumulative return figures are often used as headline indicators of success. However, when presented without sufficient context, such figures may fail to reflect the true economic value delivered to investors. To address these concerns, the CFA Institute's Global Investment Performance Standards (GIPS) provide a structured framework aimed at ensuring fair representation, transparency, and comparability in performance reporting. In this report, we examine the performance presentation of the RG6 – İzmir Tarihi Kemeraltı Real Estate Investment Fund, managed by RE-Pie Portfolio Management. The fund is publicly advertised as having achieved a cumulative return of 130.76% since inception. While this claim is numerically significant, its reliability and interpretability depend on how the return is calculated, contextualized, and communicated particularly in a high-inflation environment such as Turkey and within an appraisal-based real estate fund structure. For the purpose of risk-adjusted performance evaluation, this study uses as a proxy the two-year average of the Turkish Lira Overnight Reference Rate (TLREF), approximately 32%, for the risk-free rate (Rf). Accordingly, we verify the advertised return using publicly available data from TEFAS, KAP disclosures, and the fund's prospectus, and assess whether its presentation complies with GIPS principles. Beyond return verification, we analyze real versus nominal performance, benchmark relevance, risk and risk-adjusted returns, and the ethical implications of performance advertising. Finally, we evaluate investor suitability to determine whether RG6's communication and risk profile are aligned with the expectations and constraints of its potential investor base.

Part A Independent Performance Verification

1. Return Measurement

1A. Verify whether the advertised 130.76% cumulative return is correct using publicly available price data.

In the current investment environment, the reliability and transparency of performance data serve as the primary benchmarks for ethical asset management. From an analyst's perspective, it is no longer enough to simply report returns; these figures must be scrutinized through standardized lenses to ensure they represent actual economic gains rather than accounting artifacts. This is why the CFA Institute's Global Investment Performance Standards (GIPS) remain the gold standard, providing a necessary framework for fair representation and full disclosure across diverse asset classes.

The focus of this report is the RG6–İzmir Tarihi Kemeraltı Real Estate Investment Fund, which is managed by RE-Pie Portfolio Management and actively promoted in public disclosures. The management company states that the fund has delivered a cumulative return of 130.76% since its launch, a figure that features prominently in its marketing narrative. Because such performance claims can strongly shape investor expectations, this study seeks to verify the accuracy of the stated return by cross-checking data from TEFAS, KAP announcements, and the information provided in the fund's prospectus.

Beyond verifying numerical performance, the report evaluates whether the presentation of RG6's return aligns with GIPS principles of accuracy, comparability, transparency, and fair representation. Particular attention is paid to the challenges of performance reporting in Turkey's high-inflation environment, where nominal returns can significantly overstate real economic value. Furthermore, the report analyzes benchmark validity, risk-adjusted performance measures, ethical advertising considerations, and investor suitability requirements.

Overall, this study aims to provide a holistic, GIPS-aligned performance assessment of RG6 and to determine whether the fund's published returns offer a fair and meaningful representation to current and prospective investors.

1B. Clearly Define

Inception Date: This date represents the date when the fund's price was first determined and when it actually began its investment activities (29.08.2019). It indicates the starting point of the time period in our performance calculations.

Initial Price (P0): It is the price of a unit share determined on the date the fund was first publicly offered (1,000000 TL) or on the date of its establishment. It represents the initial value of the share in the calculation of cumulative return.

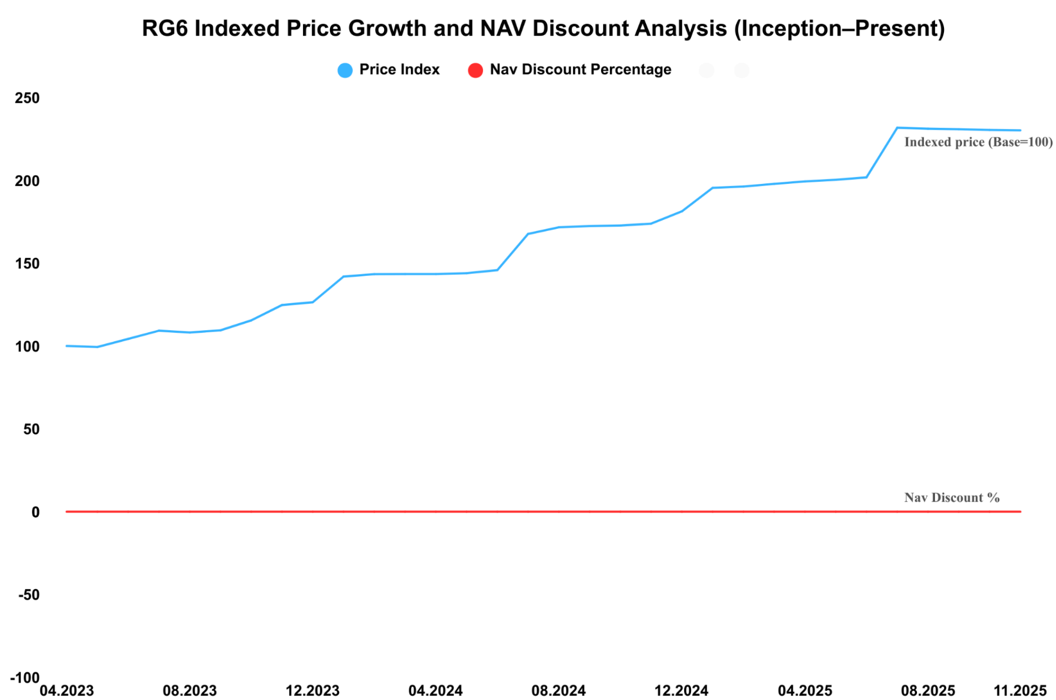
Current Price (P1): It is the price of the unit share corresponding to the date of the most recent available data or the day on which we perform the performance calculation. This price (2,307616 TL) represents the value of the share at the end of that time period (29.11.2023).

Our Calculation Formula: This formula is the mathematical formula you use to calculate the cumulative return.

$$\text{Cumulative Return (\%)} = (P1-P0 / P0) \times 100$$

This formula we use calculates the total return as a percentage by comparing the price increase to the initial price.

1C. RG6 Historical Price Growth Indexed to Inception



The figure shows the price development of the RG6 fund from its inception to the present, indexed with an initial value of 100 to ensure comparability. The increase in the index over time indicates cumulative growth in the fund's unit share value. In the TEFAS system, RG6 shares are traded at a unit share value calculated by dividing the fund's total net asset value (NAV) by the number of shares in circulation, and there is no separate market price independent of NAV. Therefore, there is no observable NAV discount or premium in the current dataset, and the NAV discount remains at zero throughout the period. If the fund shares were trading at a discount relative to NAV, this would indicate that the market price is below the fund's intrinsic value and that factors such as investor perception, liquidity constraints, or market expectations are influencing pricing; however, the absence of such a deviation reveals that the fund is priced at its intrinsic value.

2) Compliance with GIPS Principles Using your findings

2A. Discuss whether the performance claim is fair, accurate, and comparable, as required by GIPS.

Compliance Fundamentals
GIPS requires investors to provide comprehensive, accurate, and non-misleading information. However, RG6's advertisement fails to achieve GIPS compliance by providing only cumulative return information without providing any context, evaluation criteria, or methodology.
The presentation lacks a complete and fair representation → Not Compliant.

Input Data and Calculation Methodology
Although the TEFAS NAV data is real, the R6G advertising content does not specify whether the return generated by the data is gross or net. Furthermore, there is no mention of whether these returns are time-weighted or the calculation method. Because comparability and calculation methods must be clearly shared to be compliant with GIPS, R6G can only be considered partially compliant despite the data being accurate.

Compound and Joint Fund Management
RG6, although advertised as a joint real estate fund, requires the inclusion of relevant funds in order to be eligible for GIPS joint funds. Since this advertisement does not specify any funds, does not provide the necessary classification, and does not specify any requirements, it is not considered eligible for GIPS.

Composite Time-Weighted Return Report
GIPS requires annual time-weighted returns, three-year risk metrics, and benchmarks to be eligible for a composite time-weighted return report. None of these are specified in the RG6 advertisement.
Composite Money-Weighted Return Report
GIPS allows money-weighted returns but requires full disclosure. RG6 does not comply because no such report or disclosure is available.

Pooled Fund Time-Weighted Return Report
The RG6 ad does not include time-weighted performance, risk metrics, or a shortfall measure. Because it also mentions valuation frequency, it is not eligible for the RG6 pooled fund time-weighted return report.

Mutual Fund Money-Weighted Return Report
Because the RG6 fund chooses to offer a money-weighted return, it must disclose the methodology, cash flow timing, and justification, but none of these are provided to the investor.

GIPS Advertising Guidelines
This is the most relevant section. GIPS ads require at least the following: benchmark return, whether returns are gross or net, time-weighted methodology, and the period covered. RG6's ad only lists one number: 130.76%. No benchmark, no fee, no risk, no method.

2B. Would GIPS allow the presented advertising statement? Why or why not?

The advertising statement made by RE-Pie Portfolio Management for the RG6 – Izmir Historical Kemeraltı Real Estate Investment Fund, stating “a cumulative return of 130.76% since inception,” is unlikely to be permitted for standalone use as presented in this advertising disclosure under the GIPS (Global Investment Performance Standards) framework's “Fair Representation and Full Disclosure” principles.

The reason for this is that even if the return figure is technically correct (as verified in section 1A), this advertisement carries the risk of misrepresenting the investor due to the absence of many fundamental disclosures required by the GIPS Advertising Guidelines.

1) Analysis of GIPS Compliance and Disclosure Failures

The promotional materials for the RG6 fund present several significant departures from the fundamental principles of the GIPS Standards, particularly regarding the ethical framework of fair representation. A primary concern is the use of a 130.76% cumulative return spanning nearly four years since the fund's inception in August 2019. From a technical standpoint, presenting a multi-year aggregate figure without its annualized equivalent is problematic, as GIPS guidelines emphasize that annualized returns are essential for investors to perform an accurate cross-comparison of long-term performance. By highlighting only the large cumulative growth, the firm risks inflating the perceived average annual yield. Furthermore, within the context of the Turkish market’s high inflationary environment, reporting nominal returns without adjusting for or mentioning purchasing power fails the fair representation test. Without accounting for the inflation effect, an investor cannot determine if the fund has generated any real economic value or simply tracked rising price levels.

Beyond these contextual issues, the advertisement appears to be in direct violation of the full disclosure principle. Under GIPS, any performance-based communication must provide the necessary transparency for an investor to conduct a thorough analysis, yet the RG6 materials omit nearly all mandatory disclosures required for broad distribution pooled funds. For instance, there is a total absence of benchmark information. Without a relevant index or benchmark return for comparison, the fund's performance exists in a vacuum, making it impossible for a potential investor to judge whether the management has actually outperformed the market or underperformed a comparable asset class.

Furthermore, the advertisement fails to clarify the nature of the returns in terms of fee structures. It is a standard requirement to specify whether the reported figures are gross or net of management fees, performance fees, and transaction costs. This distinction is vital because gross returns do not represent the actual capital that remains in the investor's pocket. Additionally, the firm has neglected to include the mandatory GIPS compliance statement or provide instructions on how a prospect can access the full GIPS Report. By failing to state that RE-Pie Portfolio Management complies with these global standards or that a full performance report is available upon request, the advertisement falls short of the transparency levels expected in professional asset management.

Part B Real vs. Nominal Performance

3. In a high-inflation market such as Turkey

3A. Would presenting only nominal cumulative returns violate GIPS (or some related local or international) ethics of fair representation?

In the context of the Turkish market, where inflation has been persistently high, presenting only nominal performance figures may result in a misleading interpretation of investment outcomes. In our analysis, the nominal cumulative return of RG6 was calculated in Excel by indexing the fund price series to a base value of 100 at inception and tracking its growth over time. While this resulted in a nominal value of approximately 230 by the end of the period, the CPI index processed in the same format using public inflation data rose to nearly 268.

When two indexed series are evaluated side by side, it becomes clear that nominal information alone does not fully reflect the economic value generated. Even though the nominal increase appears attractive, the inflation-adjusted comparison reveals a deterioration in purchasing power. Therefore, limiting disclosures to nominal results may not align with the principles of fair and transparent representation expected in financial reporting. Providing both nominal and inflation-adjusted perspectives offer a more accurate, investor-minded evaluation of performance.

3B. Calculate an approximate inflation-adjusted (real) return, using any publicly referenced inflation index (e.g., CPI).

To assess whether RG6 generated real value for its investors, the cumulative performance of the fund was compared against the cumulative increase in consumer prices over the same period. In Excel, the nominal index values previously calculated for the fund were aligned by date with the CPI index values obtained from publicly available official statistics. The final month's values were then used as reference points.

At the end of the observation period, RG6's price index had increased from its base value of 100 to approximately 230. This represents the nominal growth experienced by investors. Over that same horizon, the inflation benchmark rose from the same base level of 100 to nearly 268. By comparing these two end values, it becomes evident that the increase in general price levels outpaced the return generated by the fund.

This means that, although the fund showed a strong nominal appreciation, investors' purchasing power declined relative to inflation. When interpreted using the indexed data prepared in Excel, the outcome corresponds to an approximate real loss of around 14% over the period. In practical terms, the nominal gains did not translate into real economic value, as the inflation benchmark grew more than the fund itself.

3C. Discuss whether real estate funds should adjust or contextualise inflation when reporting performance.

Real estate investments typically appeal to investors seeking long-term value preservation, income growth, and inflation resilience. For this reason, performance reporting for real estate funds must consider changes in price levels. In our work, both the fund's performance and inflation data were brought into a comparable structure in Excel by indexing them to the same base period. When viewed together, the indexed data clearly indicate that inflation increased at a faster rate than the fund's performance, leading to a reduction in real economic benefit.
Because inflation directly influences asset replacement costs, rental adjustments, construction expenses, and property valuations, ignoring inflation in reporting may distort investors' expectations. Therefore, it is appropriate that real estate funds at least contextualise their nominal results against inflation. This allows investors to see whether the fund merely kept pace with rising prices or genuinely generated real wealth. In the case of RG6, the comparison shows that nominal returns were not sufficient to offset the cumulative price increases observed over the same timeframe.

Part C   Benchmarking and Comparability

4. Benchmark Validity

4A. Identify the benchmarks referred to by RE-Pie or available on TEFAS?

RG6 (Izmir Historical Kemeraltı Real Estate Investment Fund) does not have a publicly declared, transparent, and traceable Official Benchmark, according to evaluations of TEFAS, KAP (Public Disclosure Platform), and the fund's issue document/prospectus. The fund is managed with an Absolute Return target or a concentration on real estate value appreciation instead of tracking a particular index.

4B. Evaluate whether these benchmarks meet GIPS (or some related local or international) requirements for appropriateness, consistency, and relevance for a real estate fund.

When assessed under the GIPS principles, RG6 does not fully meet the suitability, consistency, and appropriateness standards required for a real estate investment fund, as there are currently no benchmarks referenced for it.

Suitability
GIPS requires that a benchmark be available within its scope, and that these benchmarks reflect the fund's investment universe and strategy as clearly as possible to the investor. RG6 invests in illiquid, project-based real estate assets, while most TEFAS benchmarks track liquid securities (e.g., publicly traded REIT/REIT stocks or broad market indices). This creates an inherent incompatibility.

Consistency
Under GIPS principles, benchmarks must be calculated over comparable time periods and using consistent methodologies. For RG6, this requirement is addressed by adopting the BIST Real Estate Investment Trust Index (XGMYO) as the primary benchmark. Although XGMYO is market-price based while RG6 relies on appraisal-based NAV calculations, both series can be aligned on a monthly indexed basis (base = 100 at inception), ensuring time consistency and meaningful comparison.

Relevance
Under GIPS mandates, benchmarks must be calculated over identical time horizons using consistent methodologies to ensure a "like-for-like" comparison. For a fund like RG6, we can

address this requirement by adopting the BIST Real Estate Investment Trust Index (XGMYO) as the primary market benchmark. While it is true that XGMYO is driven by market prices and RG6 utilizes appraisal-based Net Asset Value (NAV) calculations, these two data sets can be effectively harmonized. By aligning both series on a monthly indexed basis setting a base value of 100 at the fund's inception we can achieve the time consistency necessary for a meaningful performance evaluation.

Ultimately, the current lack of a defined benchmark for RG6 stands in direct opposition to the GIPS principles of fair representation and full disclosure. This omission fundamentally obscures whether the fund is actually adding value or simply riding broader market trends. Utilizing the XGMYO index provides a vital reference point, as it reflects the investable real estate universe in Turkey and represents the true opportunity cost for investors in this sector. Even though listed REITs and private funds have different liquidity profiles, a time-consistent indexing approach bridges this gap and brings the reporting up to professional transparency standards.

Furthermore, considering the persistent inflationary pressures in the Turkish economy, it is intellectually honest to include the **Consumer Price Index (CPI/TÜFE)** as a secondary, contextual benchmark. While the CPI isn't a direct market competitor, it serves as a critical hurdle rate to determine if nominal gains have resulted in actual purchasing power growth. By evaluating RG6 against both a sector-specific index (XGMYO) and an inflationary floor (CPI), the reporting shifts from a simple marketing claim to a robust financial analysis. This dual-benchmark approach not only satisfies GIPS expectations but also provides investors with the clarity needed to distinguish between inflation-driven nominal spikes and genuine alpha creation.

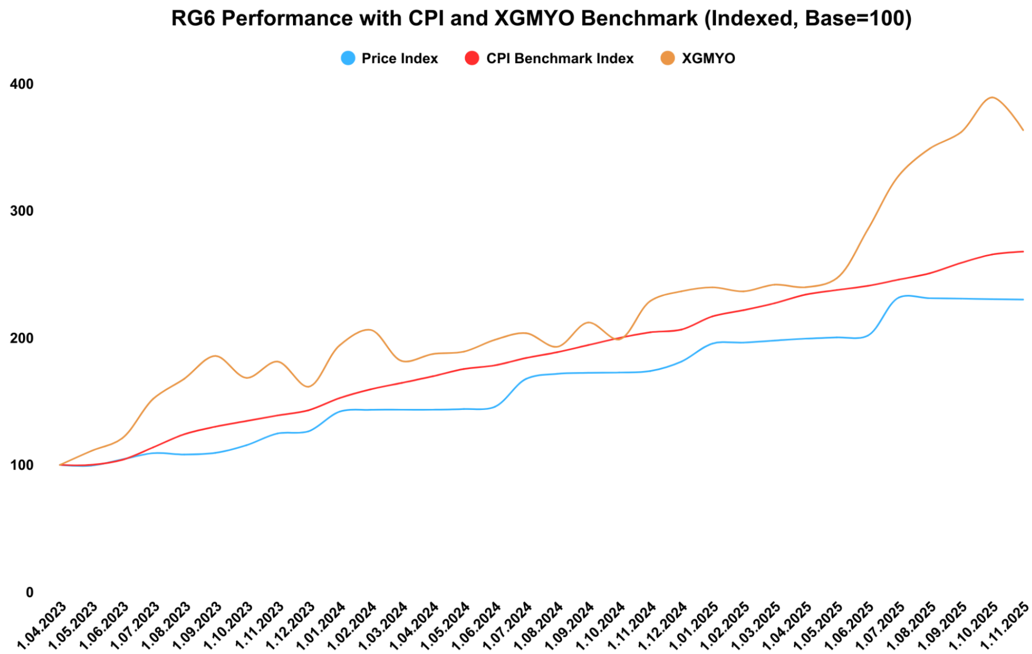
4) Justification for Using XGMYO as a Benchmark

To evaluate RG6 under GIPS principles, the benchmark should be representative of the fund’s investment universe and provide an investable, market-based reference for opportunity cost. The BIST Real Estate Investment Trust Index (XGMYO) is an appropriate primary benchmark because it reflects the performance of Turkey’s publicly listed real estate investment trusts and captures sector-wide dynamics affecting real estate investments, including changes in financing conditions, valuation expectations, and market sentiment. Unlike CPI, which is an inflation indicator rather than an investable return series, XGMYO constitutes a true performance benchmark consistent with GIPS expectations regarding relevance and comparability.

Although RG6 is a private, project-based real estate fund with appraisal-driven NAV updates, meaningful comparison remains feasible by aligning both RG6 and XGMYO over identical periods and converting them to a consistent periodic frequency (e.g., monthly) on an indexed basis (base = 100 at inception). Structural differences such as liquidity, volatility, and valuation lag should be clearly disclosed, but they do not eliminate the usefulness of XGMYO as a sector-representative benchmark. Accordingly, XGMYO provides the most defensible market comparator for assessing whether RG6 delivers value relative to the broader Turkish real estate investment universe, while CPI should be used only as a secondary, contextual reference for real return interpretation.

5. Relative Performance Visualization

5A. Indexed Comparison of RG6 against Consumer Price Inflation



To ensure a level playing field for this analysis, the RG6 fund, the BIST Real Estate Investment Trust Index (XGMYO), and the Consumer Price Index (CPI) were all rebased to 100 at the fund's inception. This indexing allows for a direct, time-aligned comparison across different asset types. In this framework, XGMYO serves as our primary benchmark to represent the broader investable real estate market in Turkey, while the CPI is utilized as a secondary contextual marker to measure the impact of inflation on the investor's actual purchasing power.

The data reveals that while RG6 has achieved significant nominal growth, its performance actually trails behind both the sector benchmark and cumulative inflation over the same period. This is a critical distinction; although the fund is growing in absolute terms, it is essentially underperforming its opportunity cost, represented by the XGMYO, and failing to keep pace with the country's inflationary trajectory. Essentially, the nominal gains do not appear to translate into real economic value creation when measured against these markers.

It should be noted that for the purpose of maintaining a consistent and fair representation, all three series reflect cumulative price movements only. This means the analysis excludes the impact of management fees, potential income reinvestment, or tax implications. By stripping away these variables, we are able to focus purely on the underlying price performance of the fund relative to the market and the economy, providing a clearer picture of its relative standing.

5B. Provide an interpretation consistent with GIPS (or some related local or international) disclosure principles.

The relative performance analysis reveals that RG6 lagged behind both the XGMYO benchmark and the CPI over the entire observation period. While the fund's indexed value rose to approximately 230, it failed to keep pace with the cumulative levels of the broader real estate market and inflation. Consequently, despite the positive nominal growth, the fund actually delivered a negative real return, failing to protect the investor's purchasing power.

To ensure consistency and avoid compounding distortions, all series were rebased to 100 at inception. In accordance with GIPS principles, XGMYO was used as the market-representative proxy for relative assessment, while CPI served strictly to contextualize inflation, not as an investable benchmark. These figures are nominal and reflect price movements only, excluding adjustments for fees, taxes, or distributions. This streamlined approach ensures a transparent, non-misleading disclosure of the fund's actual standing.

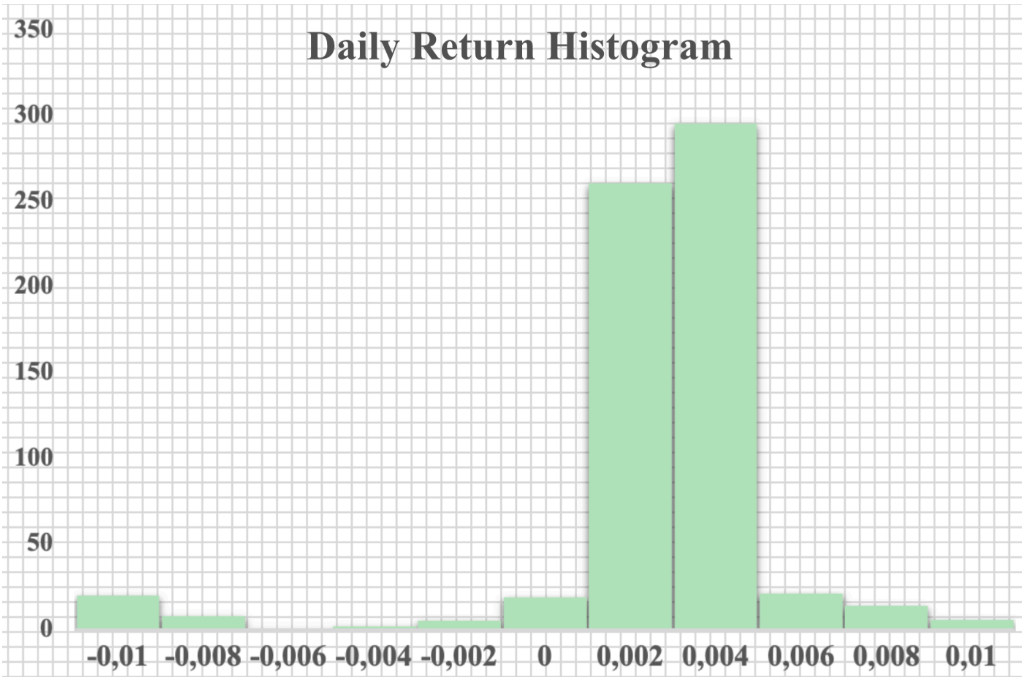
Part D Risk and Risk-Adjusted Performance

6. Risk Measurement

6A. Calculate at least one risk metric suitable for RG6 (e.g., annualized volatility, downside deviation).

To evaluate the risk profile of RG6, we derived a volatility metric based on the fund's daily NAV index. The methodology involved calculating daily percentage changes in the price index to establish a return series. While real estate returns are typically stable, the data shows occasional sharp movements, a characteristic of the periodic appraisal adjustments inherent in this asset class.

To complement the numerical volatility estimate, the distribution of daily returns is presented in Figure. The histogram illustrates a pronounced concentration of small positive daily returns, primarily within the 0.2%–0.4% range, alongside visible tail observations on both the negative and positive sides. This return structure highlights the non-continuous pricing behavior typical of appraisal-based real estate funds, where values are adjusted incrementally most of the time but occasionally experience sharper revisions. The presence of these tail observations helps explain why the annualized volatility measure appears elevated despite relatively stable cumulative performance, thereby providing a visual validation of the calculated risk metric.



After constructing the daily return series, we calculated the standard deviation to measure valuation fluctuations, which sits at roughly 4% daily. Following standard financial modeling conventions and GIPS recommendations for risk reporting, we annualized this figure by multiplying the daily standard deviation by the square root of 365. This step is crucial for transforming short-term noise into a standardized annual measure that can be compared against other investment vehicles.

The resulting annualized volatility of 78% suggests a very high level of valuation variability. However, it is important to interpret this figure with caution; it likely reflects the "stair-step" nature of appraisal-based accounting rather than actual daily market liquidity. Nevertheless, including this metric aligns with GIPS requirements for the quantitative disclosure of risk. It provides a transparent, standardized basis for investors to assess the fund’s risk characteristics relative to other sectors or asset classes. Daily volatility may overstate true economic risk due to appraisal-based valuation and step-wise NAV adjustments; therefore, this measure should be interpreted with caution.

6B. Explain why these measures fit a real estate fund under GIPS requirements (or some related local or international requirements) for risk disclosures.

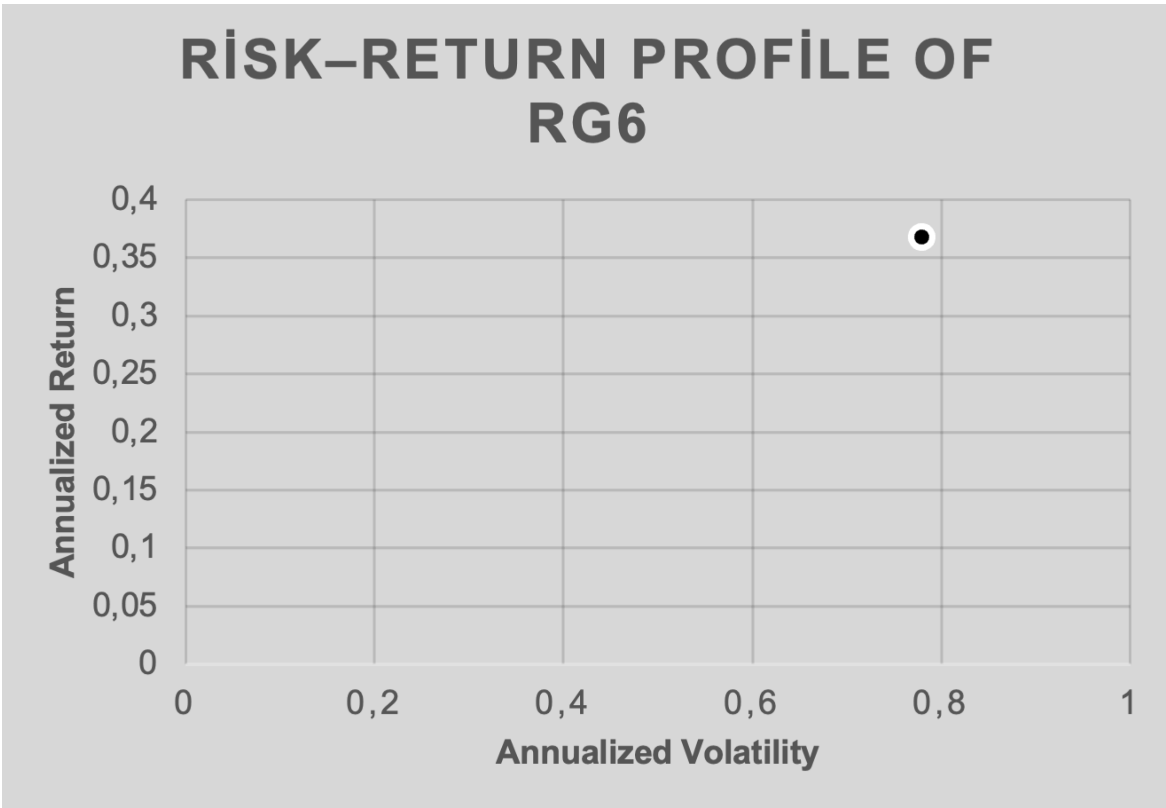
Because volatility offers a quantitative measure of uncertainty in the valuation of the underlying assets, it is a suitable and GIPS-consistent risk metric for a real estate investment fund. GIPS mandates that investment managers provide enough specific risk information so that investors can comprehend the variability and potential downside of returns, even though real estate NAVs are not marked to market every day and are impacted by periodic appraisal adjustments. In order to compare the valuation risk of RG6 with other investment strategies, a consistent and transparent framework is established by measuring and annualizing the standard deviation of NAV-based returns. The nature of the asset class, the liquidity profile, and the fund's valuation process must all be included in risk disclosures under GIPS. Appraisal-based pricing in RG6 leads to infrequent price adjustments, frequently in the form of incremental increases. In spite of this, GIPS's principles of fair representation, comparability, and methodological consistency are satisfied because volatility continues to reflect how uncertain the valuation path is over time. Because of this, annualized volatility satisfies globally accepted disclosure standards for alternative investment vehicles, such as real estate funds, and is a useful indicator of RG6's risk profile.

7. Risk-Adjusted Returns

7A. Compute at least one risk-adjusted measure (Sharpe ratio or a justified alternative when risk-free data is unavailable).

Evaluating the performance of RG6 requires more than simply looking at its cumulative return. Instead, the analysis is extended to a risk-adjusted framework that focuses on the fund's day-to-day return behavior. For this purpose, daily net asset value index data obtained from TEFAS were used, and daily percentage returns were calculated in Excel. This approach allows actual changes in fund value to be observed, rather than relying on smoother, appraisal-based price movements. The standard deviation of these daily returns was then calculated over the entire sample period and annualized in order to make the results comparable with annual performance figures.

The findings point to a remarkably high level of risk. RG6's annualized volatility is estimated at around 78%, indicating substantial uncertainty in returns. Such a high volatility level is not unexpected for real estate investment funds, as their asset prices are adjusted periodically instead of being formed through continuous market trading. In line with this risk framework, the fund's cumulative return since inception was also transformed into an annualized return, resulting in a nominal annual performance of 36.83%.



To distinguish performance generated through active management from returns that merely compensate for holding capital, a domestic risk-free reference rate was applied. The Turkish deposit rate, set at 32%, was selected as the most realistic proxy for a risk-free alternative available to local investors. When RG6's excess return above this benchmark is evaluated relative to its volatility, the resulting Sharpe ratio is approximately 0.06. This value implies that the fund produces only a very limited amount of additional return for each unit of risk taken.

From a risk-adjusted perspective, the results suggest that RG6's seemingly strong nominal performance is largely undermined by its high volatility. While cumulative returns may initially appear attractive, incorporating risk into the analysis reveals that return efficiency remains weak. As a result, focusing solely on cumulative performance would lead to an incomplete and overly optimistic assessment of the fund's true investment profile . For risk-adjusted performance evaluation, the risk-free rate (Rf) is taken as the two-year average of TLREF, which stands at approximately 32%. It reflects the prevalent domestic risk-free return conditions and is consistent with the Turkish lira–denominated returns analyzed, thereby avoiding any currency mismatch and enhancing the comparability of the risk-adjusted metrics.

7B. Discuss whether the fund's performance is attractive on a risk-adjusted basis, not merely on a cumulative return basis?

When the fund's performance is evaluated not only through its cumulative gains but also through a risk-adjusted perspective, the attractiveness of RG6 becomes considerably weaker. Although the fund has produced a positive nominal annualized return, the extremely high level of volatility observed in its daily pricing substantially reduces the economic value that this return provides to investors. In essence, the uncertainty associated with the fund's appraisal-based valuation process results in a level of risk that is not sufficiently compensated by the return generated.

Furthermore, when compared against the locally available risk-free alternative namely Turkish deposit rates the excess return provided by RG6 over this benchmark is minimal. This implies that investors could achieve a similar level of reward without taking on the substantial valuation risk inherent in RG6. Accordingly, even though the fund may appear successful when judged solely on cumulative performance, the risk-adjusted evaluation reveals that the fund does not offer a compelling risk-reward profile.

This finding highlights an important investor-protection principle consistent with GIPS standards: performance should not be communicated only through headline return figures, but rather in a manner that reflects both the uncertainty and opportunity cost associated with the investment. RG6's results illustrate that high nominal performance alone does not guarantee desirable investor outcomes, especially in a market environment where inflation and volatility can significantly erode realized value.

Part E Ethical Reporting & Investor Suitability

8. GIPS Ethical Evaluation

8A. Ethical Review: Does the advertisement pose a risk of misleading investors?

Yes. The RG6 advertisement poses a risk of misleading investors because it presents only a single cumulative return figure (130.76%) without disclosing any of the critical fund features. RG6 is an illiquid real estate fund with limited repurchase rights, appraisal-based valuations, and infrequent NAV updates. These structural features make returns appear more profitable and less volatile than they actually are. Furthermore, in a high-inflation environment like Turkey, nominal cumulative returns can give an exaggerated impression of actual economic performance.

8B. Which GIPS (or some related local or international) advertising disclosures should have been added to avoid misrepresentation?

To avoid misleading investors and to comply with the GIPS Advertising Guidelines, the performance statement for RG6 should have been supported by several mandatory disclosures. Presenting a standalone cumulative return figure without context fails to meet the principles of fair representation and full disclosure. At a minimum, the following disclosures should have been included:

First, the nature of the reported return must be clearly defined. GIPS requires firms to specify whether performance figures are presented on a gross or net-of-fees basis. Since fees materially affect investor outcomes, the absence of this information prevents investors from understanding the actual return they would receive. Therefore, the advertisement should have explicitly stated whether the 130.76% cumulative return is calculated before or after management fees, performance fees, and other expenses.

Second, an appropriate benchmark disclosure should have been provided. Performance figures must be presented alongside a relevant benchmark to allow investors to assess relative performance. Without a benchmark, investors cannot determine whether the fund outperformed, underperformed, or merely tracked broader market conditions. In the case of RG6, a sector-representative benchmark such as the BIST Real Estate Investment Trust Index (XGMYO) should have been disclosed to provide meaningful performance context.

Third, the time period and calculation methodology should have been stated. GIPS advertising standards require clarity regarding the performance period covered and the methodology used (e.g., time-weighted or money-weighted returns). Reporting a multi-year cumulative return without specifying the exact time horizon or calculation approach may exaggerate perceived performance. The advertisement should have clearly disclosed the inception date, the end date of the calculation, and the return methodology applied.

Additionally, a risk and inflation-related warning should have been included. Given Turkey's high-inflation environment and the illiquid, appraisal-based structure of real estate funds, GIPS-consistent communication requires contextual risk disclosures. Investors should have been informed that the reported return is nominal, may not reflect real purchasing power gains, and is subject to valuation frequency and liquidity constraints.

9. Investor Suitability

9A. Identify which investor profile(s) RG6 fits (institutional vs. retail, impact investor, long-term conservative investor, etc.).

Given its asset structure, pricing dynamics, and risk characteristics, RG6 seems to be best suited for long-term investors who can tolerate higher levels of uncertainty. The fund's performance is primarily determined by appraisal-based valuation updates rather than ongoing market pricing because it is backed by real estate assets in İzmir's historic Kemeraltı district. Because of this, investors looking for steady or predictable short-term returns may find it unsuitable as short-term price visibility is restricted and valuation changes may occur in irregular steps.

Furthermore, the risk analysis's assessment of the fund's volatility level shows that RG6 has a significant amount of valuation risk. This indicates that the fund is more suitable for investors who consider real estate exposure to be a medium-to-high risk component of their portfolio and who are at ease with changes in portfolio value. Additionally, compared to publicly traded securities, the fund's liquidity is comparatively limited, which makes it unsuitable for investors who value frequent trading opportunities or who might require quick access to their capital. When all of these factors are taken into account, RG6 is best suited for long-term, growth-oriented investors who see real estate as a strategic asset class and who prioritize potential capital appreciation over daily price stability or short-term income.
These could include retail investors with greater financial literacy, high-net-worth individuals, or institutional investors who want to diversify their larger investment holdings by being exposed to the dynamics of the real estate market and urban redevelopment. On the other hand, this product might not be appropriate for conservative investors, short-term traders, or people with low risk tolerance.

9B. Explain how GIPS requires firms to ensure suitability and transparency in communication.

Under the GIPS framework, investment firms are expected to communicate performance in a way that allows investors to realistically assess both the potential rewards and the underlying risks of a product. This requirement goes beyond presenting numerical returns and extends to ensuring that the characteristics of the investment are clearly understood by the target investor group. In this sense, transparency and suitability are closely linked concepts within GIPS standards.

For a fund such as RG6, where returns are driven by appraisal-based valuations rather than continuous market pricing, GIPS requires that this structural feature be explicitly disclosed.

Without such clarification, investors may incorrectly assume a level of liquidity, price stability, or short-term predictability that the fund does not actually offer. By mandating disclosures on valuation methodology, pricing frequency, and liquidity constraints, GIPS helps prevent this type of misinterpretation and supports informed decision-making.

In addition, GIPS emphasizes that performance communication should reflect the opportunity cost and risk profile faced by the investor. This means that returns should not be presented in isolation, but alongside relevant risk measures and contextual benchmarks. For RG6, failing to disclose volatility, benchmark comparisons, or the nominal nature of returns in a high-inflation environment may lead investors to overestimate the fund's attractiveness relative to lower-risk alternatives available in the domestic market.

Finally, suitability under GIPS also relates to how products are marketed to different investor types. Funds with limited liquidity and higher valuation uncertainty, such as RG6, should not be promoted in a way that appeals to short-term or risk-averse investors. Clear and transparent communication ensures that only investors with an appropriate risk tolerance, investment horizon, and financial capacity are targeted. By enforcing these disclosure and communication standards, GIPS aims to align investor expectations with the true characteristics of the investment, thereby reducing the risk of unsuitable investment decisions and enhancing trust in the asset management industry.

Part F—GIPS-Compliant Reporting Proposal

10. Prepare a one-page GIPS-compliant performance report for RG6 containing:

1)Fund Overview

RG6 – İzmir Tarihi Kemeraltı Real Estate Investment Fund is a project-based real estate investment fund managed by RE-Pie Portfolio Management. The fund focuses on real estate assets located in İzmir's historic Kemeraltı district. Unlike publicly traded securities, RG6 is valued through periodic independent appraisals, meaning that its net asset value does not reflect continuous market pricing.

2)Performance Summary (Nominal)

Since its inception on 29.08.2019, RG6 has generated a cumulative nominal return of 130.76%, which corresponds to an annualized nominal return of approximately 36.83%.

These figures are calculated based on changes in the fund's net asset value (NAV) and are presented on a nominal basis.

3)Benchmark Comparison

In order to present performance in a fair and comparable manner, we evaluate RG6's returns against appropriate reference indicators in line with GIPS principles.

The BIST Real Estate Investment Trust Index (XGMYO) is used as the primary benchmark, as it represents the performance of Turkey's listed real estate sector and reflects the opportunity cost faced by investors seeking real estate exposure. In addition, the Consumer Price Index (CPI / TÜFE) is included as a secondary, contextual reference to assess the impact of inflation on purchasing power, rather than as an investable benchmark.

When performance is compared on an indexed basis, RG6's nominal growth remains below both the XGMYO index and cumulative inflation over the same period. This suggests that, despite positive nominal returns, the fund has not generated meaningful real economic value for investors.

4) Risk and Risk-Adjusted Performance

To evaluate the risk profile of RG6, we calculated annualized volatility based on daily NAV-based returns. The resulting annualized volatility is approximately 78%, reflecting the appraisal-based valuation structure of the fund rather than continuous market trading.

Using the Turkish deposit rate of 32% as a practical proxy for the local risk-free rate, RG6's Sharpe ratio is estimated at around 0.06. This indicates that the excess return generated by the fund is very limited when evaluated relative to the level of risk undertaken. From a risk-adjusted perspective, the fund's performance therefore appears weak, despite its strong headline cumulative return.

5) Liquidity, Valuation, Fees, and Inflation Disclosure

RG6 is an illiquid real estate fund, and investors may face restrictions regarding exit timing and access to capital. Asset values are determined through periodic independent appraisals, which may lead to valuation lag and step-wise price movements rather than smooth daily changes.

Unless explicitly stated otherwise, reported performance figures are gross of fees. As a result, actual investor returns may be lower once management fees, performance fees, and other expenses are taken into account.

All returns presented in this report are nominal. Given Turkey's high-inflation environment, nominal performance does not necessarily reflect changes in real purchasing power. Our inflation-adjusted analysis indicates that RG6 delivered a negative real return over the observation period.

6) Ethical Performance Statement

Past performance is not a reliable indicator of future results. Performance figures should not be interpreted in isolation, but rather in conjunction with information on risk, liquidity, valuation methodology, fees, and inflation effects. This performance presentation is intended to provide transparent and non-misleading information in line with GIPS principles of fair representation and full disclosure.

7) Investor Suitability

Based on its valuation structure, liquidity constraints, and risk profile, RG6 may be suitable for long-term, growth-oriented investors who are able to tolerate valuation uncertainty and limited liquidity. The fund may not be appropriate for short-term, conservative, or liquidity-sensitive investors.

Addition: Why Has RG6 Fund Failed to Perform Well?

The current status of assets in the portfolio and the featured properties are as follows:

Number and Status of Assets: Of the 8 properties in the fund, 3 have completed restoration, the projects for 2 buildings are ongoing, and the remaining 3 properties have been included in the planning for future projects.

Mavi Kortejo: Located on 945 Street in the Mezarlıkbaşı district, leading to the Smyrna Agora Archaeological Site, this building has been restored and added to the portfolio as a hotel.

Limonlu Konak: Located on 1301 Street in the Basmane district, in a central location close to Basmane Train Station.

The weak performance of the RG6 fund can largely be explained by structural and operational challenges related to the nature of its underlying real estate assets. RG6 primarily invested in historical buildings located in the Kemeraltı area, where redevelopment and value creation depend heavily on restoration progress and regulatory approvals. Since these assets cannot generate meaningful income until restoration and functional transformation are completed, delays in these processes have directly limited the fund's ability to increase its net asset value.

As of the latest portfolio disclosure, the fund holds a total of eight properties, of which only three have completed restoration. Two properties are still under active project development, while the remaining three are at the planning stage. This means that a significant portion of the portfolio remains non-income-generating. Even among the completed projects, value creation has been gradual rather than immediate. For instance, *Mavi Kortejo*, located on 945 Street in the Mezarlıkbaşı district near the Smyrna Agora excavation area, has been successfully restored and converted into a hotel. However, while this asset adds long-term potential to the portfolio, its contribution to short-term cash flows and NAV growth has remained limited. Similarly, *Limonlu Konak*, located in the Basmane area near Basmane Train Station, benefits from a central location but has not yet translated its strategic position into strong and stable income streams.

In addition to project-specific factors, macroeconomic conditions in Turkey have further weakened RG6's performance. The sharp increase in interest rates has shifted investor preferences toward more liquid and lower-risk instruments, such as deposits and short-term fixed-income products. As a result, demand for illiquid real estate investment funds declined. Given RG6's limited liquidity structure, investor outflows placed disproportionate pressure on fund value. With fewer buyers in the market, even small redemption activity led to noticeable downward adjustments in valuation.

Moreover, while income generation remained constrained, the fund continued to incur management fees and operational expenses. These ongoing costs further eroded performance, especially in a period where project completion and revenue generation lagged behind initial expectations. Taken together, RG6's underperformance is not driven by a single factor, but rather by a combination of slow project execution, regulatory delays in historical redevelopment, an unfavorable high-interest-rate environment, declining investor demand, and inherent liquidity constraints. From our perspective, these elements collectively explain why the fund has struggled to deliver strong and sustainable performance despite its ambitious redevelopment focus.

Overall Summary

The RG6 example clearly shows us that a headline figure like a cumulative return of 130.76% alone can easily mislead investors without providing the transparency and comparability that GIPS expects. While nominal returns can be verified with TEFAS data, real performance weakens in a high-inflation environment, and the fund's return lags behind both CPI and XGMYO, which are used as sector representative indicators. On the risk side, volatility measurement should be interpreted cautiously due to the appraisal-based NAV structure; however, a result like Sharpe ≈ 0.06 implies that the return per risk is limited. In conclusion, although RG6's performance appears strong on paper, its marketing presentation without including benchmark, inflation, and risk context is problematic from a GIPS perspective; and the fund is more suited to a profile of long-term investors who accept liquidity constraints and have a high risk tolerance.

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