## **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 128.46 EUR 140.46

 Fund Size
 : EUR 39,349,610

 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 - 31.01.13	34.78%	29.96%
2009	31.12.08 - 31.12.09	18.56%	17.55%
2010	31.12.09 - 31.12.10	16.02%	15.54%
2011	31.12.10 - 30.12.11	-11.18%	-12.11%
2012	30.12.11 - 31.12.12	21.42%	20.52%
YTD	31.12.12 - 31.01.13	-0.25%	-0.75%
MTD	31.12.12 - 31.01.13	-0.25%	-0.75%

<sup>&</sup>lt;sup>1</sup> Fund performance is gross of fees and does not reflect the deduction of investment management fees, custodian fees or other expenses.

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

Investment Allocation (%)	
Bonds	98.03%
Money Market	1.97%
Top holdings (%)	
TRT240914	23%
TRT150120	11%
TRT080317	9%
TRSKCTF81318	7%
TRSKPTL61310	7%

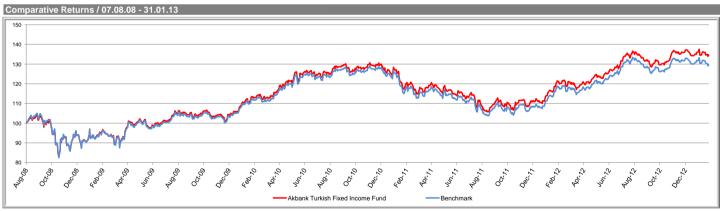
Risk Ratios (Annualized)	YTD	Since Inception
Fund Volatility	8.35	12.94
Benchmark Volatility	8.12	13.12
Tracking Error	2.31	2.45
Jensen's Alpha	5.10	1.31
Sharpe	-1.16	-0.01
Information Ratio	2.51	0.35
Beta	0.99	0.97

## Market Overview

Financial markets in Turkey started January in positive mood pricing second investment grade in the first half of 2013. We are measuring the yield difference between 10 and 2 years government bonds which is used for both assessing market liquidity and rating upgrade expectations. In this manner 10-2 year spread traded around 50 bps until Moody's conference call reiterating Turkey's vulnerabilities about current account deficit and private sector's debt accumulation that brought the spread to 100 bps in one month time. Coupled with Moody's downbeat comments about Turkey's fundamentals, FOMC's December minutes which surprised markets by releasing committee members discussion about early termination of quantitative easing, caused Turkey's long end bonds to underperform short end. Although US 10 year bond's yield rose by 30 bps to 2,00 shortly after the release, Turkey 10 year bonds dodged the bullet as if they were immune to treasuries sell off.

In January CBT decreased both its lower and upper end of the corridor by 25 bps keeping policy rate unchanged and increasing reserve requirements. Although CBT brief was describing this move as tightening, market was not in the same side with central bank. 10-2 year spread widened after the decision around 10 bps by bull steepening.

In the short term we are focused on both credit expansion figures and US data that may give clue for timing of early termination of quantitative easing. Although inflation surprised markets upside in January this was expected and we are focused to sub indexes in order to price another corridor cut in coming months.



The graph represents gross of fees performance

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

<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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