## **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 122,93 EUR 133,93

 Fund Size
 : EUR 37.162.202

 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 <sup>1</sup>	Benchmark
Since Inception <sup>2</sup>	07.08.08 - 27.02.15	26%	27%
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 - 27.02.15	1%	1%
MTD	30.01.15 - 27.02.15	-5%	-5%
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<sup>&</sup>lt;sup>1</sup> Fund performance is gross of fees and does not reflect the deduction of investment management

<sup>2</sup> 07.08.2008 is the start date of active portfolio management for Institutional class share.

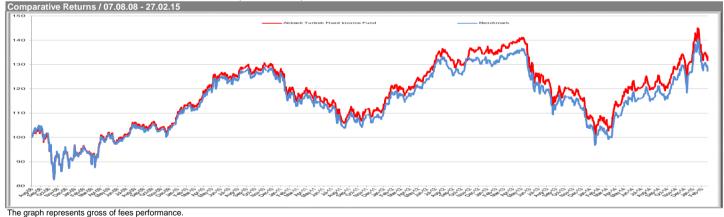
Investment Allocation (%)	
Bonds	95,22%
Money Market	4,78%
Top holdings (%)	
TRT240216T10	14,54%
TRT100719T18	8,69%
TRT120122T17	8,17%
TRT130515T11	8,04%
TRT200618T18	7,68%

Risk Ratios (Annualized)	YTD	Since Inception
Fund Volatility	14%	13%
Benchmark Volatility	14%	13%
Tracking Error	0,04	0,03
Jensen's Alpha	0,01	0,00
Sharpe	-0,21	-0,21
Information Ratio	0,15	0,17
Beta	1,00	0,98

Market Overview

February has been a month when the unemployment rate data and the FED minutes were the major agenda items. Unlike the recent months where only the unemployment outlook was improving but the inflation was subdued, the February data showed that the inflation was also on the way. The decline in the oil prices since the last summer has ended and it has stabilized more or less. After the FED minutes were released and Yellen's speeches, it seems like 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 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 rate-cut by the Central Bank and political pressures demanding for more cuts have made the currency very weak. In February, emerging markets moved negatively in their stocks, currencies and the rate markets in general.

On the domestic side, the CBRT lowered its policy rate from 7.75% to 7.5%, and the upper band from 11.25% to 10.75%, referring to the declining inflationary patterns. The y-o-y inflation rate increased from 7.2% to 7.5 %, but the core indices declined around 90 bps compared to prior month. The political figures continue to ask for more rate-cuts from the CBRT, and this eventually makes the currency more fragile in an environment where FED rate hike timing is discussed. The yield curve's inversion decreased as the benchmark interest rate moved from 6.9% to 8.8% throughout the month, and 10 year bond rate rose from to 7.1% to 8.4%. Turkish Lira underperformed some of its peers, and depreciated from 2.4 to 2.5 against the US Dollar. 5 year Turkish CDS spreads rose from 192 to 220, underperforming all of its EM peers. The real effective exchange rate was announced to be 113.22; sizably lower than the prior month's reading of 117.12, which shows TL's weakness compared to its trade partners. 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 February and the total amount issued to the market was realized as TRY 9.8 billion.



Administrative Information Registered Countries Luxembourg Fund Name Akbank Turkish SICAV LU0366550621 ISIN: A Class 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

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

<sup>\*</sup> 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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