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 104,94 FUR 114 20

Fund Size : EUR 32.754.986 Launch Date : 02 July 2008 · FUR Currency

Legal Status : Luxembourg SICAV

. 90% KYDABI + 10% KYD O/N Gross Reference Index* * The benchmark has been updated as of 02/01/2012, KYDABI; KYD All Bond Index (www.tkyd.org.tr)

chmark
9%
18%
16%
-12%
22%
-21%
22%
-14%
-7%

¹ Fund performance is gross of fees and does not reflect the deduction of investment manager

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

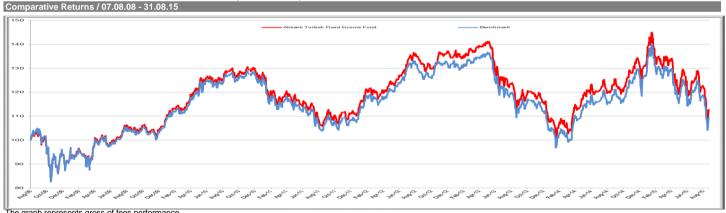
Investment Allocation (%)	
Bonds	97,94%
Money Market	2,06%
Top holdings (%)	
TRT240216T10	14,05%
TRT150120T16	11,39%
TRT270116T18	11,17%
TRT120122T17	9,08%
TRT200618T18	7,10%
	Cinna

Risk Ratios (Annualized)	YTD	Since Inception
Fund Volatility	16%	14%
Benchmark Volatility	15%	14%
Tracking Error	0,04	0,03
Jensen's Alpha	0,00	0,00
Sharpe	-1,71	-0,39
Information Ratio	-0,03	0,14
Beta	1,00	0,98

Market Overview

In August, the markets were mostly focused on concerns about the Chinese economy and the tumbling in the Chinese Stock Exchange which affected the EM markets negatively. Additionally, potential rate hike scenario from the FED in September was another item that affected the global markets. As a result of these factors, the commodity prices kept crashing as in the previous month. In the US, investors would need to see if the inflation outlook will improve in the upcoming months in addition to the job market, but as Stanley Fischer mentioned this is not a necessity for the FED to lift of the fed funds rate. Other FED governors have also been signaling September as a potential date to raise the rates. For the case of Turkey, the negotiations to form a coalition government failed and there is going to be another election on Nov 1st. Additionally, some other domestic problems are still troublesome, and they may keep affecting the outlook of the political agenda. The yearly inflation does not fall more, and the core inflation is still at elevated levels. The CBRT took some action for the so-called simplification of its monetary policy yet they have not been a cure for the markets as the bigger picture looks more important for the EM. Turkey's credit rating outlook may also be changed in the future, but this would firstly be expected for the outlook but not the rating itself. In August, emerging markets moved negatively in their stocks, currencies and the rate markets in general.

On the domestic side, the CBT kept its policy rate constant at 7.5%, referring to the elevated food prices and the depreciation of the currency. The y-o-y inflation rate fell from 6.8% to 7.1%, due to the rising food prices as well as the passthrough from the currency weakness, and it is still considerably higher than the CBRT's targets at 5%. As the economic activity is sluggish as PMI, industrial production and similar data show, the recent data trend shows the improvement in the economic activity seems temporary. The yield curve's inversion increased as the 2 yr benchmark interest rate moved from 10.00% to 10.95% throughout the month, and 10 year bond rate rose from 9.60% to 10.20%. The CBRT keeps its funding policy as tight while mentioning that they would simplify monetary policy. Turkish Lira underperformed most of its peers, and depreciated from 2.77 to 2.91 against the US Dollar, while touching 3.00 level in the month. 5 year Turkish CDS spreads rose from 235 to 263, outperforming some of its EM peers. The real effective exchange rate was announced to be 95.09; pretty lower than the prior month's reading of 99.63, which shows TL's weakness against its trade partners are at historic lows. The O/N reverse repo rates have still been trading closer to the upper bound of the interest rate corridor, as the CBRT is aware of the weakness of the currency and the passthrough effect to the inflation from there. The Turkish Treasury successfully completed its domestic financing program in August and the total amount issued to the market was realized as TRY 2.5bn.



he graph represents gross of fees performance

Administrative Information Registered Countries Luxembourg Fund Name Akbank Turkish SICAV ISIN: A Class LU0366550621 Germany I Class LU0366550977 The Netherlands Bloomberg (AKTKFII:LX; AKTKFIA:LX) TRY Class LU0451096159 Registered Databases WKN: A Class A0Q8MB I Class A008MD Morningstar (Germany, Netherlands) Minimum Subscription: A Class **EUR 50** Software-systems EUR 5.000 I Class Investment Manager Ak Asset Management Inc. TRY Class TRY 100.000 Administrator / Custodian Citibank International plc (Luxembourg Branch) Subscription/Redemption * Daily Independent Auditors Ernst & Young S.A A Class 1 00% p.a. Management Fee I Class 0.75% p.a. 0.75% p.a. TRY Class

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