

## Akbank Turkish Equity Fund

Turkish Equity Fund invests in equities of Turkish companies which are listed on Istanbul Stock Exchange (ISE). The managers identify the fund's investment universe based on liquidity, corporate governance and valuation. We believe the Turkish market is under-researched and so offers numerous opportunities to exploit market inefficiencies. The focus of the fund is based on bottom-up stock selection which also takes account of the macro economy and the viability of current sectors trends in portfolio construction. The active top-down / bottom-up investment process used by the team is designed to capture opportunities across all market capitalisations while respecting rigorous risk controls.

## Fund Information

NAV (Class I - Class A)	:	EUR 113.72	EUR 124.37
Fund Size	:	EUR 11,598,958	
Launch Date	:	02 July 2008	
Currency	:	EUR	
Legal Status	:	Luxembourg SICAV	
Reference Index	:	97% ISE100 + 3% KYD O/N Repo Gross	

Performance		SICAV Fund (Net)	Benchmark (Gross)
Since Inception*	25.07.08 - 31.05.11	36.55%	37.66%
2009	31.12.08 - 31.12.09	75.21%	78.39%
2010	31.12.09 - 31.12.10	28.63%	30.01%
YTD	31.12.10 - 31.05.11	-13.36%	-13.93%
MTD	29.04.11 - 31.05.11	-9.88%	-10.40%

## Investment Allocation (%)

Equities	99.60%
Money Market	0.40%

\* 25.07.2008 is the start date of active portfolio management for Institutional class share.

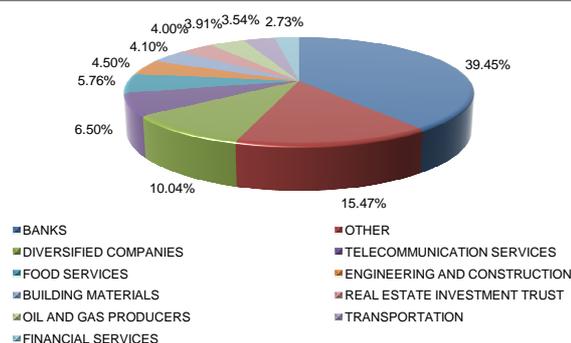
## Top 10 holdings (%)

T IS BANKASI	ISCTR TI	9.30%
T GARANTI BANKASI	GARAN TI	8.83%
HACI OMER SABANCI HOLDING	SAHOL TI	6.80%
TURKIYE VAKIFLAR BANKASI	VAKBN TI	4.93%
ASYA BANK	ASYAB TI	4.57%
ULKER	ULKER TI	4.48%
TURK TELEKOM	TTKOM TI	4.30%
AKBANK	AKBNK TI	4.15%
CIMSA	CIMSA TI	4.11%
TUPRAS	TUPRS TI	3.92%

Risk Ratios*	YTD	Since Inception
Fund Volatility	27.48	35.82
Benchmark Volatility	27.12	35.16
Tracking Error	3.95	5.49

\* Annualised figures in %

## Sector Breakdown



## Administrative Information

Fund Name	:	Akbank Turkish SICAV
ISIN :	A Class	LU0366551272
	I Class	LU0366551439
	TRY Class	LU0451096316
WKN :	A Class	A0Q8MF
	I Class	A0Q8MH
Minimum Subscription :	A Class	EUR 50
	I Class	EUR 5.000
	TRY Class	TRY 100.000
Subscription/Redemption **	:	Daily
Management Fee	:	1.75% yearly

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

This is neither an offer to sell or a solicitation to invest. This material is for your private information only and we are not soliciting any action based upon it.

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## Market Overview

In May, Turkish market has been an underperformer MoM, with increasing concern on CAD due to both high oil prices and domestic consumption boom, direct impact of CBT's unorthodox measures on banking sector's growth and profitability, relative weakness of the TRY and significant amount of new equity supply. Turkish equities plunged 13% in relative terms as concerns mount that the economy is overheating. Drastic sell-off was mainly caused by banks with NIM erosion due to RRR hikes and downgraded earning expectations. EM EMEA was the worst performing region, down 6.4% in May EM equities fell 3.0% and Asian equities fell 2.6%. EM equities underperformed DM equities (-2.4%) for a second month as EM central banks to continued to tighten monetary policy to tackle mounting inflation pressures. EM equities trade on a forward P/E of 10.6x (12% discount to DM) and a P/B of 1.9x (6% premium to DM). EM Asia equities trade on a forward P/E of 11.4x (5% discount to DM) and a P/B of 2.1x (14% premium to DM). EPS growth forecasts for 2011 are highest for EMEA (20%), then EM Asia (17%), then LatAm (14%) compared to 14% for developed Markets. In Turkey, market sentiment was bearish with a broad consensus assuming that Turkey's current account deficit was unsustainable while many worried that government and CBT will not do enough to moderate growth. ISE investors were quite anxious that CBT was behind the curve and CBT should send a message that they were responding to overheating measures. Economy was showing signs of overheating, and that substantial both of fiscal and monetary policy was required. The external deficit is running at alarmingly large levels. The current pace of the trade deficit, if unchecked, could lead to a full year deficit of around USD110 bn, which would translate into a current account deficit of more than USD80bn (10% of GDP).

Growth momentum appeared to be decelerating in May, the seasonally adjusted PMI index descended for a third month since the February. Consumer confidence and consumer sentiment indicators, which gauge expectations on purchasing power, job opportunities and economic conditions in the next three to six months, have all been flat to declining since February 2011. We expect this deceleration to intensify going forward which will cap our upside potential for ISE in June.

We believe Turkish banks are oversold given our 16.8% 11E RoE forecast. Current 1.3x 11E PB is unwarrantedly low – relative to global peers and against historical averages. We see current levels as a good near term trading opportunity. We expect upward revisions to the 11E earning consensus given recent income trends, and foresee that banks will trade at richer multiples into 2H11. We recommend accumulation on Turkish banks over Turkish industrials in the near-term. Industrials may be disadvantageous relatively to banks with expected fiscal measures to hinder CAD growth. All in all, equity market offers about 10% upside to our target level while investment grade story and underowned by foreign investors represent the upside risks. Foreign holdings at Turkish stocks are at historical lows of around 62.5%. There are selective opportunities and we are identifying potentials with our local expertise and bottom up approach since there is no rally expectation in June. We expect ISE trade between 60k-65k levels in the upcoming month so mid-cap stock selection will be on the focus.

## Comparative Returns\* / 25.07.08 - 31.05.11

