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 101.81 EUR 111.28

Fund Size : EUR 32.905.407 Launch Date : 02 July 2008 Currency : EUR

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

Performance Figures		Fund ¹	Benchmark	
Since Inception ²	07.08.08 - 31.12.13	3.16%	4.14%	
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 - 31.12.13	-20.45%	-21.48%	
MTD	29.11.13 - 31.12.13	-8.23%	-8.42%	
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Fund performance is gross of fees and does not reflect the deduction of investment ees, custodian fees or other expenses.

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

Investment Allocation (%)	
Bonds	89.07%
Money Market	10.93%
Top holdings (%)	
TRT200618T18	17%
TRT080323T10	10%
TRT070115T13	9%
TRSKPTL61419	6%
TRSMDPK21514	6%

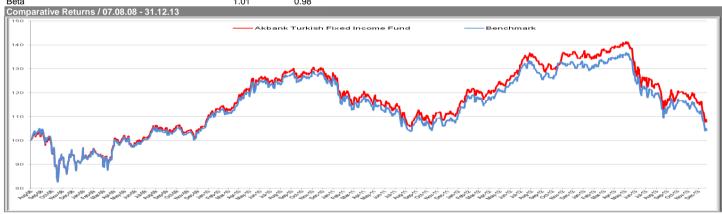
Risk Ratios (Annualized)	YTD	Since Inception
Fund Volatility	13%	13%
Benchmark Volatility	12%	13%
Tracking Error	4%	3%
Jensen's Alpha	0%	0%
Sharpe	-2.10	-0.43
Information Ratio	0.07	0.23
Beta	1.01	0.98

Market Overview

Due to the unemployment rate of 7.0 %, the FED started tapering by reducing the bond purchases by \$10 bn in December. Likewise, the ISM and GDP data for the US economy were realized above estimations. Additionally, the market consensus has been structured such that the FED will continue decreasing asset purchases by \$10 bn in each of its meetings throughout 2014. This made the picture clearer again in which developed country asset classes outperformed the emerging market assets. On top of this new global outlook, the political tension in Turkey starting from the middle of the month has caused the country to underperform more severely.

In this respect, two year benchmark bond yields rose from 9.1 % at the end of November to 10.1 %throughout the month. 5 year Turkish CDS spreads also rose to 244 bps from 209 bps at the end of December. The Turkish Lira depreciated harshly against the EUR+USD basket by rising from 2.38 to 2.58 levels. The real effective exchange rate fell from 109.4 to 106.9 and is expected to decrease some more in the following month.

On the domestic side, the y-o-y inflation rate has rose from 7.3 % to 7.4 % level. Yet due to the radical depreciation of TRY, the Turkish Central Bank (CBRT) has changed its stance and more loudly emphasized it was going to tighten the liquidity in the market accordingly, although by not increasing its policy rate. However, the more or less flat or inverted yield curve indicates that the market believes the CBRT will increase its policy rate. This outlook affected the short-term bonds negatively; but long-term bonds were also affected by the global rise in the rates due to tapering. The CBRT continued selling USD against TL at an amount of \$4 bn during the month and the cumulative sales has been around \$17.5 bn since June. It has announced to sell \$3 bn more in January. The Turkish Treasury successfully completed its domestic financing program and the total amount issued to the market was realized as TRY 4.2 bn as planned. Credit spreads were unchanged or slightly increased in December as the rates were rising; but the demand for floating rate instruments is also rising.



The graph represents gross of fees performance

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