Akbank Turkish Fixed Income Fund

Turkish Fixed Income Fund invests in sovereign and corporate debt securities issued in Turkey. The utilization of local know-how, active duration management, curve positioning and individual security selection helps to enhance the fund return and outperforms passive investing. The investment style of the fund is a combination of Top – Down & Spread Trader. The product is suitable for medium to long term investors with higher risk appétite. The risks related to movements in bond prices, resulting from interest-rate fluctuations and currency developments and to some extent changes in the quality of the corporate held portfolio. Selection of securities is conducted in line with the investment manager's risk management policies and guidelines.

Fund Information

NAV (Class I - Class A) : EUR 115.44 EUR 126.27

 Fund Size
 : EUR 33,565,847

 Launch Date
 : 02 July 2008

 Currency
 : EUR

Legal Status : Luxembourg SICAV

Reference Index* : 90% KYDABI + 10% KYD O/N Gross
*The benchmark has been updated as of 02/01/2012. KYDABI: KYD All Bond Index

(www.tkyd.org.tr)

Performance Figures		Fund ¹	Benchmark	
Since Inception ²	07.08.08 - 31.07.13	16.62%	17.82%	
2009	31.12.08 - 31.12.09	17.34%	17.55%	
2010	31.12.09 - 31.12.10	14.73%	15.54%	
2011	31.12.10 - 30.12.11	-11.94%	-12.11%	
2012	30.12.11 - 31.12.12	20.88%	22.08%	
YTD	31.12.12 - 31.07.13	-10.07%	-11.17%	
MTD	28.06.13 - 31.07.13	-3.20%	-3.79%	
1 Final partners in successful for any days not reflect the deduction of investment management				

¹ Fund performance is gross of fees and does not reflect the deduction of investment management fees, custodian fees or other expenses.

² 07.08.2008 is the start date of active portfolio management for Institutional class share

Investment Allocation (%)	
Bonds	98.64%
Money Market	1.36%
Top holdings (%)	
TRT150120	11%
TRT080317	10%
TRT080323T10	9%
TRSKPTL61419	7%
TRSKCTF81318	6%
	Since

Risk Ratios (Annualized)	YTD	Since Inception
Fund Volatility	12.05%	12.91%
Benchmark Volatility	10.84%	12.95%
Tracking Error	4.36%	2.75%
Jensen's Alpha	0.66%	1.08%
Sharpe	-1.94	-0.23
Information Ratio	0.07	0.25
Beta	1.04	0.98

Market Overview

CPI data -0,76 mom vs. 0,10 expected- surprised Turkish markets largely and from then on bond yields rose by around 100 bps where 2 and 10 yr government bond yields reached 9,60 and 9,40 respectively. 10-2 yr yield differential was 70 bps prior to CPI data but in 10 days spread dropped to -10 bps due to sudden increase in market expectation towards CBT's aggressive tightening. This major twist in the yield curve was indeed due to FED members' comments about tapering QE earlier than expected. Market impact was the sudden and aggressive up-shift of EM yield curves, leaving EM FX vulnerable; especially the ones that have high current account deficit and huge fast money inflow since early 2012.

CBT governor Erdem Başçı intervened financial markets verbally by saying that 'we are considering hiking lending rate at the next MPC meeting' one week before the MPC which helped to calm markets and further increasing the inversion of 10-2 yr spread to -30 bps. Unfortunately CBT's lending rate hike didn't satisfy markets and yield curve retested the recent highs which is 9,5% compound level.

Bond yields are directly linked to FED actions, which are in turning tied strongly to economic data especially non-farm payroll figures. Our yield curve positioning in SICAV fund is classic barbell trade in hope of FED's QE tapering will push all EM central banks to tighten monetary positions that will in turn help to long end to outperform short end.



The graph represents gross of fees performance

Administrative Information Fund Name Akbank Turkish SICAV Registered Countries Luxemboura ISIN: A Class LU0366550621 Germany LU0366550977 The Netherlands I Class LU0451096159 A0Q8MB TRY Class Registered Databases Bloomberg (AKTKFII:LX; AKTKFIA:LX) WKN: A Class Lipper Morningstar (Germany, Netherlands) A0Q8MD I Class EUR 50 Minimum Subscription: A Class Software-systems I Class EUR 5.000 Ak Asset Management Inc. Investment Manager TRY Class TRY 100.000 Administrator / Custodian Citibank International plc (Luxembourg Branch) Subscription/Redemption 3 Ernst & Young S.A. Daily Independent Auditors A Class 1.00% p.a. Management Fee I Class 0.75% p.a. TRY Class 0.75% p.a.

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^{*} Redemption and subscription requests should be sent to the Registrar and the Transfer Agent no later than 1:00PM (Luxembourg time) on the valuation day.

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