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

EUR 123.64 NAV (Class I - Class A) EUR 113.28

Fund Size : EUR 35.134.558 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

(www.tkyd.org.tr)

Performance Figures		Fund ¹	Benchmark
Since Inception ²	07.08.08 - 30.06.14	15%	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 - 30.06.14	12%	11%
MTD	30.05.14 - 30.06.14	0%	0%

¹ Fund performance is gross of fees and does not reflect the deduction of investment manac

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

Investment Allocation (%)			
Bonds	89.34%		
Money Market	10.66%		
Top holdings (%)			
TRT240216T10	22.96%		
TRT270923T11	10.82%		
TRT150120T16	8.54%		
TRT070115T21	7.70%		
TRT140218T10	7.35%		

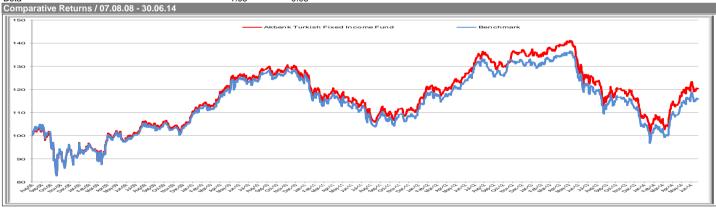
Risk Ratios (Annualized)	YTD	Since Inception
Fund Volatility	14%	13%
Benchmark Volatility	14%	13%
Tracking Error	4%	3%
Jensen's Alpha	0%	1%
Sharpe	1.24	-0.29
Information Ratio	0.20	0.22
Beta	1.03	0.98

Market Overview

The FED is expected to continue tapering by reducing the bond purchases by \$10 bn per month throughout the year, as expected, mainly owing to the improving employment outlook. In June, US unemployment rate decreased to its minimum (6.1%) since September 2008. Considering US strong fundamentals, it's forecasted that FED President Yellen's dovish stance may eventually alter and be expected to trigger higher volatility within global markets. 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 1Q GDP data was revised to -2.9% which was unexpected while leading indicators such as PMI and unemployment was signalling a growing economy. In June, emerging markets remained flat in their stocks, currencies and rate markets. Finally, ECB satisfied the expectations of a new accommodative policy by decreasing its policy rates below zero and starting a program called TLTRO (targeted longer-term refinancing operations) in order to stimulate bank lending to the real economy and it is expected to create high liquidity flows primarily towards emerging markets.

On the domestic side, CBT cut its policy rate from 9.5% to 8.75% because of the improvement in global liquidity conditions and the expectation of lower inflation in the coming months. The y-o-y inflation rate fell from 9.7% to 9.2 % level. Accordingly, the yield curve shifted downward as the benchmark interest rate dropped sharply from 8.53 % at the end of May to 8.18 % throughout the month. Turkish Lira more or less traded in a range of 2.08 levels to 2.15 levels against US Dollar. 5 year Turkish CDS spreads stayed around 179. The real effective exchange rate was announced to be 109.56 close to prior month's reading of 110.24. The market currently prices around 100 bps more cuts from the Bank over the year. Short-term rates and ON Reverse Repo rates started to trade around the lower bound of the interest rate corridor. The Turkish Treasury successfully completed its domestic financing program in June and the total amount issued to the market was realized as TRY 8.3 bn which was lower than expected. 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 June; since the rates continues to fall globally and yield search carried on

Since the spread of the 10-2 yr government bonds decreased to 30 bps following the high demand from foreign instutional investors we started to shift our holdings to short dated bonds in anticipation of spread to widen with CB's policy easing.



The graph represents gross of fees performance

Fund Name Akbank Turkish SICAV Registered Countries Luxembourg ISIN A Class LU0366550621 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.

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 : www.akportfoy.com.tr/en

^{*} 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