## 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 99.31 FUR 108 52

Fund Size : EUR 33.720.973 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 <sup>1</sup>	Benchmark
Since Inception <sup>2</sup>	07.08.08 - 28.02.14	2%	2%
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	31.12.12 - 28.02.14	-2%	-2%
MTD	31.01.14 - 28.02.14	3%	2%

<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	92.96%		
Money Market	7.04%		
Top holdings (%)			
TRT060814T18	12.75%		
TRT270923T11	12.46%		
TRT0503014T14	10.80%		
TRT200618T18	9.91%		
TRT070115T21	8.38%		

Risk Ratios (Annualized)	YTD	Since Inception
Fund Volatility	16%	13%
Benchmark Volatility	15%	13%
Tracking Error	4%	3%
Jensen's Alpha	3%	1%
Sharpe	-1.04	-0.45
Information Ratio	0.58	0.24
Beta	1.01	0.98

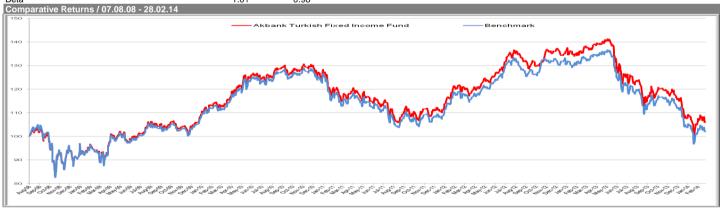
## Market Overview

Due to the unemployment rate of 6.6 %, the FED continued tapering by reducing the bond purchases by \$10 bn in February, as expected. 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. However, due to cold weather in the US, economic data weakened in February which, for now, has not created a question mark about the tapering of FED. In addition, the crisis between Russia and Ukraine resulted in a global risk-off theme in the markets. However, emerging markets experienced slightly positive returns on their currencies, stock markets and interest rate markets against the developed markets. The political tension in Turkey starting from the middle of December has continued. Although the tension has decreased recently, it may be expected to continue until the local elections at the end of March.

After CBRT hiked the policy rate at the end of January, the Turkish Lira outperformed its peers in February. After this rate hike, the Turkish Lira appreciated till 2.15 levels and then settled around 2.20 levels against US Dollar. Two year benchmark bond yield rose from 11.05 % at the end of January to 11.20 % throughout the month. 5 year Turkish CDS spreads decreased to 229 bps at the end of February from 270 bps. The real effective exchange rate slightly rose from 101.6 to

On the domestic side, the y-o-y inflation rate rose from 7.8 % to 7.9 % level. The yield curve stayed inverted during February, as well. Short-term rates and ON Reverse Repo rates continued to be attractive. The Turkish Treasury had to borrow a large amount at the end of February and the beginning of March. It successfully completed its domestic financing program in February and the total amount issued to the market was realized as TRY 9.8 bn as planned. Credit spreads were unchanged or slightly increased in February as the rates were rising; but the demand for floating rate instruments is also rising.

We tried to tactically adjust duration of the Akbank Turkish Fixed Income Fund throughout February and succeeded to produce alpha. We have started to liquidate the corporate bonds in our portfolio in response to market jitter about fx related risks on their balance sheets. We will continue to trade on 10 year government bond sector of the yield curve in pursuit of producing alpha where volatility



The graph represents gross of fees performance

Fund Name Akbank Turkish SICAV Registered Countries Luxembourg ISIN LU0366550621 A Class I Class LU0366550977 The Netherlands Bloomberg ( AKTKFII:LX; AKTKFIA:LX ) LU0451096159 TRY Class Registered Databases WKN · A0Q8MB A Class Lipper A0Q8MD I Class Morningstar (Germany, Netherlands) Minimum Subscription: A Class EUR 50 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 \* 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.

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<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.