AK AssetManagement

30.05.2014

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 113.71 EUR 124.14
Fund Size	: EUR 35,279,303
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

Performance Figures		Fund[1]	Benchmark
Since Inception[2]	07.08.08 - 30.05.14	16%	16%
2009	31.12.08 - 31.12.09	17%	18%
2010	31.12.09 - 31.12.10	15%	16%
2011	31.12.10 - 30.12.11	-12%	-12%
2012	30.12.11 - 31.12.12	21%	22%
2013	31.12.12 - 31.12.13	-20%	-21%
YTD	31.12.13 - 30.05.14	12%	12%
MTD	30.04.14 - 30.05.14	5%	5%

[1] Fund performance is gross of fees and does not reflect the deduction of investment management

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

Investment Allocation (%)

Bonds	95.00%
Money Market	5.00%

Top holdings (%)

TRT270923T11	13%
TRT060814T18	9%
TRT070115T21	9%
TRT240216T10	8%
TRT140218T10	7%

Risk Ratios (Annualized)	YTD	Since Inception
Fund Volatility	15%	13%
Benchmark Volatility	14%	13%
Tracking Error	4%	3%
Jensen's Alpha	1%	1%
Sharpe	1.70	-0.28
Information Ratio	0.31	0.23
Beta	1.03	0.98

Market Overview

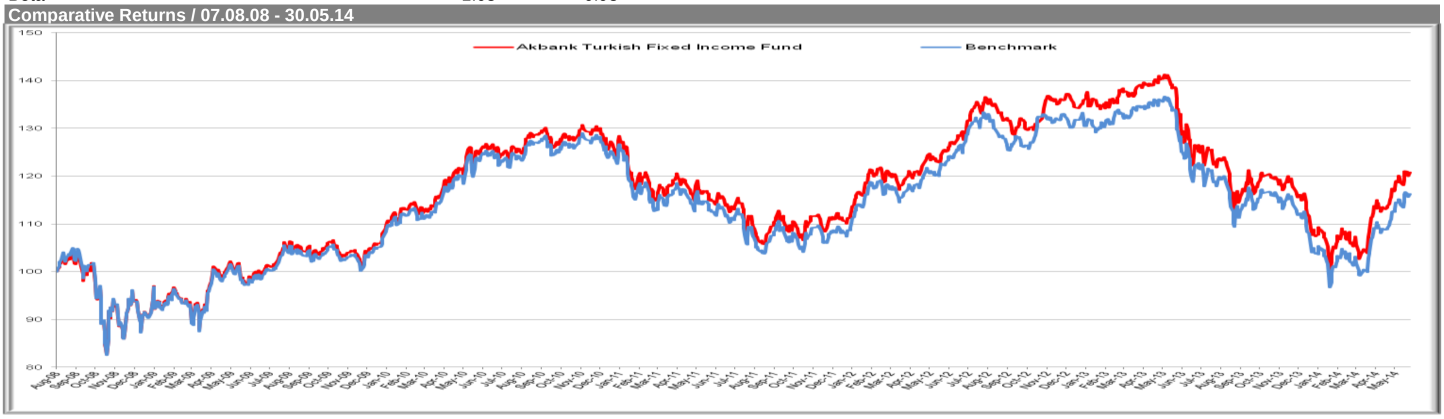
The FED is expected to continue tapering by reducing the bond purchases by $10 billion per month throughout the year, as expected, mainly owing to the improving unemployment outlook. Yet, the concerns are now more inclined towards the inflation outlook (specifically ‘wage inflation'), meaning that the FED is expected to provide its accommodative monetary mechanism for a long time. The US GDP data was announced less than the expectations, which shows that the weakness is not only due to the weather conditions. The tension between Russia and Western countries has eased which also supported the risk-on mode. In May, emerging markets continued to experience the rallies on their currencies, stock exchange and interest rate markets, which actually had started at the end of March. In fact, the main agenda of the month was the new accommodative policy expectations from the ECB as the inflation and growth outlooks in Eurozone do not appear to be as much as the expectations.

Turkish Lira continued to outperform its peers in May, as well. Throughout the month, the Turkish Lira more or less traded in a range of 2.06 levels to 2.12 levels against US Dollar. Two year benchmark bond yield dropped sharply from 9.10 % at the end of April to 8.50 % throughout the month. 5 year Turkish CDS spreads traded in a declining trend from 198.5 to 179. The real effective exchange rate jumped to 110.24 from 107.94 due to high inflation reading in Turkey and the relative appreciation of TL.

On the domestic side, the y-o-y inflation rate rose from 9.4% to 9.7 % level. The Turkish Central Bank decreased its weekly policy rate from 10% to 9.50% as they have been expecting capital inflows as a result of new accommodative policy expectations from the ECB. Accordingly, the yield curve bull steepened in May due to these foreign inflows to Turkish capital markets. The market currently prices around 150 bps more cuts from the Bank over the year. Short-term rates and ON Reverse Repo rates continued to be attractive. The Turkish Treasury successfully completed its domestic financing program in May and the total amount issued to the market was realized as TRY 10.4 bn as planned. The Treasury has revealed that they plan to decrease their expected rollover ratio from 86% to 84% for 2014, supporting the rates market. Credit spreads declined in May; since the rates continues to fall globally and yield search carried on.

In May we have kept our duration in line with our benchmark index but tilted our exposure towards the long end in order to benefit from increasing global risk taking appetite. Low volatility environment coupled with postponed exit expectations from FED and new accommodation from ECB and BOJ caused risk assets to lure investors. We have benefited in this environment since market behaved as we expected. We are still holding our long end exposure until low volatility environment continues.

Comparative Returns / 07.08.08 - 30.05.14



The graph represents gross of fees performance.

Administrative Information

Fund Name		: Akbank Turkish SICAV	Registered Countries	:	Luxembourg
ISIN :	A Class	: LU0366550621			Germany
	I Class	: LU0366550977			The Netherlands
	TRY Class	: LU0451096159	Registered Databases	:	Bloomberg (AKTKFII:LX; AKTKFIA:LX)
WKN :	A Class	: A0Q8MB			Lipper
	I Class	: A0Q8MD			Morningstar (Germany, Netherlands)
Minimum Subscription :	A Class	: EUR 50			Software-systems
	I Class	: EUR 5.000	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.
Management Fee	A Class	: 1.00% p.a.			
	I Class	: 0.75% p.a.			
	TRY Class	: 0.75% p.a.			

* 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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