31.03.2015

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.

Market Overview

| Fund Information | | | | | | | |
|---|----------------------------------|--|--|--|--|--|--|
| NAV (Class I - Class A) : | EUR 124,75 EUR 135,89 | | | | | | |
| Fund Size | : EUR 37.224.896 | | | | | | |
| 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 - | 31.03.15 28% 29% | | | | | | |

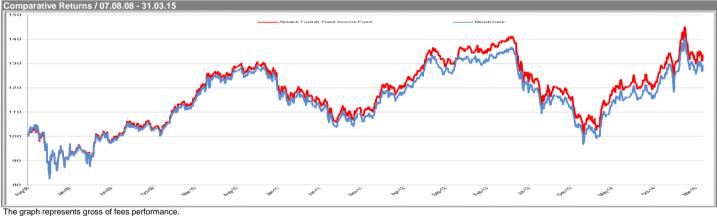
| 2009 | 31.12.08 - 31.12.09 | 17% | 18% |
|------|---------------------|------|------|
| 2010 | 31.12.09 - 31.12.10 | 15% | 16% |
| 2011 | 31.12.10 - 30.12.11 | -12% | -12% |
| 2012 | 30.12.11 - 31.12.12 | 21% | 22% |
| 2013 | 31.12.12 - 31.12.13 | -20% | -21% |
| 2014 | 31.12.13 - 31.12.14 | 21% | 22% |
| YTD | 31.12.13 - 31.03.15 | 2% | 2% |
| MTD | 27.02.15 - 31.03.15 | 2% | 2% |

¹ Fund performance is gross of fees and does not reflect the deduction of investment management 07.08.2008 is the start date of active portfolio management for Institutional class share. Investment Allocation (%)

| investment Anocation (76) | | |
|---------------------------|-------|--------------------|
| Bonds | | 92,71% |
| Money Market | | 7,29% |
| Top holdings (%) | | |
| TRT240216T10 | | 14,67% |
| TRT200324T13 | | 13,07% |
| TRT120122T17 | | 8,18% |
| TRT130515T11 | | 8,15% |
| TRT200618T18 | | 7,70% |
| Risk Ratios (Annualized) | YTD | Since Inception |
| Fund Volatility | 14% | 13% |
| Benchmark Volatility | 14% | 13% |
| Tracking Error | 0,04 | 0,03 |
| Jensen's Alpha | 0,00 | 0,00 |
| Sharpe | 0,15 | -0,19 |
| Information Ratio | -0,05 | 0,17 |
| Beta | 1,00 | 0.98 |

In March, the most important agenda item was the FOMC meeting in the middle of the month. In the policy statement, the word "patient" has been removed as widely expected, however the GDP growth, inflation and future interest rate expectations were all decreased. Specifically, for 2015, the expected FED funds rate for the end of 2014 was decreased from 1.125% to 0.625%. This has been an EM-friendly theme and all major asset classes in the EM world rallied. The decline in the oil prices since the last summer has ended and stabilized more or less in the range of \$55-\$60 per barrel. The market is still more focused on the pace of the hikes from the FED rather than the timing of the first hike (lift-off). In fact, the possibility of the lift-off in June has decreased to 8% as of March, from 30% as of 2014 year-end. In the US, the job market and other indicators show the economy is at a very strong pace. Yet, the concerns in the US are still more inclined towards the inflation outlook (specifically the 'wage inflation'), and investors need to see if the inflation outlook will improve in the upcoming months. For the case of Turkey, specific reasons, i.e. the political tensions in various aspects and the rate-cut possibility by the Central Bank before the general elections in June make the currency very weak. In March, emerging markets moved slightly 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 increased food prices and the depreciation of the currency. The y-o-y inflation rate rose from 7.5% to 7.6% mainly due to food prices, and it is still considerably higher than the CBRT's targets. However, as the economic activity is sluggish as PMI, industrial production and similar data show, the political figures are likely to ask for more rate-cuts from the CBRT which eventually makes the currency more fragile. The yield curve's inversion slightly decreased as the 2 yr benchmark interest rate moved from 8.8% to 8.75% throughout the month, and 10 year bond rate rose from to 8.4% to 8.5%. Although there is such political pressure, some market players think that it should not be on the table as it would make the currency much more fragile. Turkish Lira underperformed some of its peers, and depreciated from 2.5 to 2.6 against the US Dollar. 5 year Turkish CDS spreads rose from 201 to 219, underperforming some of its EM peers. The real effective exchange rate was announced to be 104.05; not too low from the prior month's reading of 105.44, which shows TL's value change as fair compared to its trade partners (the methodology has been changed, too). 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. The Turkish Treasury successfully completed its domestic financing program in March and the total amount issued to the market was realized as TRY 3.1bn.



| Fund Name | | : Akbank Turkish SICAV | Registered Countries | | Luxembourg |
|---------------------------|-----------|------------------------|---------------------------|---|--|
| ISIN : | A Class | : LU0366550621 | Registered Countries | • | Germany |
| ISIN . | 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. 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. Ak Asset Management - Sabancı Center Hazine Binası 4.Levent Istanbul / Turkey Phone:+90 212 385 27 00 - Fax:+90 212 319 24 69 - investor@akportfoy.com.tr Website : http://akportfoy.com.tr/en/node/sicav