



**Annual report**  
**as at 30th September 2014**

# **KBC BONDS**

Investment Company with Variable Capital (SICAV)  
Luxembourg

R.C.S. Luxembourg B 39 062

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The report is the English translation of the report in French. In case of a discrepancy of content and/or meaning between the French and English versions, the French version shall prevail.

No subscription can be received on the basis of this financial report. Subscriptions are only valid if made on the basis of the current issue prospectus and the key investor information document ("KIID") accompanied by the subscription form, the latest annual report and the most recent semi-annual report, if published thereafter.

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# KBC BONDS

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## KBC BONDS

### Organisation

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#### Registered office

11, rue Aldringen  
L-1118 LUXEMBOURG

#### Board of Directors

##### *Chairman*

Wouter VANDEN EYNDE

Managing Director  
KBC ASSET MANAGEMENT S.A.  
2, avenue du Port  
B-1080 BRUSSELS

##### *Directors*

Karel DE CUYPER

Conducting Officer  
KBC ASSET MANAGEMENT S.A.  
5, place de la Gare  
L-1616 LUXEMBOURG

Frank JANSEN

Senior Fund Manager  
KBC ASSET MANAGEMENT S.A.  
5, place de la Gare  
L-1616 LUXEMBOURG

Rafik FISCHER

Director  
KBL EUROPEAN PRIVATE BANKERS S.A.  
43, boulevard Royal  
L-2955 LUXEMBOURG  
(until 20th December 2013)

#### Management Company

KBC ASSET MANAGEMENT S.A.  
5, place de la Gare  
L-1616 LUXEMBOURG

#### Board of Directors of the Management Company

##### *Chairman*

Dirk MAMPAEY

President of the Executive Committee  
KBC ASSET MANAGEMENT S.A.  
2, avenue du Port  
B-1080 BRUSSELS  
(since 30th April 2014)

Luc GIJSENS

Managing Director  
KBC GROUP S.A.  
2, avenue du Port  
B-1080 BRUSSELS  
(until 30th April 2014)

## **KBC BONDS**

### **Organisation (continued)**

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#### *Directors*

|                     |  |
|---------------------|--|
| Ivo BAUWENS         | General Manager<br>KBC GROUP RE S.A.<br>5, place de la Gare<br>L-1616 LUXEMBOURG                                     |
| Jürgen VERSCHAEVE   | Managing Director<br>KBC ASSET MANAGEMENT S.A.<br>2, avenue du Port<br>B-1080 BRUSSELS<br>(since 15th April 2014)    |
| Christiaan STERCKX  | Managing Director<br>KBC ASSET MANAGEMENT S.A.<br>2, avenue du Port<br>B-1080 BRUSSELS<br>(until 21st February 2014) |
| Wouter VANDEN EYNDE | Managing Director<br>KBC ASSET MANAGEMENT S.A.<br>2, avenue du Port<br>B-1080 BRUSSELS<br>(until 21st February 2014) |

#### **Conducting officers of the Management Company**

Karel DE CUYPER

Lazlo BELGRADO (since 15th April 2014) Dirk MAMPAEY (until 21st February 2014)  
Wouter VANDEN EYNDE (until 30th April 2014)

#### **Central administration**

KBC ASSET MANAGEMENT S.A.  
5, place de la Gare  
L-1616 LUXEMBOURG

#### **Delegated central administration**

KREDIETRUST LUXEMBOURG S.A.  
11, rue Aldringen  
L-2960 LUXEMBOURG

#### **Custodian and principal paying agent**

KBL EUROPEAN PRIVATE BANKERS S.A.  
43, boulevard Royal  
L-2955 LUXEMBOURG

## **KBC BONDS**

### **Organisation (continued)**

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#### **Cabinet de révision agréé**

DELOITTE Audit  
Société à responsabilité limitée  
560, rue de Neudorf  
L-2220 LUXEMBOURG

#### **Financial services and paying agents**

##### **in Austria**

ERSTE BANK DER ÖSTERREICHISCHEN SPARKASSEN AG  
Graben 21  
A-1010 VIENNA

##### **in Belgium**

CBC BANQUE S.A.  
5, Grand Place  
B-1000 BRUSSELS

KBC BANK S.A.  
2, avenue du Port  
B-1080 BRUSSELS

##### **in Czech Republic**

ČESKOSLOVENSKÁ OBCHODNÍ BANKA, A.S.  
Praha 5, Radlická 333/150  
CZ-15057 PRAGUE 5

##### **in France**

CM-CIC SECURITIES  
6, avenue de Provence  
F-75009 PARIS

##### **in Germany**

KBC BANK DEUTSCHLAND AG  
16, Wachtstrasse  
D-28195 BREMEN

##### **in Hungary**

K&H BANK NYRT.  
Vigado tér 1  
H-1051 BUDAPEST

for the following sub-funds:

- KBC BONDS HIGH INTEREST
- KBC BONDS CORPORATES EURO
- KBC BONDS CONVERTIBLES
- KBC BONDS INFLATION - LINKED BONDS
- KBC BONDS CORPORATES USD

##### **in Luxembourg**

KBL EUROPEAN PRIVATE BANKERS S.A.  
43, boulevard Royal  
L-2955 LUXEMBOURG

## **KBC BONDS**

### **Organisation (continued)**

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#### **in the Netherlands**

KBC BANK NL  
92, Watermanweg  
NL-3067 GG ROTTERDAM  
(until 12th May 2014)

#### **in Poland**

BANKIEM ZACHODNIM WBK S.A.<sup>1</sup>  
Rynek 9/11  
PL-50-950 WROCLAW

#### **in Slovakia**

ČESKOSLOVENSKÁ OBCHODNÍ BANKA, A.S.  
Laurinska 1  
815 63 BRATISLAVA

#### **in Switzerland**

RBC INVESTOR SERVICES BANK S.A.  
Esch-sur-Alzette, Zurich Branch  
Badenerstrasse, 567  
CH-8048 ZURICH

### **Legal representatives**

#### **in Austria**

ERSTE BANK DER ÖSTERREICHISCHEN SPARKASSEN AG  
Graben 21  
A-1010 VIENNA

#### **in Belgium**

KBC ASSET MANAGEMENT S.A.  
2, avenue du Port  
B-1080 BRUSSELS

#### **in Czech Republic**

ČSOB INVESTIČNÍ SPOLEČNOST, A.S.  
člen skupiny ČSOB Radlická 333/150  
CZ-15057 PRAGUE 5

#### **in France**

CM-CIC SECURITIES  
6, avenue de Provence  
F-75009 PARIS

#### **in Germany**

KBC BANK DEUTSCHLAND AG  
16, Wachtstrasse  
D-28195 BREMEN

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<sup>1</sup> Formerly : KREDYT BANK S.A., Ul. Kasprzaka 2/8, PL-01-211 VARSOVIE.  
KREDYT BANK S.A. merged with BANKIEM ZACHODIM S.A. on 4th February 2013 and changed its name into BANKIEM ZACHODNIM WBK S.A..



## **KBC BONDS**

### **Organisation (continued)**

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#### **in Hungary**

K&H INVESTMENT FUND MANAGEMENT

Vigado tér 1

H-1051 BUDAPEST

for the following sub-funds:

- KBC BONDS HIGH INTEREST
- KBC BONDS CORPORATES EURO
- KBC BONDS CONVERTIBLES
- KBC BONDS INFLATION - LINKED BONDS
- KBC BONDS CORPORATES USD

#### **in the Netherlands**

KBC BANK NL

92, Watermanweg

NL-3067 GG ROTTERDAM

(until 12th May 2014)

#### **in Poland**

KBC TOWARZYSTWO FUNDUSZY INWETYCYJNYCH S.A.

Ul. Chmielna 85/87

PL-00-805 WARSAW

#### **in Slovakia**

KBC Asset Management NV

Pobočka zahraničnej správ.spol.

Medená 22

811 02 BRATISLAVA

#### **in Switzerland**

RBC INVESTOR SERVICES BANK S.A.

Esch-sur-Alzette, Zurich Branch

Badenerstrasse, 567

CH-8048 ZURICH

## KBC BONDS

### General information

KBC BONDS (the "SICAV") is a "*Société d'Investissement à Capital Variable*" under Luxembourg law, established for an unlimited period at Luxembourg on 20th December 1991. The SICAV is governed by the Part I of the amended Law of 17th December 2010 relating to Undertakings for Collective Investment and by the Council Directive 2009/65/EC as amended.

The articles of incorporation of the SICAV as well as their amendments were published in the "*Mémorial, Recueil des Sociétés et Associations*" and have been filed with the "*Registre de Commerce et des Sociétés de Luxembourg*" where copies are available.

The SICAV's primary objective is to pursue the highest possible appreciation in value of the capital invested, in accordance with the principle of risk diversification.

### Distribution policy

Within each sub-fund of the SICAV, all shares issued are either distribution shares or capitalisation shares. Within each category of shares, some sub-categories of shares can be created, characterized by their currency, their fees or by any other characteristic.

Distribution shares entitle their holder to a dividend, whereas the share of the results attributable to capitalisation shares is not paid out but is accumulated.

The Board of Directors of the SICAV decided, from 1st October 2013, that for the shares of the sub-category "USD frequent dividend" of the sub-funds KBC BONDS HIGH INTEREST and KBC BONDS EMERGING EUROPE, a dividend will be paid monthly in USD for an amount equal to 1/12th dividend yield of the previous financial year.

The latest annual and semi-annual reports, the prospectus, the KIID and the articles of incorporation of the SICAV can be obtained free of charge from the SICAV's registered office, from the institutions responsible for providing financial services, from the paying agents and from the legal representatives.

The following sub-funds are currently offered:

|   |        |
|---|--------|
| - KBC BONDS INCOME FUND                   | in EUR |
| - KBC BONDS CAPITAL FUND                  | in EUR |
| - KBC BONDS HIGH INTEREST                 | in EUR |
| - KBC BONDS EMERGING MARKETS              | in USD |
| - KBC BONDS CORPORATES EURO               | in EUR |
| - KBC BONDS EUROPE EX-EMU                 | in EUR |
| - KBC BONDS CONVERTIBLES                  | in EUR |
| - KBC BONDS INFLATION - LINKED BONDS      | in EUR |
| - KBC BONDS EUROPE                        | in EUR |
| - KBC BONDS CORPORATES USD                | in USD |
| - KBC BONDS EMERGING EUROPE               | in EUR |
| - KBC BONDS GLOBAL EMERGING OPPORTUNITIES | in EUR |
| - KBC BONDS EMU SHORT                     | in EUR |
| - KBC BONDS EMU SHORT MEDIUM              | in EUR |
| - KBC BONDS STRATEGIC EMERGING MARKETS    | in EUR |

## **KBC BONDS**

### **Additional information for the investors in Germany, in Austria, in Belgium and in Switzerland**

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#### **Additional information for the investors in Germany**

The fiscal data concerning all the shares and categories of shares of the SICAV are available within four months following the year-end and may be directly visualised on the following internet site of KBC BANK DEUTSCHLAND AG [www.kbcfonds.de](http://www.kbcfonds.de).

The statement of changes in the investment portfolio for the period in reference to the report is available free of charge at the German paying and information agent, KBC BANK DEUTSCHLAND AG, Wachtstrasse 16, D-28195 BREMEN.

Moreover, the prospectus, the KIID, the articles of incorporation of the SICAV, the semi-annual and annual reports in paper form are available there free of charge. In supplement, copies of the following documents may be inspected there during usual business hours on any bank business day:

- the domiciliation agreement;
- the agreement of appointment of the Management Company;
- the custodian agreement;
- the paying agent agreement.

The conversion, subscription and redemption prices are available at the paying and information agent.

#### **Additional information for the investors in Austria**

**Place where the shareholders ("investors") may obtain the prescribed documents and information in reference to §§ 141, 142 InvFG 2011:**

ERSTE BANK DER ÖSTERREICHISCHEN SPARKASSEN AG, Graben 21, A-1010 VIENNA, phone 0043 (0) 50100 12139, fax 0043 (0) 50100 9 12139.

The prospectus, the KIID, the articles of incorporation of the SICAV, the semi-annual and annual reports as well as the prices of subscriptions and redemptions are available and other data and documents may be consulted there.

#### **Additional information for the investors in Belgium**

In Belgium, the financial services for KBC BONDS are provided by:

- CBC BANQUE S.A., 5, Grand Place, B-1000 BRUSSELS
- KBC BANK S.A., 2, avenue du Port, B-1080 BRUSSELS.

The investors may contact any of these institutions' branches to obtain the prospectus, subscribe to shares in the SICAV, redeem their shares or obtain payment on their coupons.

The investors are asked to refer to the Belgian appendix of the prospectus, which explains all the terms and conditions that apply to them.

## KBC BONDS

### General information (continued)

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#### **Additional information for the investors in Switzerland**

**For the distribution of shares of the SICAV in Switzerland**, RBC INVESTOR SERVICES BANK S.A., Esch-sur-Alzette, Zurich Branch, Badenerstrasse, 567, CH-8048 ZURICH, acts as Representative of the SICAV in Switzerland and assumes payment service on behalf of the SICAV.

The prospectus, the KIID, the articles of incorporation, the semi-annual and annual reports of the SICAV as well as the list of purchases and sales made on behalf of the securities portfolio of the SICAV are available free of charge in paper form at the Representative in Switzerland.

## **KBC BONDS**

### **Financial climate**

#### **General investment climate**

##### **1st October 2013 - 30th September 2014**

In the summer months of 2013 doubts about the sustainability of the economic recovery began to dissolve. Europe shook off the recession, the euro crisis lost its stranglehold, the US easily digested a severe austerity programme and Japan broke out of its negative deflation spiral. The stock markets responded warmly to the economic optimism. And the bond markets were mesmerised by the prospect of the European Central bank (ECB) following the US example and would start to purchase government paper on a large scale.

#### **The economic tightrope**

Although more jobs have been created than lost in the US since 2010, employment growth remained on the thin side for some considerable time. The unemployment rate declined, but for the wrong reasons. Not because employment was growing strongly but because many Americans dropped out of the labour market in disillusionment. Pay rises barely outstripped inflation. Taken together, these two factors ensured that household purchasing power in the US grew to only a limited extent, so that economic growth remained on the weak side for a long time.

However, the US economy was fundamentally much stronger than the stark growth figures might suggest. On 1st January 2013 a number of temporary tax cuts and other budgetary stimuli came to an end. This was to hold back the already weak growth to such an extent as to generate fears of a new recession. This did not eventuate - but the opposite did. The easing of uncertainty concerning the fiscal future rekindled confidence among consumers and producers. Borrowing got back into gear and the savings ratio came down. Growth picked up, which was translated into better labour market figures. In the first eight months of 2014 an average of 215,000 new jobs were created each month and the unemployment rate fell by 0.9 percentage points to 6.1%.

The recession in the EMU, precipitated by the euro crisis and going back as far as the fourth quarter of 2011, came to an end. From the second quarter of 2013 onwards positive growth figures were at last recorded again and the overall unemployment rate stopped rising. But the growth figures remained disappointingly feeble. Warnings were often to be heard concerning deflation.

Japan managed to break out of the negative deflation spiral. The Bank of Japan announced in April 2013 its explicit intention to pursue an inflation target of +2%, doubling the monetary base to this end over a period of two years. The yen had already depreciated sharply since August 2012 in anticipation of this policy shift, which was also the theme of the Parliamentary elections in December 2012. This ensured that exports recovered in 2013 and that inflation moved into positive territory. The recovery failed to gain further strength in 2014. VAT was increased by 5% on 1st April. This encouraged consumers to bring forward purchases to the first quarter, but the growth recorded in the first three months was matched by the strength of the downturn in the second quarter.

The weak growth in the West also had an impact on the export performance of the emerging countries. This was translated in the year under review into a marked cooling in growth, especially in countries such as Brazil and South Africa with their large commodity industries. The slowdown in growth in China brought the problems of the excessive debt burden of Chinese banks to the foreground from time to time.

#### **Talking down the euro crisis**

The euro crisis broke out in October 2009 when bond investors began to question Greece's creditworthiness. It peaked in the summer of 2012, when Greece descended not only into financial and economic chaos, but also into a political vacuum. The crisis resulted in the bankruptcy of Greece and Cyprus. Portugal and Ireland forfeited the confidence of international bond investors and had to

## **KBC BONDS**

### **Financial climate (continued)**

be rescued by the IMF, the ECB and their EMU partner countries. Spain and Italy narrowly managed to escape this fate.

Government finances were in fact dislocated throughout Europe. The fates of the European banks and European governments are closely intertwined. The banks, which traditionally hold an extensive portfolio of government bonds, emerged weakened from the 2008-2009 credit crisis. Their buffers for coping with impairments on the bond portfolio were used up. The weaker a government's credit rating, the greater the impairment charges and the more difficult it became for those governments to spring into the breach for their banks. The mutual confidence among the European banks was also totally undermined and the monetary transmission channel became clogged up. These interconnections caused the euro system to totter and even threatened the continuing existence of the single currency.

As these storms raged, several of the currency union's rules were reformed. But once the sense of urgency had subsided, it proved almost impossible to get all the members of the euro orchestra playing the same tune. The ECB basically stood alone in defending the euro. The central bank saw its key task as unblocking the monetary flow. This prompted various programmes of extremely cheap liquidity provision to the banking sector (under the acronyms LTRO and TLTRO) and the new framework of more stringent banking supervision (including the Banking Union, regular stress tests and the ongoing, large-scale scrutiny of the quality of bank assets). The latter is designed to restore mutual confidence within the European banking sector and to restore the interbank market as the banks will once again be positively disposed towards lending.

When the ECB gave an assurance in September 2012 with much bravura that it was if necessary prepared to pump liquidity into the market indefinitely, confidence in government bonds recovered. Interest rate spreads between the EMU partners began to narrow, even without the need for specific action. In the course of 2014, Ireland and Portugal were able to fund themselves once more in the traditional way. Greece even successfully concluded a new bond loan in March 2014.

### **New record for corporate earnings**

The economic recovery was accompanied by a spectacular revival in corporate earnings. All the businesses making up the S&P Index in the United States had equalled their pre-recession profit levels by as early as the third quarter of 2012, since when their earnings have risen by around 5% a year. In addition to higher revenues, the increase in earnings was due to a sharp reduction in (wage) cost pressures.

The spectacular recovery in profits experienced by the companies in the MSCI Europe until 2011 failed to hold up. The euro crisis, the accompanying recession in Europe, the devaluation of government bond portfolios held by banks and the strong euro all left their mark. Earnings per share were down by an average of 25% in the first quarter of 2014 compared with mid-2011. Positive earnings growth was finally recorded again in the second three months of the year after nine quarters.

### **Commodity market correction: the worst is now over**

The Arab Spring and the power struggle in Libya meant a barrel of Brent crude oil cost 126 US dollars at the end of April 2011. The balance of supply and demand over the last three years (weak global demand, high stocks and rising supplies) has caused the oil price to fall since then, apart from an occasional increase due to a flare-up in geopolitical tensions (in 2013, for instance, disruption to supplies in Libya and Nigeria, and in 2014, the threat to Iraqi oilfields by Islamic extremists). At the end of September 2014 the price of a barrel of crude oil was 95 USD.

The steep price rises on most other commodity markets had already come to an end earlier. The prices of many industrial metals and agricultural products peaked around mid-February 2011. This was followed by a correction, rising to between 30% (aluminium) and 40% (copper, nickel) since the

## **KBC BONDS**

### **Financial climate (continued)**

peak levels of early 2011. The easing of economic doubts appears to have placed a floor beneath this price correction in recent months.

Inflation cooled. In the US the annual increase in the consumer price index fell from a peak of 3.9% in September 2011 to a cyclical low of 0.9% in October 2013. The disinflationary effect of the falling oil and commodity prices has since run its course. Unemployment is falling. Pay rises are gaining pace (a little). The result is that inflation - 2.1% in July 2014 - is picking up. That is not the case (for the time being) in Europe, where inflation remains low (0.3% in August 2014). The strength of the euro (at least until spring 2014) and the lack of economic growth are making themselves felt.

#### **Learning to live with negative interest rates**

The US central bank (the Fed) had already cut its key rate very early on in the crisis. Since December 2008 the rate has been a symbolic 0.25%. The ECB waited much longer before starting to cut. In 2014 it cut its key rate on two occasions by 10 basis points. Since 4 September the rate has been 0.05%. For deposits it now has a negative rate of interest of -0.20%. ECB President M. Draghi has emphasised that this must be the end of the line.

The policy of (virtually) free money was not sufficient to guarantee the economic recovery would prove lasting. The central banks therefore looked for alternatives. The Federal Reserve, the Bank of England and the Bank of Japan intervened directly in the bond markets and bought up large amounts of debt paper in an attempt to keep the long-term rate low as well. The Fed, for instance, had repurchased government bonds and mortgage loans to the value of 85 billion US dollars a month to the end of 2013. This programme has been scaled back incrementally since January 2014 with the intention of phasing it out entirely in October. This ushered in a new trend of tapering that is designed to get the economy off the monetary drip.

The Bank of England had already discontinued its own large-scale liquidity injections at year-end 2013. The Bank of Japan only began its programme in April 2013 and could persist with it for a while. The ECB is very wary of a similarly unorthodox policy. In December 2011 and in February 2012 it had set up its LTRO programmes under which the banks were provided three-year loans on extremely favourable terms. These were eagerly taken up (for a total 1,100 billion EUR). The fresh money was not however converted into loans to households and SMEs, as hoped, but was invested in government paper. In the course of 2013 and 2014 the loans were repaid before time on a large scale and the ECB found itself unintentionally confronted by a situation of liquidity tightening. With the intention of reducing its balance sheet total back to the level at the end of 2012, the ECB launched new programmes of liquidity injections in September. Packaged loans (in the form of Asset Backed Securities and Covered Bonds) are being bought up and new LTROs launched (but this time on the express condition that the money borrowed makes its way to the real economy). It is doubtful whether the intended 1,000 billion EUR can be added to the ECB's balance sheet in this way. In any event the door to the easiest option (the large-scale purchase of government bonds along US lines) remains shut: the Bundesbank continues to be opposed.

#### **Seeking a floor for bond rates**

Intense economic doubts, realisation that inflation is as good as dead, and central bank intervention are keeping bond yields historically low. The announcement of tapering in the United States (end of May 2013) caused US ten-year rates to jump to just above 3% at the end of 2013. A lengthy, transparent and reassuring communication from the US central bank had the desired effect, and US bond yields declined again in 2014. At the end of the period under review, US ten-year rates stood at 2.51%.

German yields fell even more sharply. The lower the inflation figures and the weaker the published growth figures, the stronger the conviction became that a large-scale ECB government bond purchasing programme could not be delayed for much further. German ten-year rates dipped below 1% on 15 August for the first time.

## **KBC BONDS**

### **Financial climate (continued)**

Bond portfolios were restructured substantially during the euro crisis. Debt paper issued by under-fire European governments was dumped, in spite of the international guarantees, and replaced by German paper. When the ECB president managed to restore confidence in the euro in September 2012, intra-EMU rate spreads began to narrow. This trend continued virtually uninterrupted during the period under review. The same is true of the spread between Belgian and German yields. The 'Belgian' risk premium had narrowed to just 35 basis points by 30th September 2014.

There have been no significant bankruptcies in the business sector in recent years. The solvency and liquidity of non-financial companies have seldom been as strong as they are at present. This has led to a spectacular fall in credit spreads in recent years, and this trend continued in the period under review.

#### **Pressure on the euro is easing**

The euro crisis has been off the radar for two years now. During that period the central banks of the US and the EMU have each placed their own particular stamp on monetary policy, yet despite two important changes, the EUR/USD exchange rate has been no more volatile than in other years. In 2013 the euro was just about the weakest currency in the world, but in 2014 the widening rate spreads between the US and Germany began to favour the dollar. At the end of the period under review the euro stood at 1.263 USD, just 8.5% cheaper than at year-end 2013.

In line with the appreciation of the dollar, sterling also firmed. The threat of Scottish independence disrupted this pattern in the run-up to the referendum. After the Bank of England had brought its massive quantity to easing to a halt at the end of 2013 it indicated that it was not ruling out the possibility of an increase in interest rates later in 2014. It hasn't done so as yet since the economic recovery has lost some strength in 2014.

The depreciation of the yen was halted. The currency continued to move within a narrow margin around 100 yen to the dollar. Previously, between mid-2012 in mid-2013, the yen had fallen by around 25% in anticipation of a radical turnaround in policy designed to banish the spectre of deflation for good.

Other Asian countries perceived the slide in the value of the yen as the harbinger of a currency war. The currencies from the emerging countries had also come under pressure in 2013 when the Fed indicated in May of that year that it intended to bring forward the tapering of its highly accommodative monetary policy. Investments in these markets were repatriated in anticipation of higher interest rates in the US. In particular, the Brazilian real (BRL), the South African rand (ZAR) and the Turkish lira (TRY) - not by accident currencies of countries with high external deficits - fell heavily in value. In the case of the Turkish lira, this was compounded by a damaging internal power struggle.

The tide began to turn in March 2014. Tapering would not lead to substantially higher bond yields in the West as had been feared. The Bank of China continued to conduct an active exchange rate policy. It is allowing the Chinese currency to appreciate gradually at a rate of around 0.2% per month if economic growth is high enough. If growth looks threatened it will allow the currency to weaken. On balance the renminbi was 1.5% lower on 30th September against the dollar than at year-end 2013.

#### **Stock market recovery continues**

The euro crisis and the fear that the European banking sector would collapse as a result cast an almost permanent shadow over the equity markets during the period from April 2010 to October 2011. The mood changed in the course of 2012, with better reports on the US labour market. In recent months, reasonably firm PMIs (indicators of business confidence) have strengthened the economic optimism. From October 2012 onwards, the underlying trend in the international stock markets has been unmistakably positive. This has happened with barely a hiccup, as witnessed by



## KBC BONDS

### Financial climate (continued)

the historically low share-price volatility. Overall, the MSCI All Country World (the broadest global index) was up 13.4% year-on-year in euro terms on 30th September 2014.

Western Europe continued its catching-up exercise in the traditional markets which had begun in 2012, with no more than varying success (the return of the MSCI Europe Index in euros over this period was +7.3%). Fears that the EMU's problems harboured a systemic risk disappeared completely, to be replaced by fears of deflation. Europe's cheaper valuation (compared with the US) most likely provided little support, as corporate earnings in Europe had already lagged behind considerably for two years, relative to both forecasts and to the pattern of earnings in the United States.

The S&P 500 broke through the symbolic level of 2,000 points for the first time on 26th August.

The BEL 20 (+10.2%) performed more or less in line with the other European markets. Retailers are suffering from cut-throat competition, in which newcomers are stealing market share in a heavily saturated market. For the first time, Colruyt had to report a lower market share and a fall in earnings. Delhaize came out fighting and presented a drastic restructuring plan. Biotech company Thrombogenics couldn't find a partner, suffered a number of severe setbacks and had to leave the BEL 20. Its place in the index was taken on 23th March 2014 by Bpost.

Japan made slight gains in terms of its own currency (+3.5%), but for a European investor there was the bonus of an equally great appreciation of the yen. The economic picture is not however convincing, although the inflation forecasts have already become positive.

The emerging regions staged a come-back, after several years of underperformance. The Asian emerging markets (+14.3%) recorded a strong outperformance from March-April onwards. The recovery occurred entirely in parallel with improved PMIs (in the region, but also globally), and a (cautious) recovery in exports by the region. These developments led to an immediate decline in concerns about a credit bubble in China. Latin America (+10.2%) initially performed very strongly, but without solid fundamentals. The economic climate in Brazil deteriorated substantially and Argentina found itself grasping for breath financially following a legal judgment in the US downgrading the country's status to Selective Default. There was evidence of flight from Eastern Europe (-6.6%) in response to the crisis in Ukraine and the sanctions against Russia.

There were wide sectoral differences in the returns. The best-performing sectors included Pharmaceuticals (+25.6%), Technology (+21.8%) and Utilities (+21.1%). Consumer Discretionary (+6.9%), Capital Goods (+8.8%) and Mining (+8.8%) - all three cyclical sectors - were among the underperformers.

Pharmaceuticals has long since shed the aura of a growth sector: There has not been much innovation in recent years and the sector is undergoing a transformation. Business units are being reorganised, acquisitions are being rolled out on a large scale and share-buyback programmes launched, and investors are finding this repositioning of the sector to their taste.

The technology sector basked in an attractive valuation and improved growth forecasts and profit figures, which greatly exceeded expectations. The recent results season confirmed that turnover and profits were being supported by trends like e-commerce, mobile appliances, cloud computing and network upgrades. Their balance sheets are virtually free of debt and they have large amounts of cash that they are increasingly paying out to shareholders. The flotations of Twitter and Alibaba gave the sector a boost.

The Utilities have been out of favour for a considerable period. It remained highly uncertain for a long time to what extent they would be required to contribute to their national governments' funding reforms. The era of large-scale, compulsive austerity is now over. The sparkling dividend is once again much in demand.

## **KBC BONDS**

### **Financial climate (continued)**

In view of the improved economic environment, the disappointing result of the cyclical sectors is surprising. The motor industry has risen from the ashes, but car sales in Europe, especially in the mass production segment, are disappointing on account of the lacklustre economic situation. There are complaints about overcapacity problems and pressure on profit margins. German luxury car manufacturers generate roughly half their profits in China. The Chinese market enjoyed another outstanding year in 2013, with 22 million cars sold.

The Capital Goods sector remains burdened by the worldwide surplus of capacity. Investment budgets remain modest, despite the economic recovery. The big investment wave in the mining sector is also clearly over now that Chinese demand for commodities has declined.

The first decade of this century was dominated by the strong Chinese growth story, which resulted in an unquenchable thirst for commodities. This made Miners the outstanding growth sector. Huge investments have led to massive expansions in capacity. Now that the oversupply is clearly visible, the hype would appear to be over.

Thanks to the strong performance of Real Estate (+17.2%), the discount at which the sector traded for some considerable time has disappeared. The high dividends went down well, and the sector is growing more attractive as the economic outlook brightens in a world with interest rates close to zero.

### **Outlook**

People living in continental Europe might not realise it, but the world economy has reached cruising speed. The growth figure for 2014 (currently estimated at 3.3%) is reasonable but not exceptional. In the US, UK and emerging Asian nations, growth optimism is on the up, driven mainly by greater consumer purchasing power and an easing of austerity measures. In the euro area, the economic engine is once again sputtering.

US growth indicators are spiking. Unemployment is falling fairly sharply and 1,720,000 new jobs were created in the first eight months of the year, which translates into 2% employment growth year-on-year. Although the unemployment rate (6.1% in August) can still be seen as relatively high, the average conceals major differences between states and sectors. There are even reports of tightness here and there. Pay rises have gained pace rapidly as a result: not dramatically so, but still enough for us gradually to be able to talk of strong economic growth and to dispense with any fear of deflation.

The contrast with the euro area is substantial: the cautious economic recovery that began in 2013 has already faltered in 2014. German producer confidence fell sharply when the EU announced sanctions against Russia and again when Russia introduced its counter-sanctions. It will not take much to push the European economy into a third recession in six years. We do not expect things to go that far. Exports to Russia are not sufficiently important to the overall German or European economy. The impact of accelerating global economic growth and of the depreciating euro on German and European exports will be far more important. Low and falling inflation boosts household purchasing power, which will also benefit from a slight acceleration in pay rises. Consumer confidence is improving and the banks have relaxed their lending policies. So deflation is not in store for Europe.

Recent years have laid the foundation for more sustainable growth in 2015 and beyond. US households have trimmed back their debt level significantly, the savings rate has already increased considerably and loan servicing (instalments and interest payments combined) now accounts for only 9% of household budgets (the lowest level in fifteen years - it was at 12.5% four years ago). Households are gradually moving towards a position where they can spend more of their money on consumption. The explosive growth in earnings between 2009 and 2013 bolstered companies' already substantial cash positions. During the crisis investments were scaled back heavily, with the foundations being laid for a catch-up process.

## KBC BONDS

### Financial climate (continued)

In the United States, the impasse in which budget policy had been trapped for several years was finally broken in late 2013. The funding of the federal government is assured until March 2015. The sharpest edges of the long-term austerity plan have been smoothed down. The fact that a source of uncertainty has been eliminated and that the Fed is at liberty to conduct the monetary policy it deems to be suitable, is probably more important than the direct effects of the cutbacks on economic growth - which are certainly not excessive.

The Fed believes the time has come to adjust its extremely flexible monetary policy. The unparalleled liquidity injections in the form of the purchasing programme for government bonds and other debt paper are tapering off. The US central bank considers that the economic recovery is sufficiently sustainable for it to gradually move toward a more neutral monetary policy. Having disconnected the monetary drip in October, the Fed has declared that it will hold its key rate at 0.25% for some considerable time, but that the first in a series of hikes will occur in the course of 2015. The precise timing will depend on the unemployment trend. The Fed has suggested a date of around mid-2015, but it could happen sooner if the trend of recent months persists. All the same, the gap between a growth-neutral rate and the present rate is so large that it will be a long time before monetary policy ceases to be loose and growth-supporting. Either way, the Fed will keep long-term rates low and banish any fears of deflation.

The euro crisis has receded into the background, but many problems remain to be resolved. In 2014 attention will focus on the large-scale survey being conducted by the ECB into the quality of European banks' credit portfolios. This survey and the subsequent stress tests (examining whether the banks' capital buffers are sufficient for crises to be survived) will need to provide the ECB with sufficient information for it to discharge its task as pan-European regulator as from November. Frankfurt's main hope is that the analysis will restore trust between the European banks to such an extent that they will normalise their interbank relationships. At the level of budgetary discipline the reins are being eased. Control over national budgets has been tightened, but the standards have become less absolute and allow more room for manoeuvre. Full use is being made of that room in the current election year.

The (virtually) zero money market rate will be maintained by the ECB for quite some time, and certainly longer than in the US. There is no urgent macroeconomic reason to adopt a more restrictive policy so long as the economic situation in the euro area remains weak and there is no sign of any real inflationary pressure.

Inflation has long ceased to be a reason for concern. On the contrary, if anything it is too low (closer to 0% than to the official euro area inflation target of 2% for inflation in the euro area). There is considerable concern, however, about growth and the ECB will be absolutely determined to prevent the euro crisis from flaring up again. It will most likely continue to pursue a *normal* short rate of 3% for the euro area, but that has now become a very long-term objective and is totally ruled out in the short term (horizon year-end 2015). The ECB's main concern at present is not the level of its interest rates but the way in which these low rates percolate through into market rates in Southern Europe. It is here that low interest rates are needed most - and also where market rates remain the highest.

Bond yields seem to have bottomed out. It would be logical for yields to increase again from the current record lows, on the back of an improved economic environment. As a result, the market might, in the months ahead, start to anticipate tighter monetary policy in 2015 (US) or later (EMU). No significant increase in interest rates is likely in the following months, however. Fearful of the negative consequences for growth, the central banks will avoid any such hike by scaling back their asset-purchasing programmes.

The default risk premium in the corporate bond market has fallen steeply in recent years. At its present level, it provides appropriate compensation for the debtor risk. Much more narrowing of spreads is therefore not on the cards, even though most companies have a very healthy financial structure. Rate spreads within the EMU have narrowed sharply and are gradually starting to correctly

## KBC BONDS

### Financial climate (continued)

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reflect the differences in quality of the various governments as debtors. Given the ongoing problems of the euro, an increase in risk aversion and volatility of the rate spreads cannot be ruled out.

Emerging markets will continue to deliver the largest contribution to world GDP growth. Strong economic growth has already created inflationary pressure in Asia. Appropriate monetary policy is therefore required: sometimes restrictive (as in 2011) and at other times stimulatory (as at present).

One of the major challenges for this decade will be the further development of consumption in China and the rest of Asia. That could help bring about a more balanced economic world order. It will not only reduce the region's dependence on exports but, at least as importantly, will have an effect on international capital flows. More consumption in China will mean lower savings and higher imports, including from the US and Europe. That will help the West to 'grow out' of its debt problems.

Thanks to the continued strong growth in the emerging markets, the global economy (+2.8% in 2013) could post growth of 3.3% in 2014 and 3.5% in 2015. This is one of the reasons why corporate earnings could continue to grow in the coming quarters at a rate of 8-10% - faster than in the recent past. The strong earnings growth is also attributable to sustained wage restraint. Maintaining purchasing power is now about all that is on offer. There is virtually no question of real wage rises. In brief, every one-cent increase in revenue translates (almost) entirely into an extra cent of profit, rather than into higher pay.

The money market rate won't increase rapidly and bond yields are at historical lows. Everything seems to point to shares being the most attractive investment option for the months ahead. The lack of alternatives is not, of course, sufficient reason to increase the market valuation. For that to happen, investors will need to be more predisposed to taking risk. Shares are no longer as cheap as they were a while ago: based on forecast earnings for the coming 12 months, the price/earnings ratio is 16.8 for the S&P 500 index and 13.9 for the MSCI Europe. That looks reasonable: not really cheap, but not expensive either. Equities are, however, still dirt-cheap compared with bonds. The earnings yield - the inverse of the price/earnings ratio - is currently 7.2% for the MSCI Europe, an unprecedented premium of more than 600 basis points above German yields.

Luxembourg, 21st October 2014

The Board of Directors

Note: The information in this report represents historical data and is not an indication of future results. It has not been audited or otherwise verified by the "réviseur d'entreprises agréé".

## Report of the réviseur d'entreprises agréé

To the Shareholders of  
**KBC BONDS**

Following our appointment by the general meeting of the shareholders, we have audited the accompanying financial statements of KBC BONDS and of each of its sub-funds, which comprise the statement of net assets and the statement of investments and other net assets as at 30th September 2014 and the statement of operations and other changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

### **Responsibility of the Board of Directors of the SICAV for the financial statements**

The Board of Directors of the SICAV is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements and for such internal control as the Board of Directors of the SICAV determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Responsibility of the *réviseur d'entreprises agréé***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

## Report of the réviseur d'entreprises agréé (continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the SICAV, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of KBC BONDS and of each of its sub-funds as of 30th September 2014, and of the results of their operations and changes in their net assets for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

### Other matter

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

For Deloitte Audit  
*Cabinet de révision agréé*

Jean-Philippe Bachelet, *Réviseur d'entreprises agréé*  
Partner

8th December 2014  
560, rue de Neudorf  
L-2220 LUXEMBOURG

## KBC BONDS

### Combined statement of net assets (in EUR)

as at 30th September 2014

#### Assets

|   |                  |
|---|------------------|
| Securities portfolio at market value                  | 4,429,485,042.04 |
| Cash at banks   | 109,912,757.53   |
| Other liquid assets                                   | 6,509,342.76     |
| Receivable on sales of securities                     | 84,783,166.43    |
| Receivable on issues of shares                        | 10,997,978.13    |
| Income receivable on portfolio                        | 63,468,803.33    |
| Interest receivable on bank accounts                  | 982.42           |
| Unrealised gain on futures contracts                  | 42,454.59        |
| Unrealised gain on forward foreign exchange contracts | 22,385.21        |
| Other receivables                                     | 35,000.00        |
|   | <hr/>            |
| Total assets  | 4,705,257,912.44 |

#### Liabilities

|   |                  |
|---|------------------|
| Bank overdrafts                                       | 35,192,168.25    |
| Other liquid liabilities                              | 7.13             |
| Payable on purchases of securities                    | 28,558,845.52    |
| Payable on treasury transactions                      | 206,267.20       |
| Payable on redemptions of shares                      | 1,558,094.27     |
| Interest payable on bank overdrafts                   | 1,454.14         |
| Unrealised loss on futures contracts                  | 450,894.00       |
| Unrealised loss on forward foreign exchange contracts | 454,801.69       |
| Expenses payable                                      | 5,620,834.76     |
|   | <hr/>            |
| Total liabilities                                     | 72,043,366.96    |
|   | <hr/>            |
| Net assets at the end of the year                     | 4,633,214,545.48 |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS

### Combined statement of operations and other changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

#### Income

|  |                |
|--|----------------|
| Interest on bonds and other debt securities, net | 177,377,380.80 |
| Return on sukuk                                  | 447,810.19     |
| Interest on bank accounts                        | 56,875.54      |
| Commissions received                             | 17,489,564.70  |
| Other income                                     | 495,508.45     |
| Total income                                     | 195,867,139.68 |

#### Expenses

|   |               |
|---|---------------|
| Management fees                         | 40,336,297.51 |
| Custodian fees                          | 1,791,686.54  |
| Banking charges and other fees          | 31,965.11     |
| Transaction fees                        | 252,364.21    |
| Central administration costs            | 2,218,151.37  |
| Professional fees                       | 54,005.08     |
| Other administration costs              | 313,467.85    |
| Standard & Poor's fees                  | 17,482.38     |
| Subscription duty ("taxe d'abonnement") | 1,015,900.67  |
| Other taxes                             | 2,127,852.92  |
| Interest paid on bank overdrafts        | 35,764.38     |
| Other expenses                          | 128,982.52    |
| Total expenses                          | 48,323,920.54 |

|                       |                |
|-----------------------|----------------|
| Net investment income | 147,543,219.14 |
|-----------------------|----------------|

#### Net realised gain/(loss)

|   |                |
|---|----------------|
| - on securities portfolio               | 33,580,740.85  |
| - on futures contracts                  | -10,647,201.92 |
| - on forward foreign exchange contracts | -5,521,647.21  |
| - on foreign exchange                   | 764,090.94     |

|                 |                |
|-----------------|----------------|
| Realised result | 165,719,201.80 |
|-----------------|----------------|

#### Net variation of the unrealised gain/(loss)

|   |                |
|---|----------------|
| - on securities portfolio               | 158,683,808.77 |
| - on futures contracts                  | -790,608.12    |
| - on forward foreign exchange contracts | -766,889.41    |

|                      |                |
|----------------------|----------------|
| Result of operations | 322,845,513.04 |
|----------------------|----------------|

|                |                |
|----------------|----------------|
| Dividends paid | -26,210,346.95 |
|----------------|----------------|

|               |                  |
|---------------|------------------|
| Subscriptions | 3,959,007,222.87 |
|---------------|------------------|

|             |                   |
|-------------|-------------------|
| Redemptions | -3,573,706,856.31 |
|-------------|-------------------|

|                             |                |
|-----------------------------|----------------|
| Total changes in net assets | 681,935,532.65 |
|-----------------------------|----------------|

|   |                  |
|---|------------------|
| Total net assets at the beginning of the year | 3,899,195,699.79 |
|---|------------------|

|                        |               |
|------------------------|---------------|
| Revaluation difference | 52,083,313.04 |
|------------------------|---------------|

|   |                  |
|---|------------------|
| Total net assets at the end of the year | 4,633,214,545.48 |
|---|------------------|

The accompanying notes are an integral part of these financial statements.



## **KBC BONDS INCOME FUND**

### **Investment policy and outlook**

from 1st October 2013 to 30th September 2014

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#### ***Review***

The period under review was marked by divergent regional trends. The US markets rebounded sharply, while the markets in the rest of the world tended to struggle. With respect to interest rates the market was for some time convinced that the US economy would take the rest of the world in tow. Initially this supported European interest rates. As the period under review progressed, however, it became clear that the European economy was much weaker than had been assumed. This rapidly led to falling markets and a new low for German interest rates. Riskier bonds also tended to perform weakly in this climate. The EUR weakened against the USD. In the meantime the Japanese economy was seeking to digest the increase in VAT. For the first time in 17 years the Japanese government increased this tax on consumption in an effort to stem the rising government debt and to finance ageing. A further increase is anticipated in 2015. It remains to be seen how this will affect future growth. The JPY weakened by around 3.5% against the EUR.

#### ***Outlook***

Over the next few months we will be looking in particular for confirmation of economic recovery outside the US. We are seeing the first cautious signs of rising wages in the US. This can be viewed as a signal of a fundamentally stronger economy. This is important for the valuation of higher-risk assets. After all, if quantitative easing by the central bank comes to an end in the United States, the economy will need to be sufficiently strong to safeguard current price levels. In this climate, we expect US government bond yields to rise only slightly toward the end of the year. The European Central Bank is likely to continue pursuing a policy that provides further support for the economy and thus keeps interest rates low. We do not expect spreads to narrow much further. The Japanese central bank is also likely to keep its policy rate low. We are sticking to the current positioning for the time being.

Note: The information in this report represents historical data and is not an indication of future results. It has not been audited or otherwise verified by the "réviseur d'entreprises agréé".

## KBC BONDS INCOME FUND

### Statement of net assets (in EUR)

as at 30th September 2014

#### Assets

|                                      |                      |
|--------------------------------------|----------------------|
| Securities portfolio at market value | 43,073,141.89        |
| Cash at banks                        | 114,772.27           |
| Receivable on sales of securities    | 52,773.49            |
| Income receivable on portfolio       | 676,366.34           |
| Interest receivable on bank accounts | 3.90                 |
| Total assets                         | <u>43,917,057.89</u> |

#### Liabilities

|                                  |                  |
|----------------------------------|------------------|
| Other liquid liabilities         | 0.07             |
| Payable on redemptions of shares | 11,343.28        |
| Expenses payable                 | 47,176.06        |
| Total liabilities                | <u>58,519.41</u> |

|                                   |                             |
|-----------------------------------|-----------------------------|
| Net assets at the end of the year | <u><u>43,858,538.48</u></u> |
|-----------------------------------|-----------------------------|

|   |              |
|---|--------------|
| Number of distribution shares outstanding | 137,951.8542 |
| Net asset value per distribution share    | 317.93       |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS INCOME FUND

### Statement of operations and other changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

#### **Income**

|  |              |
|--|--------------|
| Interest on bonds and other debt securities, net | 1,709,967.00 |
| Interest on bank accounts                        | 203.96       |
| Commissions received                             | 2,649.93     |
| Other income                                     | 320,009.23   |
| Total income                                     | 2,032,830.12 |

#### **Expenses**

|   |            |
|---|------------|
| Management fees                         | 308,381.44 |
| Custodian fees                          | 22,155.11  |
| Banking charges and other fees          | 2,468.70   |
| Transaction fees                        | 26.55      |
| Central administration costs            | 27,306.01  |
| Professional fees                       | 1,421.81   |
| Other administration costs              | 6,136.16   |
| Subscription duty ("taxe d'abonnement") | 21,775.12  |
| Other taxes                             | 20,099.91  |
| Interest paid on bank overdrafts        | 234.05     |
| Other expenses                          | 1,632.05   |
| Total expenses                          | 411,636.91 |

|                       |              |
|-----------------------|--------------|
| Net investment income | 1,621,193.21 |
|-----------------------|--------------|

#### **Net realised gain/(loss)**

|   |              |
|---|--------------|
| - on securities portfolio               | 270,311.00   |
| - on futures contracts                  | 8,127.11     |
| - on forward foreign exchange contracts | -1,034.61    |
| - on foreign exchange                   | 5,009.10     |
| Realised result                         | 1,903,605.81 |

#### **Net variation of the unrealised gain/(loss)**

|                           |              |
|---------------------------|--------------|
| - on securities portfolio | 1,799,385.74 |
| - on futures contracts    | -10,866.14   |

|                      |              |
|----------------------|--------------|
| Result of operations | 3,692,125.41 |
|----------------------|--------------|

|                |               |
|----------------|---------------|
| Dividends paid | -1,132,355.58 |
|----------------|---------------|

|               |           |
|---------------|-----------|
| Subscriptions | 18,104.98 |
|---------------|-----------|

|             |               |
|-------------|---------------|
| Redemptions | -7,076,266.20 |
|-------------|---------------|

|                             |               |
|-----------------------------|---------------|
| Total changes in net assets | -4,498,391.39 |
|-----------------------------|---------------|

|   |               |
|---|---------------|
| Total net assets at the beginning of the year | 48,356,929.87 |
|---|---------------|

|   |               |
|---|---------------|
| Total net assets at the end of the year | 43,858,538.48 |
|---|---------------|

The accompanying notes are an integral part of these financial statements.

## KBC BONDS INCOME FUND

### Statistical information (in EUR)

as at 30th September 2014

|   |               |
|---|---------------|
| <b>Total net assets</b>                           |               |
| - as at 30.09.2014                                | 43,858,538.48 |
| - as at 30.09.2013                                | 48,356,929.87 |
| - as at 30.09.2012                                | 60,335,578.43 |
| <b>Portfolio Turnover Rate (in %)</b>             |               |
| - as at 30.09.2014                                | 36.18         |
| <b>Number of distribution shares</b>              |               |
| - outstanding at the beginning of the year        | 161,789.0830  |
| - issued  | 61.9875       |
| - redeemed  | -23,899.2163  |
| - outstanding at the end of the year              | 137,951.8542  |
| <b>Net asset value per distribution share</b>     |               |
| - as at 30.09.2014                                | 317.93        |
| - as at 30.09.2013                                | 298.89        |
| - as at 30.09.2012                                | 324.90        |
| <b>Performances of distribution shares (in %)</b> |               |
| - as at 30.09.2014                                | 8.92          |
| - as at 30.09.2013                                | -5.38         |
| - as at 30.09.2012                                | 6.49          |
| <b>TER per distribution share (in %)</b>          |               |
| - as at 30.09.2014                                | 0.93          |
| <b>Dividends paid to distribution shares</b>      |               |
| Ex-dividend date                                  | 01.10.2013    |
| Dividend per share                                | 7.00          |
| Shares outstanding at dividend date               | 161,765.0830  |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS INCOME FUND

### Statement of investments and other net assets (in EUR)

as at 30th September 2014

| Currency   | Number /<br>nominal value | Description                              | Cost                 | Market value                | % of<br>total net<br>assets |
|--|---------------------------|--|----------------------|-----------------------------|-----------------------------|
| <b><u>Investments in securities</u></b>  |                           |  |                      |                             |                             |
| <b><u>Transferable securities admitted to an official stock exchange listing</u></b> |                           |  |                      |                             |                             |
| <b>Bonds</b>   |                           |  |                      |                             |                             |
| EUR  | 1,950,000                 | Belgium 2.75% OLO Ser 59 10/28.03.16     | 2,051,205.00         | 2,030,437.50                | 4.63                        |
| EUR  | 2,350,000                 | Deutschland 4% Ser 07 07/04.01.18        | 2,636,928.30         | 2,660,846.25                | 6.07                        |
| EUR  | 1,600,000                 | Deutschland 4.75% Ser 0301 03/04.07.34   | 1,599,200.00         | 2,422,640.00                | 5.52                        |
| EUR  | 2,250,000                 | Espana 5.85% 11/31.01.22                 | 2,362,688.00         | 2,932,931.25                | 6.69                        |
| EUR  | 600,000                   | Espana 6% 98/31.01.29                    | 712,507.86           | 827,280.00                  | 1.89                        |
| EUR  | 700,000                   | France 3.5% 10/25.04.20                  | 765,938.50           | 819,717.50                  | 1.87                        |
| EUR  | 1,800,000                 | France 5.5% OAT 98/25.04.29              | 2,199,798.00         | 2,664,585.00                | 6.08                        |
| EUR  | 4,000,000                 | Italia 4.25% BTP 03/01.02.19             | 3,976,495.00         | 4,572,300.00                | 10.42                       |
| EUR  | 1,350,000                 | Italia 4.75% BTP 12/01.05.17             | 1,398,383.18         | 1,494,922.50                | 3.41                        |
| EUR  | 400,000                   | Poland 4.2% EMTN 05/15.04.20             | 397,540.00           | 471,880.00                  | 1.08                        |
|  |                           |  | <u>18,100,683.84</u> | <u>20,897,540.00</u>        | <u>47.66</u>                |
| GBP  | 355,000                   | United Kingdom 4.25% T-Stock 06/07.12.27 | 442,400.29           | 537,923.23                  | 1.23                        |
| GBP  | 475,000                   | United Kingdom 4.75% T-Stock 04/07.12.38 | 646,170.94           | 796,201.06                  | 1.81                        |
| GBP  | 200,000                   | United Kingdom 8% T-Stock 95/07.12.15    | 362,526.54           | 279,418.87                  | 0.64                        |
| GBP  | 350,000                   | United Kingdom 8% T-Stock 96/07.06.21    | 728,486.59           | 617,527.71                  | 1.41                        |
|  |                           |  | <u>2,179,584.36</u>  | <u>2,231,070.87</u>         | <u>5.09</u>                 |
| JPY  | 180,000,000               | EIB 1.4% Sen 05/20.06.17                 | 1,365,809.00         | 1,348,324.11                | 3.07                        |
| JPY  | 120,000,000               | Japan 1.5% Ser 41 98/20.03.19            | 747,622.28           | 918,965.61                  | 2.09                        |
| JPY  | 230,000,000               | Japan 2.1% Ser 53 01/20.12.21            | 2,111,346.33         | 1,873,598.12                | 4.27                        |
| JPY  | 260,000,000               | Japan 2.3% Ser 3 00/20.05.30             | 2,320,445.66         | 2,234,903.18                | 5.10                        |
|  |                           |  | <u>6,545,223.27</u>  | <u>6,375,791.02</u>         | <u>14.53</u>                |
| USD  | 1,250,000                 | US 6.125% T-Bonds 99/15.08.29            | 1,632,752.35         | 1,388,827.05                | 3.17                        |
| USD  | 700,000                   | US 6.25% T-Bonds 00/15.05.30             | 646,171.24           | 792,896.24                  | 1.81                        |
| USD  | 4,150,000                 | US 7.25% T-Bonds 86/15.05.16             | 3,612,548.79         | 3,647,220.30                | 8.32                        |
| USD  | 2,000,000                 | US 7.5% T-Bonds 94/15.11.24              | 2,490,016.85         | 2,300,300.83                | 5.24                        |
| USD  | 2,000,000                 | US 8% T-Bonds 91/15.11.21                | 1,902,761.12         | 2,194,414.75                | 5.00                        |
| USD  | 2,500,000                 | US 9% T-Bonds 88/15.11.18                | 2,461,044.53         | 2,575,406.72                | 5.87                        |
|  |                           |  | <u>12,745,294.88</u> | <u>12,899,065.89</u>        | <u>29.41</u>                |
| <b>Total bonds</b>   |                           |  | <u>39,570,786.35</u> | <u>42,403,467.78</u>        | <u>96.69</u>                |
| <b>Bonds in default of payment</b>   |                           |  |                      |                             |                             |
| CHF  | 3,650,000                 | SAir Group AG 0.125% Conv 98/07.07.05    | 1,876,868.75         | 155,736.98                  | 0.35                        |
| <b>Total bonds in default of payment</b>   |                           |  | <u>1,876,868.75</u>  | <u>155,736.98</u>           | <u>0.35</u>                 |
| <b><u>Transferable securities dealt in on another regulated market</u></b>           |                           |  |                      |                             |                             |
| <b>Bonds</b>   |                           |  |                      |                             |                             |
| USD  | 500,000                   | US 4.75% 11/15.02.41                     | 435,394.90           | 513,937.13                  | 1.17                        |
| <b>Total bonds</b>   |                           |  | <u>435,394.90</u>    | <u>513,937.13</u>           | <u>1.17</u>                 |
| <b>Total investments in securities</b>   |                           |  | <u>41,883,050.00</u> | <u>43,073,141.89</u>        | <u>98.21</u>                |
| Cash at banks  |                           |  |                      | 114,772.27                  | 0.26                        |
| Other net assets/(liabilities)   |                           |  |                      | 670,624.32                  | 1.53                        |
| <b>Total</b>   |                           |  |                      | <u><u>43,858,538.48</u></u> | <u><u>100.00</u></u>        |

The accompanying notes are an integral part of these financial statements.

## **KBC BONDS CAPITAL FUND**

### **Investment policy and outlook**

from 1st October 2013 to 30th September 2014

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#### ***Review***

The period under review was marked by divergent regional trends. The US markets rebounded sharply, while the markets in the rest of the world tended to struggle. With respect to interest rates the market was for some time convinced that the US economy would take the rest of the world in tow. Initially this supported European interest rates. As the period under review progressed, however, it became clear that the European economy was much weaker than had been assumed. This rapidly led to falling markets and a new low for German interest rates. Riskier bonds also tended to perform weakly in this climate. The EUR weakened against the USD. In the meantime the Japanese economy was seeking to digest an increase in VAT. For the first time in 17 years the Japanese government increased this tax on consumption in an effort to stem the rising government debt and to finance ageing. A further increase is anticipated in 2015. It remains to be seen how this will affect future growth. The JPY weakened by around 3.5% against the EUR.

#### ***Outlook***

Over the next few months we will be looking in particular for confirmation of economic recovery outside the US. We are seeing the first cautious signs of rising wages in the US. This can be viewed as a signal of a fundamentally stronger economy. This is important for the valuation of higher-risk assets. After all, if quantitative easing by the central bank comes to an end in the United States, the economy will need to be sufficiently strong to safeguard current price levels. In this climate, we expect US government bond yields to rise only slightly toward the end of the year. The European Central Bank is likely to continue pursuing a policy that provides further support for the economy and thus keeps interest rates low. We do not expect spreads to narrow much further. The Japanese central bank is also likely to keep its policy rate low. We are sticking to the current positioning for the time being.

Note: The information in this report represents historical data and is not an indication of future results. It has not been audited or otherwise verified by the "réviseur d'entreprises agréé".

## KBC BONDS CAPITAL FUND

### Statement of net assets (in EUR)

as at 30th September 2014

#### Assets

|                                      |               |
|--------------------------------------|---------------|
| Securities portfolio at market value | 43,266,606.81 |
| Cash at banks                        | 189,481.18    |
| Receivable on issues of shares       | 73.14         |
| Income receivable on portfolio       | 567,448.85    |
| Total assets                         | 44,023,609.98 |

#### Liabilities

|                                  |           |
|----------------------------------|-----------|
| Bank overdrafts                  | 2.01      |
| Other liquid liabilities         | 1.47      |
| Payable on redemptions of shares | 4,336.10  |
| Expenses payable                 | 52,227.36 |
| Total liabilities                | 56,566.94 |

Net assets at the end of the year 43,967,043.04

Number of capitalisation shares outstanding 50,546.5903  
Net asset value per capitalisation share 869.48

Number of distribution shares outstanding 41.0000  
Net asset value per distribution share 433.71

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CAPITAL FUND

### Statement of operations and other changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

#### **Income**

|  |                     |
|--|---------------------|
| Interest on bonds and other debt securities, net | 2,052,849.87        |
| Interest on bank accounts                        | 8,026.64            |
| Commissions received                             | 2,636.31            |
| Total income                                     | <u>2,063,512.82</u> |

#### **Expenses**

|   |                   |
|---|-------------------|
| Management fees                         | 374,338.25        |
| Custodian fees                          | 26,946.03         |
| Banking charges and other fees          | 260.00            |
| Transaction fees                        | 122.93            |
| Central administration costs            | 33,328.94         |
| Professional fees                       | 1,519.27          |
| Other administration costs              | 6,846.08          |
| Subscription duty ("taxe d'abonnement") | 26,509.64         |
| Other taxes                             | 33,333.03         |
| Interest paid on bank overdrafts        | 710.35            |
| Other expenses                          | 1,960.51          |
| Total expenses                          | <u>505,875.03</u> |

|                       |              |
|-----------------------|--------------|
| Net investment income | 1,557,637.79 |
|-----------------------|--------------|

#### **Net realised gain/(loss)**

|   |                     |
|---|---------------------|
| - on securities portfolio               | 71,534.81           |
| - on futures contracts                  | 4,155.02            |
| - on forward foreign exchange contracts | -38,424.81          |
| - on foreign exchange                   | 42,407.86           |
| Realised result                         | <u>1,637,310.67</u> |

#### **Net variation of the unrealised gain/(loss)**

|                           |                     |
|---------------------------|---------------------|
| - on securities portfolio | 2,464,567.36        |
| - on futures contracts    | -29,834.58          |
| Result of operations      | <u>4,072,043.45</u> |

|                |   |
|----------------|---|
| Dividends paid | - |
|----------------|---|

|               |               |
|---------------|---------------|
| Subscriptions | 16,434,280.09 |
|---------------|---------------|

|             |                |
|-------------|----------------|
| Redemptions | -26,901,936.16 |
|-------------|----------------|

|                             |                      |
|-----------------------------|----------------------|
| Total changes in net assets | <u>-6,395,612.62</u> |
|-----------------------------|----------------------|

|   |                      |
|---|----------------------|
| Total net assets at the beginning of the year | <u>50,362,655.66</u> |
|---|----------------------|

|   |                      |
|---|----------------------|
| Total net assets at the end of the year | <u>43,967,043.04</u> |
|---|----------------------|

The accompanying notes are an integral part of these financial statements.



## KBC BONDS CAPITAL FUND

### Statistical information (in EUR)

as at 30th September 2014

|   |               |
|---|---------------|
| <b>Total net assets</b>                             |               |
| - as at 30.09.2014                                  | 43,967,043.04 |
| - as at 30.09.2013                                  | 50,362,655.66 |
| - as at 30.09.2012                                  | 73,966,615.56 |
| <b>Portfolio Turnover Rate (in %)</b>               |               |
| - as at 30.09.2014                                  | 23.18         |
| <b>Number of capitalisation shares</b>              |               |
| - outstanding at the beginning of the year          | 62,703.0320   |
| - issued  | 20,340.0149   |
| - redeemed  | -32,496.4566  |
| - outstanding at the end of the year                | 50,546.5903   |
| <b>Net asset value per capitalisation share</b>     |               |
| - as at 30.09.2014                                  | 869.48        |
| - as at 30.09.2013                                  | 802.59        |
| - as at 30.09.2012                                  | 847.88        |
| <b>Performances of capitalisation shares (in %)</b> |               |
| - as at 30.09.2014                                  | 8.33          |
| - as at 30.09.2013                                  | -5.34         |
| - as at 30.09.2012                                  | 6.51          |
| <b>TER per capitalisation share (in %)</b>          |               |
| - as at 30.09.2014                                  | 0.95          |
| <b>Number of distribution shares</b>                |               |
| - outstanding at the beginning of the year          | 95.0000       |
| - issued  | 1.0000        |
| - redeemed  | -55.0000      |
| - outstanding at the end of the year                | 41.0000       |
| <b>Net asset value per distribution share</b>       |               |
| - as at 30.09.2014                                  | 433.71        |
| - as at 30.09.2013                                  | 400.34        |
| - as at 30.09.2012                                  | 422.94        |
| <b>Performances of distribution shares (in %)</b>   |               |
| - as at 30.09.2014                                  | 8.34          |
| - as at 30.09.2013                                  | -5.34         |
| - as at 30.09.2012                                  | 6.52          |
| <b>TER per distribution share (in %)</b>            |               |
| - as at 30.09.2014                                  | 0.95          |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CAPITAL FUND

### Statement of investments and other net assets (in EUR)

as at 30th September 2014

| Currency   | Number /<br>nominal value | Description                              | Cost          | Market value         | % of<br>total net<br>assets |
|--|---------------------------|--|---------------|----------------------|-----------------------------|
| <b><u>Investments in securities</u></b>  |                           |  |               |                      |                             |
| <b><u>Transferable securities admitted to an official stock exchange listing</u></b> |                           |  |               |                      |                             |
| <b>Bonds</b>   |                           |  |               |                      |                             |
| EUR  | 350,000                   | Belgium 4% OLO Ser 49 07/28.03.17        | 350,268.29    | 385,035.00           | 0.88                        |
| EUR  | 450,000                   | Belgium 5% OLO Ser 44 04/28.03.35        | 567,270.00    | 666,967.50           | 1.52                        |
| EUR  | 800,000                   | Deutschland 4% Ser 05 05/04.01.37        | 980,048.00    | 1,129,520.00         | 2.57                        |
| EUR  | 1,500,000                 | Deutschland 4% Ser 07 07/04.01.18        | 1,744,680.00  | 1,698,412.50         | 3.86                        |
| EUR  | 1,500,000                 | Espana 4.1% Sen 08/30.07.18              | 1,441,125.37  | 1,692,825.00         | 3.85                        |
| EUR  | 360,000                   | Espana 4.2% 05/31.01.37                  | 379,840.00    | 415,098.00           | 0.95                        |
| EUR  | 400,000                   | Espana 5.4% Sen 13/31.01.23              | 478,588.00    | 512,570.00           | 1.17                        |
| EUR  | 900,000                   | Espana 6% 98/31.01.29                    | 1,088,729.32  | 1,240,920.00         | 2.82                        |
| EUR  | 3,350,000                 | France 3.5% 10/25.04.20                  | 3,570,186.49  | 3,922,933.75         | 8.92                        |
| EUR  | 280,000                   | France 1.75% BTAN 12/25.02.17            | 281,030.40    | 291,837.00           | 0.66                        |
| EUR  | 1,200,000                 | France 3.5% T-Bond 10/25.04.26           | 1,302,636.00  | 1,455,300.00         | 3.31                        |
| EUR  | 3,100,000                 | Italia 4.75% BTP 11/01.09.21             | 3,084,076.14  | 3,727,672.50         | 8.48                        |
| EUR  | 2,000,000                 | Italia 5.5% BTP 12/01.09.22              | 2,264,136.00  | 2,517,900.00         | 5.73                        |
| EUR  | 360,000                   | Netherlands 4% 05/15.01.37               | 432,345.60    | 507,164.40           | 1.15                        |
| EUR  | 700,000                   | Netherlands 4% 09/15.07.19               | 809,137.00    | 826,157.50           | 1.88                        |
|  |                           |  | 18,774,096.61 | 20,990,313.15        | 47.75                       |
| GBP  | 380,000                   | United Kingdom 4.75% T-Stock 04/07.12.38 | 515,276.10    | 636,960.85           | 1.45                        |
| GBP  | 580,000                   | United Kingdom 5% T-Stock 01/07.03.25    | 859,402.64    | 921,082.61           | 2.10                        |
| GBP  | 420,000                   | United Kingdom 8% T-Stock 96/07.06.21    | 892,293.09    | 741,033.25           | 1.69                        |
|  |                           |  | 2,266,971.83  | 2,299,076.71         | 5.24                        |
| JPY  | 50,000,000                | EIB 1.4% Sen 05/20.06.17                 | 379,391.39    | 374,534.48           | 0.85                        |
| JPY  | 8,000,000                 | Japan 1.5% Ser 300 09/20.03.19           | 83,472.99     | 61,225.11            | 0.14                        |
| JPY  | 200,000,000               | Japan 1.5% Ser 41 98/20.03.19            | 1,322,168.35  | 1,531,609.34         | 3.48                        |
| JPY  | 210,000,000               | Japan 2.1% Ser 53 01/20.12.21            | 1,799,488.41  | 1,710,676.54         | 3.89                        |
| JPY  | 290,000,000               | Japan 2.3% Ser 3 00/20.05.30             | 2,057,405.74  | 2,492,776.62         | 5.67                        |
| JPY  | 50,000,000                | Japan 3.1% Ser 37 97/20.09.17            | 513,938.87    | 393,038.70           | 0.89                        |
|  |                           |  | 6,155,865.75  | 6,563,860.79         | 14.92                       |
| USD  | 425,000                   | US 6.125% T-Bonds 99/15.08.29            | 475,774.44    | 472,201.19           | 1.07                        |
| USD  | 800,000                   | US 6.25% T-Bonds 00/15.05.30             | 799,534.60    | 906,167.12           | 2.06                        |
| USD  | 6,500,000                 | US 7.25% T-Bonds 86/15.05.16             | 5,516,882.29  | 5,712,513.73         | 12.99                       |
| USD  | 2,000,000                 | US 8% T-Bonds 91/15.11.21                | 2,051,476.83  | 2,194,414.75         | 4.99                        |
| USD  | 1,200,000                 | US 9% T-Bonds 88/15.11.18                | 1,183,153.62  | 1,236,195.23         | 2.81                        |
|  |                           |  | 10,026,821.78 | 10,521,492.02        | 23.92                       |
|  |                           |  | 37,223,755.97 | 40,374,742.67        | 91.83                       |
| <b>Bonds in default of payment</b>   |                           |  |               |                      |                             |
| CHF  | 3,800,000                 | SAir Group AG 0.125% Conv 98/07.07.05    | 1,963,320.33  | 162,137.13           | 0.37                        |
|  |                           |  | 1,963,320.33  | 162,137.13           | 0.37                        |
| <b><u>Transferable securities dealt in on another regulated market</u></b>           |                           |  |               |                      |                             |
| <b>Bonds</b>   |                           |  |               |                      |                             |
| USD  | 1,000,000                 | US 1.25% T-Notes Ser K-2019 12/30.04.19  | 780,755.75    | 776,765.92           | 1.77                        |
| USD  | 1,900,000                 | US 4.75% 11/15.02.41                     | 1,645,132.87  | 1,952,961.09         | 4.44                        |
|  |                           |  | 2,425,888.62  | 2,729,727.01         | 6.21                        |
| <b>Total bonds</b>   |                           |  |               |                      |                             |
| Total investments in securities  |                           |  | 41,612,964.92 | 43,266,606.81        | 98.41                       |
| Cash at banks  |                           |  |               | 189,481.18           | 0.43                        |
| Bank overdrafts  |                           |  |               | -2.01                | 0.00                        |
| Other net assets/(liabilities)   |                           |  |               | 510,957.06           | 1.16                        |
| <b>Total</b>   |                           |  |               | <b>43,967,043.04</b> | <b>100.00</b>               |

The accompanying notes are an integral part of these financial statements.

## **KBC BONDS HIGH INTEREST**

### **Investment policy and outlook**

from 1st October 2013 to 30th September 2014

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#### ***Review***

The Bonds High Interest sub-fund aims to invest in bonds denominated in currencies with higher interest rates than the German sovereign level, and almost entirely from top-quality issuers.

The sub-fund had to contend in the first half of the financial year with a persistently strong euro. This picture changed, however, in the second half of the year after the ECB relaxed its monetary policy. The persistently disappointing economic growth in the euro area and the extremely low inflation figures continued to kindle the risk of deflation. In consequence the ECB felt obliged to cut interest rates still further and to pump additional liquidity into the banking system, either in the form of TLTROs or buy purchasing covered bonds and ABS. Monetary policy and the economic environment in the euro area are in sharp contrast to the United Kingdom and the United States, where the central banks, in response to the economic recovery, are making preparations for an initial interest rate hike. As a result, sterling and the US dollar have clearly appreciated against the euro during the financial year. The appreciation of the US dollar also supported other dollar-related currencies such as the Korean won, the Malaysian ringgit and the Mexican peso - this in contrast to currencies with a large current account deficit, such as the Turkish lira, Brazilian real and the South African rand. These currencies were unable to make good all of the losses in the first half of the year and depreciated on balance against the euro. Apart from the strong appreciation of the dollar the lower interest rates also supported the performance of the sub-fund.

#### ***Outlook***

We are also expecting the sub-fund to continue performing well next year. On the other hand, we expect the euro to weaken because of the widening rate spreads, e.g. with the United States, especially now that the ECB has opened the door to quantitative easing in the event that inflation should remain too low for too long. On the other hand, we expect the dollar to benefit from the economic recovery in the United States, and the associated higher interest rates. Furthermore, the interest rate spreads adjusted for the currency volatility remain attractive for a great many high-yielding currencies. This, combined with a fundamental overvaluation of the euro, offers good prospects for the sub-fund.

Note: The information in this report represents historical data and is not an indication of future results. It has not been audited or otherwise verified by the "réviseur d'entreprises agréé".

## KBC BONDS HIGH INTEREST

### Statement of net assets (in EUR)

as at 30th September 2014

#### Assets

|   |                  |
|---|------------------|
| Securities portfolio at market value                  | 1,233,129,389.99 |
| Cash at banks   | 62,917,443.59    |
| Other liquid assets                                   | 3,840,153.80     |
| Receivable on sales of securities                     | 5,802,784.93     |
| Receivable on issues of shares                        | 3,151,666.81     |
| Income receivable on portfolio                        | 17,830,818.95    |
| Unrealised gain on futures contracts                  | 30,579.54        |
| Unrealised gain on forward foreign exchange contracts | 22,368.31        |
| Other receivables                                     | 35,000.00        |
|   | <hr/>            |
| Total assets  | 1,326,760,205.92 |

#### Liabilities

|                                    |                  |
|------------------------------------|------------------|
| Bank overdrafts                    | 661.78           |
| Other liquid liabilities           | 1.71             |
| Payable on purchases of securities | 9,201,237.86     |
| Payable on redemptions of shares   | 134,028.10       |
| Expenses payable                   | 1,690,314.16     |
|                                    | <hr/>            |
| Total liabilities                  | 11,026,243.61    |
|                                    | <hr/>            |
| Net assets at the end of the year  | 1,315,733,962.31 |

|  |              |
|--|--------------|
| Number of capitalisation shares outstanding                          | 97,538.0709  |
| Net asset value per capitalisation share                             | 2,062.43     |
| Number of distribution shares outstanding                            | 411,659.5465 |
| Net asset value per distribution share                               | 393.46       |
| Number of capitalisation shares "Institutional B Shares" outstanding | 378,922.6757 |
| Net asset value per capitalisation share "Institutional B Shares"    | 2,064.35     |
| Number of capitalisation shares "Institutional Shares" outstanding   | 228,433.3203 |
| Net asset value per capitalisation share "Institutional Shares"      | 736.67       |
| Number of distribution shares "USD frequent dividend" outstanding    | 5,559.8631   |
| Net asset value per distribution share "USD frequent dividend"       | USD 474.59   |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS HIGH INTEREST

### Statement of operations and other changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

#### **Income**

|  |               |
|--|---------------|
| Interest on bonds and other debt securities, net | 46,379,255.53 |
| Interest on bank accounts                        | 22,046.02     |
| Commissions received                             | 3,143,311.74  |
| Other income                                     | 12,897.43     |
| Total income                                     | 49,557,510.72 |

#### **Expenses**

|   |               |
|---|---------------|
| Management fees                         | 11,689,256.63 |
| Custodian fees                          | 420,946.04    |
| Banking charges and other fees          | 4,665.24      |
| Transaction fees                        | 177,917.47    |
| Central administration costs            | 520,391.27    |
| Professional fees                       | 11,223.80     |
| Other administration costs              | 72,958.81     |
| Standard & Poor's fees                  | 8,333.33      |
| Subscription duty ("taxe d'abonnement") | 258,850.57    |
| Other taxes                             | 564,320.63    |
| Interest paid on bank overdrafts        | 9,979.12      |
| Other expenses                          | 14,302.06     |
| Total expenses                          | 13,753,144.97 |

|                       |               |
|-----------------------|---------------|
| Net investment income | 35,804,365.75 |
|-----------------------|---------------|

#### **Net realised gain/(loss)**

|   |                |
|---|----------------|
| - on securities portfolio               | -13,739,034.34 |
| - on futures contracts                  | -8,256,123.85  |
| - on forward foreign exchange contracts | -2,175,012.24  |
| - on foreign exchange                   | 624,642.19     |
| Realised result                         | 12,258,837.51  |

#### **Net variation of the unrealised gain/(loss)**

|   |               |
|---|---------------|
| - on securities portfolio               | 79,902,980.30 |
| - on futures contracts                  | 30,579.54     |
| - on forward foreign exchange contracts | -269,885.86   |

|                      |               |
|----------------------|---------------|
| Result of operations | 91,922,511.49 |
|----------------------|---------------|

|                |               |
|----------------|---------------|
| Dividends paid | -3,715,641.59 |
|----------------|---------------|

|               |                  |
|---------------|------------------|
| Subscriptions | 1,014,128,018.93 |
|---------------|------------------|

|             |                 |
|-------------|-----------------|
| Redemptions | -783,074,534.11 |
|-------------|-----------------|

|                             |                |
|-----------------------------|----------------|
| Total changes in net assets | 319,260,354.72 |
|-----------------------------|----------------|

|   |                |
|---|----------------|
| Total net assets at the beginning of the year | 996,473,607.59 |
|---|----------------|

|   |                  |
|---|------------------|
| Total net assets at the end of the year | 1,315,733,962.31 |
|---|------------------|

The accompanying notes are an integral part of these financial statements.

## KBC BONDS HIGH INTEREST

### Statistical information (in EUR)

as at 30th September 2014

|   |                  |
|---|------------------|
| <b>Total net assets</b>   |                  |
| - as at 30.09.2014  | 1,315,733,962.31 |
| - as at 30.09.2013  | 996,473,607.59   |
| - as at 30.09.2012  | 1,036,564,687.60 |
| <b>Portfolio Turnover Rate (in %)</b>                           |                  |
| - as at 30.09.2014  | 65.36            |
| <b>Number of capitalisation shares</b>                          |                  |
| - outstanding at the beginning of the year                      | 139,855.7955     |
| - issued  | 9,666.7792       |
| - redeemed  | -51,984.5038     |
| - outstanding at the end of the year                            | 97,538.0709      |
| <b>Net asset value per capitalisation share</b>                 |                  |
| - as at 30.09.2014  | 2,062.43         |
| - as at 30.09.2013  | 1,926.95         |
| - as at 30.09.2012  | 2,046.31         |
| <b>Performances of capitalisation shares (in %)</b>             |                  |
| - as at 30.09.2014  | 7.03             |
| - as at 30.09.2013  | -5.83            |
| - as at 30.09.2012  | 12.07            |
| <b>TER per capitalisation share (in %)</b>                      |                  |
| - as at 30.09.2014  | 1.28             |
| <b>Number of distribution shares</b>                            |                  |
| - outstanding at the beginning of the year                      | 249,265.8790     |
| - issued  | 203,513.4151     |
| - redeemed  | -41,119.7476     |
| - outstanding at the end of the year                            | 411,659.5465     |
| <b>Net asset value per distribution share</b>                   |                  |
| - as at 30.09.2014  | 393.46           |
| - as at 30.09.2013  | 382.16           |
| - as at 30.09.2012  | 423.43           |
| <b>Performances of distribution shares (in %)</b>               |                  |
| - as at 30.09.2014  | 7.00             |
| - as at 30.09.2013  | -5.85            |
| - as at 30.09.2012  | 12.04            |
| <b>TER per distribution share (in %)</b>                        |                  |
| - as at 30.09.2014  | 1.31             |
| <b>Dividends paid to distribution shares</b>                    |                  |
| Ex-dividend date  | 01.10.2013       |
| Dividend per share  | 14.50            |
| Shares outstanding at dividend date                             | 249,571.8790     |
| <b>Number of capitalisation shares "Institutional B Shares"</b> |                  |
| - outstanding at the beginning of the year                      | 272,591.0000     |
| - issued  | 437,310.3445     |
| - redeemed  | -330,978.6688    |
| - outstanding at the end of the year                            | 378,922.6757     |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS HIGH INTEREST

### Statistical information (in EUR) (continued)

as at 30th September 2014

#### Net asset value per capitalisation share "Institutional B Shares"

|                    |          |
|--------------------|----------|
| - as at 30.09.2014 | 2,064.35 |
| - as at 30.09.2013 | 1,928.32 |
| - as at 30.09.2012 | 2,046.86 |

#### Performances of capitalisation shares "Institutional B Shares" (in %)

|                    |       |
|--------------------|-------|
| - as at 30.09.2014 | 7.05  |
| - as at 30.09.2013 | -5.79 |
| - as at 30.09.2012 | -     |

#### TER per capitalisation share "Institutional B Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 1.26 |
|--------------------|------|

#### Number of capitalisation shares "Institutional Shares"

|  |              |
|--|--------------|
| - outstanding at the beginning of the year | 150,479.5758 |
| - issued                                   | 94,320.2240  |
| - redeemed                                 | -16,366.4795 |
| - outstanding at the end of the year       | 228,433.3203 |

#### Net asset value per capitalisation share "Institutional Shares"

|                    |        |
|--------------------|--------|
| - as at 30.09.2014 | 736.67 |
| - as at 30.09.2013 | 683.89 |
| - as at 30.09.2012 | 720.95 |

#### Performances of capitalisation shares "Institutional Shares" (in %)

|                    |       |
|--------------------|-------|
| - as at 30.09.2014 | 7.72  |
| - as at 30.09.2013 | -5.14 |
| - as at 30.09.2012 | 12.81 |

#### TER per capitalisation share "Institutional Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 0.64 |
|--------------------|------|

#### Number of distribution shares "USD frequent dividend"

|  |             |
|--|-------------|
| - outstanding at the beginning of the year | 8,693.4459  |
| - issued                                   | 390.4513    |
| - redeemed                                 | -3,524.0341 |
| - outstanding at the end of the year       | 5,559.8631  |

#### Net asset value per distribution share "USD frequent dividend"

|                    |            |
|--------------------|------------|
| - as at 30.09.2014 | USD 474.59 |
| - as at 30.09.2013 | USD 492.77 |
| - as at 30.09.2012 | USD 519.18 |

#### Performances of distribution shares "USD frequent dividend" (in %)

|                    |       |
|--------------------|-------|
| - as at 30.09.2014 | -0.08 |
| - as at 30.09.2013 | -0.85 |
| - as at 30.09.2012 | 7.46  |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS HIGH INTEREST

### Statistical information (in EUR) (continued)

as at 30th September 2014

#### TER per distribution share "USD frequent dividend" (in %)

- as at 30.09.2014

1.27

#### Dividends paid to distribution shares "USD frequent dividend"

|                                     |            |
|-------------------------------------|------------|
| Ex-dividend date                    | 01.10.2013 |
| Dividend per share                  | USD 1.50   |
| Shares outstanding at dividend date | 8,693.7889 |
| Ex-dividend date                    | 04.11.2013 |
| Dividend per share                  | USD 1.50   |
| Shares outstanding at dividend date | 8,521.1674 |
| Ex-dividend date                    | 02.12.2013 |
| Dividend per share                  | USD 1.50   |
| Shares outstanding at dividend date | 8,372.0257 |
| Ex-dividend date                    | 02.01.2014 |
| Dividend per share                  | USD 1.50   |
| Shares outstanding at dividend date | 7,897.5677 |
| Ex-dividend date                    | 03.02.2014 |
| Dividend per share                  | USD 1.50   |
| Shares outstanding at dividend date | 7,492.1267 |
| Ex-dividend date                    | 03.03.2014 |
| Dividend per share                  | USD 1.50   |
| Shares outstanding at dividend date | 7,247.6925 |
| Ex-dividend date                    | 01.04.2014 |
| Dividend per share                  | USD 1.50   |
| Shares outstanding at dividend date | 7,032.3792 |
| Ex-dividend date                    | 02.05.2014 |
| Dividend per share                  | USD 1.50   |
| Shares outstanding at dividend date | 6,943.6355 |
| Ex-dividend date                    | 02.06.2014 |
| Dividend per share                  | USD 1.50   |
| Shares outstanding at dividend date | 6,729.5001 |
| Ex-dividend date                    | 01.07.2014 |
| Dividend per share                  | USD 1.50   |
| Shares outstanding at dividend date | 6,505.4559 |
| Ex-dividend date                    | 01.08.2014 |
| Dividend per share                  | USD 1.50   |
| Shares outstanding at dividend date | 6,248.9734 |
| Ex-dividend date                    | 01.09.2014 |
| Dividend per share                  | USD 1.50   |
| Shares outstanding at dividend date | 6,067.3842 |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.



## KBC BONDS HIGH INTEREST

### Statement of investments and other net assets (in EUR)

as at 30th September 2014

| Currency  | Number /<br>nominal value | Description  | Cost           | Market value   | % of<br>total net<br>assets |
|---|---------------------------|--|----------------|----------------|-----------------------------|
| <b>Investments in securities</b>  |                           |  |                |                |                             |
| <b>Transferable securities admitted to an official stock exchange listing</b> |                           |  |                |                |                             |
| <b>Bonds</b>  |                           |  |                |                |                             |
| AUD   | 10,000,000                | Cie de Financement Foncier 5.5% MTN 05/22.09.15          | 5,362,826.39   | 7,082,536.71   | 0.54                        |
| BRL   | 6,500,000                 | BNP Paribas SA 7.25% EMTN Sen 13/08.04.16                | 1,891,953.70   | 1,990,851.17   | 0.15                        |
| BRL   | 24,000,000                | EBRD 5.5% EMTN Sen 12/16.10.15                           | 9,047,000.98   | 7,419,190.05   | 0.56                        |
| BRL   | 32,000,000                | EIB 5.5% EMTN Sen 12/25.09.15                            | 10,197,811.36  | 9,911,029.68   | 0.75                        |
| BRL   | 10,000,000                | Nordic Investment Bank 9% EMTN 13/06.11.15               | 3,046,385.36   | 3,186,633.02   | 0.24                        |
|   |                           |  | 24,183,151.40  | 22,507,703.92  | 1.70                        |
| CNY   | 90,000,000                | Asian Development Bank 2.85% EMTN Ser HK 10/21.10.20     | 10,505,000.13  | 11,288,816.76  | 0.86                        |
| CNY   | 50,000,000                | China 1.85% Reg S Sen 12/29.06.15                        | 6,312,725.35   | 6,414,977.56   | 0.49                        |
| CNY   | 20,000,000                | China 2.56% Reg S Sen 12/29.06.17                        | 2,533,897.24   | 2,560,664.63   | 0.19                        |
| CNY   | 50,000,000                | Intl Finance Corp 2% EMTN Ser 1329 14/26.06.17           | 6,116,044.09   | 6,393,472.10   | 0.49                        |
| CNY   | 275,000,000               | Intl Finance Corp 2% GMTN Ser 1303 14/18.01.17           | 33,191,663.58  | 35,195,838.89  | 2.67                        |
| CNY   | 65,000,000                | Swedish Export Credit 2.375% Sen 12/01.06.15             | 8,243,236.47   | 8,378,661.06   | 0.64                        |
|   |                           |  | 66,902,566.86  | 70,232,431.00  | 5.34                        |
| COP   | 15,000,000,000            | Colombia 12% 05/22.10.15                                 | 6,511,580.37   | 6,291,215.31   | 0.48                        |
| COP   | 27,750,000,000            | Colombia 9.85% 07/28.06.27                               | 16,873,784.98  | 13,925,144.81  | 1.06                        |
| COP   | 13,000,000,000            | IBRD 3.875% Ser 10814 GDIF 12/10.09.15                   | 5,573,414.77   | 5,083,923.55   | 0.39                        |
| COP   | 3,000,000,000             | IBRD 4.5% Ser GDIF 14/03.08.17                           | 1,177,633.24   | 1,169,654.28   | 0.09                        |
|   |                           |  | 30,136,413.36  | 26,469,937.95  | 2.02                        |
| EUR   | 30,000,000                | Espana 3.8% 14/30.04.24                                  | 32,076,471.43  | 34,611,750.00  | 2.63                        |
| EUR   | 30,000,000                | Espana 4.4% T-Bonds 13/31.10.23                          | 33,059,850.00  | 36,129,000.00  | 2.75                        |
| EUR   | 20,000,000                | Italia 2.75 BTP Senior 13/15.11.16                       | 20,576,840.00  | 20,958,000.00  | 1.59                        |
| EUR   | 15,000,000                | Italia 4.5% BTP 13/01.03.24                              | 16,454,250.00  | 17,907,375.00  | 1.36                        |
|   |                           |  | 102,167,411.43 | 109,606,125.00 | 8.33                        |
| GBP   | 50,000,000                | United Kingdom 1.25% T-Stock 13/22.07.18                 | 61,432,724.58  | 63,486,604.82  | 4.83                        |
| GBP   | 29,000,000                | United Kingdom 1.75% T Stock 12/07.09.22                 | 32,533,589.43  | 36,023,212.55  | 2.74                        |
| GBP   | 5,000,000                 | United Kingdom 2% T-Stock 10/22.01.16                    | 6,122,669.30   | 6,530,395.60   | 0.50                        |
| GBP   | 10,000,000                | United Kingdom 2.25% Sen 13/07.09.23                     | 11,252,270.46  | 12,777,435.92  | 0.97                        |
|   |                           |  | 111,341,253.77 | 118,817,648.89 | 9.04                        |
| INR   | 350,000,000               | EBRD 6.2% EMTN 14/27.06.15                               | 4,410,406.85   | 4,457,968.94   | 0.34                        |
| INR   | 1,028,000,000             | EBRD 7.65% EMTN 14/18.02.15                              | 12,451,940.06  | 13,182,920.80  | 1.00                        |
| INR   | 225,000,000               | EBRD 8% EMTN 13/12.11.14                                 | 2,728,584.39   | 2,875,328.80   | 0.22                        |
| INR   | 310,000,000               | EIB 5.75% EMTN Reg S Sen 14/09.10.17                     | 3,965,019.65   | 3,944,563.57   | 0.30                        |
| INR   | 220,000,000               | Export-Import Bank Korea (The) 6% EMTN Reg S 13/04.06.16 | 2,496,298.03   | 2,765,225.98   | 0.21                        |
| INR   | 250,000,000               | IADB 6% EMTN Ser 481 14/05.09.17                         | 3,216,568.65   | 3,204,652.94   | 0.24                        |
| INR   | 636,900,000               | Intl Finance Corp 7.75% EMTN Ser 1279 Tr 4 13/03.12.16   | 7,548,644.72   | 8,364,907.51   | 0.64                        |
|   |                           |  | 36,817,462.35  | 38,795,568.54  | 2.95                        |
| KRW   | 45,000,000,000            | Korea 2.75% Ser 02750-1606 13/10.06.16                   | 31,272,625.83  | 33,952,798.15  | 2.58                        |
| KRW   | 45,000,000,000            | Korea 2.75% Ser 1709 12/10.09.17                         | 30,495,491.77  | 34,175,643.09  | 2.60                        |
| KRW   | 10,000,000,000            | Korea 2.75% Ser 1803 13/10.03.18                         | 6,751,825.43   | 7,597,138.84   | 0.58                        |
| KRW   | 5,000,000,000             | Korea 3.5 Ser 0350-1703 12/10.03.17                      | 3,398,682.55   | 3,858,414.53   | 0.29                        |
|   |                           |  | 71,918,625.58  | 79,583,994.61  | 6.05                        |
| MXN   | 127,000,000               | General Electric Capital Corp 8.35% Ser MXN 07/03.09.22  | 7,955,725.77   | 8,113,396.99   | 0.62                        |
| MXN   | 7,000,000                 | Mexico 10% Ser M 20 05/05.12.24                          | 51,755,400.57  | 53,489,365.69  | 4.07                        |
| MXN   | 705,000                   | Mexico 6% Bonos Ser M 10/18.06.15                        | 4,118,286.00   | 4,242,225.42   | 0.32                        |
| MXN   | 2,800,000                 | Mexico 6.5% Bonos Ser M 11/10.06.21                      | 16,795,030.65  | 17,252,533.17  | 1.31                        |
| MXN   | 2,300,000                 | Mexico 8% Bonos 03/07.12.23                              | 14,423,944.40  | 15,409,917.06  | 1.17                        |
| MXN   | 500,000                   | Mexico 8% Bonos 06/17.12.15                              | 3,099,018.41   | 3,115,169.12   | 0.24                        |
| MXN   | 700,000                   | Mexico 8.5% Bonos Ser 11 30 09/18.11.38                  | 4,706,549.78   | 4,888,146.19   | 0.37                        |
| MXN   | 400,000                   | Mexico 8.5% Bonos Ser M 10 09/13.12.18                   | 2,643,626.49   | 2,668,299.48   | 0.20                        |
| MXN   | 1,350,000                 | Mexico 8.5% Bonos Ser M 20 09/31.05.29                   | 9,012,650.10   | 9,408,831.64   | 0.71                        |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS HIGH INTEREST

### Statement of investments and other net assets (in EUR) (continued)

as at 30th September 2014

| Currency           | Number /<br>nominal value | Description   | Cost                  | Market value          | % of<br>total net<br>assets |
|--------------------|---------------------------|---|-----------------------|-----------------------|-----------------------------|
| MXN                | 600,000                   | Petroleos Mexicanos 7.19% Reg S Sen 13/12.09.24                 | 3,328,672.48          | 3,578,919.35          | 0.27                        |
| MXN                | 6,000,000                 | Rabobank Nederland NV 8.75% EMTN 06/24.01.17                    | 429,184.42            | 390,162.56            | 0.03                        |
|                    |                           |   | 118,268,089.07        | 122,556,966.67        | 9.31                        |
| NOK                | 33,000,000                | Asian Development Bank 2% EMTN Ser 705-00-1 12/29.08.17         | 4,000,874.50          | 4,106,385.13          | 0.31                        |
| NOK                | 11,180,000                | Bank Nederlandse Gemeenten NV 2.375% EMTN Reg S<br>13/20.12.18  | 1,364,001.26          | 1,398,669.15          | 0.11                        |
| NOK                | 100,000,000               | Bank Nederlandse Gemeenten NV 3.25% EMTN 1013<br>12/02.02.17    | 13,293,425.28         | 12,725,600.43         | 0.97                        |
| NOK                | 40,000,000                | Bank Nederlandse Gemeenten NV 3.25% EMTN Sen<br>11/20.09.16     | 4,933,331.04          | 5,068,399.26          | 0.39                        |
| NOK                | 150,000,000               | EIB 3% EMTN Reg S Sen 12/22.05.19                               | 18,866,820.73         | 19,359,347.57         | 1.47                        |
| NOK                | 175,000,000               | EIB 3.75% EMTN Sen 11/31.10.18                                  | 22,936,845.53         | 23,115,011.58         | 1.76                        |
| NOK                | 243,760,000               | EIB 4.25% EMTN 08/19.05.17                                      | 32,739,762.77         | 31,989,770.37         | 2.43                        |
| NOK                | 120,000,000               | Neder Waterschapsbank NV 3.375% EMTN Sen 12/03.04.17            | 16,010,299.46         | 15,336,982.80         | 1.17                        |
|                    |                           |   | 114,145,360.57        | 113,100,166.29        | 8.61                        |
| PHP                | 300,000,000               | EIB 5% EMTN Sen 10/03.08.15                                     | 5,669,368.45          | 5,424,562.34          | 0.41                        |
| PHP                | 175,000,000               | Export-Import Bank Korea (The) 4% EMTN Reg-S Sen<br>10/26.11.15 | 3,090,233.54          | 3,155,279.92          | 0.24                        |
|                    |                           |   | 8,759,601.99          | 8,579,842.26          | 0.65                        |
| PLN                | 82,000,000                | Poland 2.5% Ser PS0718 13/25.07.18                              | 18,762,106.46         | 19,803,961.09         | 1.50                        |
| PLN                | 49,000,000                | Poland 3.75% Ser PS 0418 12/25.04.18                            | 11,995,640.75         | 12,347,171.53         | 0.94                        |
| PLN                | 75,000,000                | Poland 4% Ser DS1023 12/25.10.23                                | 17,535,428.14         | 19,403,152.88         | 1.47                        |
| PLN                | 10,000,000                | Poland 4.75% Ser PS0417 12/25.04.17                             | 2,497,115.55          | 2,554,057.35          | 0.19                        |
| PLN                | 43,000,000                | Poland 5% Ser 416 10/25.04.16                                   | 10,659,985.79         | 10,767,089.38         | 0.82                        |
| PLN                | 94,000,000                | Poland 5.25% Ser 1017 06/25.10.17                               | 23,958,107.42         | 24,571,726.29         | 1.87                        |
| PLN                | 30,000,000                | Poland 6.25% Ser DS1015 04/24.10.15                             | 7,747,134.68          | 7,498,459.64          | 0.57                        |
| PLN                | 5,000,000                 | Poland Government Bd 5.5% Ser 1019 08/25.10.19                  | 1,317,442.83          | 1,373,484.97          | 0.10                        |
|                    |                           |   | 94,472,961.62         | 98,319,103.13         | 7.46                        |
| SKK                | 20,000,000                | KBC Ifima NV 4.01% EMTN Sub 05/18.05.16                         | 573,323.25            | 695,585.21            | 0.05                        |
| SKK                | 60,000,000                | KBC Ifima NV 4.05% EMTN 05/21.12.20                             | 1,548,865.92          | 2,210,834.50          | 0.17                        |
|                    |                           |   | 2,122,189.17          | 2,906,419.71          | 0.22                        |
| TRY                | 17,500,000                | EBRD 8% EMTN Sen 13/11.10.18                                    | 6,008,664.56          | 5,759,541.21          | 0.44                        |
| TRY                | 10,000,000                | EIB 5.375% EMTN Sen 13/23.01.17                                 | 4,147,675.99          | 3,192,519.95          | 0.24                        |
| TRY                | 7,500,000                 | EIB 5.75% EMTN Sen 13/03.04.18                                  | 3,111,382.08          | 2,325,157.76          | 0.18                        |
| TRY                | 10,000,000                | EIB 9.25% EMTN Reg S Sen 11/20.07.18                            | 3,585,316.80          | 3,436,028.42          | 0.26                        |
| TRY                | 7,500,000                 | IBRD 10% EMTN Ser 10421 10/02.03.17                             | 3,721,019.07          | 2,621,227.32          | 0.20                        |
| TRY                | 9,000,000                 | IBRD 6% EMTN Ser 10793 Sen 12/23.07.15                          | 2,791,017.13          | 3,045,347.15          | 0.23                        |
| TRY                | 10,000,000                | KFW AG 14.5 % EMTN 07/26.01.17                                  | 5,526,722.59          | 3,811,742.57          | 0.29                        |
| TRY                | 11,500,000                | Landwirtschaftliche Rentenbk 9.5% EMTN Sen 14/23.05.22          | 4,025,370.57          | 3,899,882.01          | 0.30                        |
| TRY                | 13,917,000                | Rabobank Nederland NV 7.25% EMTN Ser 2344A 11/20.01.15          | 4,739,441.12          | 4,790,836.39          | 0.36                        |
| TRY                | 5,000,000                 | Swedish Export Credit 10.5% EMTN Ser 2587 05/30.09.15           | 2,444,096.25          | 1,732,363.26          | 0.13                        |
| TRY                | 5,000,000                 | Swedish Export Credit 5.5% EMTN Sen 13/23.01.17                 | 2,154,944.32          | 1,585,426.58          | 0.12                        |
|                    |                           |   | 42,255,650.48         | 36,200,072.62         | 2.75                        |
| USD                | 4,925,000                 | CEZ AS 4.25% Reg S 12/03.04.22                                  | 3,727,578.44          | 4,103,913.24          | 0.31                        |
| ZAR                | 90,000,000                | EBRD 0% EMTN Sen 97/30.12.27                                    | 2,203,399.18          | 2,125,438.61          | 0.16                        |
| ZAR                | 50,000,000                | EIB 8.25% EMTN Sen 14/13.09.21                                  | 3,495,421.49          | 3,494,021.64          | 0.27                        |
| ZAR                | 50,000,000                | EIB 8.375% EMTN Sen 14/29.07.22                                 | 3,462,102.35          | 3,499,731.48          | 0.27                        |
| ZAR                | 40,000,000                | EIB 9% EMTN Sen 11/31.03.21                                     | 2,915,710.18          | 2,906,807.98          | 0.22                        |
| ZAR                | 40,000,000                | IBRD 6.25% EMTN Reg S Ser 11006 13/04.11.16                     | 2,666,510.03          | 2,766,114.62          | 0.21                        |
| ZAR                | 20,000,000                | Landwirtschaftliche Rentenbk 8.25% EMTN Reg S 14/23.05.22       | 1,384,225.90          | 1,383,736.89          | 0.10                        |
| ZAR                | 50,000,000                | Nordic Investment Bank 6.75% EMTN Reg S Sen 13/21.11.16         | 3,341,120.08          | 3,479,274.13          | 0.26                        |
| ZAR                | 68,000,000                | Rabobank Nederland NV 0% EMTN Ser 245 97/07.08.17               | 3,571,567.52          | 3,845,510.53          | 0.29                        |
| ZAR                | 34,805,000                | Swedish Export Cred Corp 0% EMTN Ser 297 97/15.12.27            | 772,696.81            | 776,075.50            | 0.06                        |
|                    |                           |   | 23,812,753.54         | 24,276,711.38         | 1.84                        |
| <b>Total bonds</b> |                           |   | <b>856,393,896.02</b> | <b>883,139,141.92</b> | <b>67.12</b>                |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS HIGH INTEREST

### Statement of investments and other net assets (in EUR) (continued)

as at 30th September 2014

| Currency  | Number /<br>nominal value | Description   | Cost             | Market value     | % of<br>total net<br>assets |
|---|---------------------------|---|------------------|------------------|-----------------------------|
| <b>Asset backed securities</b>                                      |                           |   |                  |                  |                             |
| DKK   | 839,986.312               | Nykredit Realkredit AS 6% Ser 3C 96/01.10.29          | 117,164.19       | 133,715.20       | 0.01                        |
| DKK   | 159,271.55                | Realkredit Danmark A/S 6% 99/01.10.32                 | 21,247.61        | 25,460.99        | 0.00                        |
| <b>Total asset backed securities</b>                                |                           |   | 138,411.80       | 159,176.19       | 0.01                        |
| <b>Transferable securities dealt in on another regulated market</b> |                           |   |                  |                  |                             |
| <b>Bonds</b>  |                           |   |                  |                  |                             |
| CAD   | 67,000,000                | Canada 1% Ser B295 13/01.08.16                        | 46,956,625.36    | 47,336,899.55    | 3.60                        |
| EUR   | 12,000,000                | Slovakia 4.35% Ser 216 10/14.10.25                    | 12,155,895.45    | 15,021,600.00    | 1.14                        |
| MXN   | 10,000,000                | America Movil SAB de CV 6.45% Ser 12 12/05.12.22      | 553,689.18       | 576,761.10       | 0.04                        |
| MYR   | 20,000,000                | Malaysia 3.172% Ser 0113 13/15.07.16                  | 4,645,183.48     | 4,814,715.05     | 0.37                        |
| MYR   | 115,000,000               | Malaysia 3.197% Ser 0312 12/15.10.15                  | 25,605,298.45    | 27,723,471.03    | 2.11                        |
| MYR   | 68,000,000                | Malaysia 3.314% Ser 12/0005 12/31.10.17               | 16,387,512.30    | 16,308,565.60    | 1.24                        |
| MYR   | 40,000,000                | Malaysia 3.394% Ser 0214 14/15.03.17                  | 9,472,271.38     | 9,638,601.91     | 0.73                        |
| MYR   | 30,000,000                | Malaysia 3.418% Ser 0112 12/15.08.22                  | 7,445,699.97     | 7,030,188.76     | 0.53                        |
| MYR   | 20,000,000                | Malaysia 3.741% Ser 09/0004 09/27.02.15               | 4,584,523.93     | 4,835,955.02     | 0.37                        |
| MYR   | 140,000,000               | Malaysia 3.835% Ser 0110 10/12.08.15                  | 31,401,722.24    | 33,940,048.25    | 2.58                        |
| MYR   | 50,000,000                | Malaysia 4.181% Ser 0114 14/15.07.24                  | 11,093,288.76    | 12,338,491.75    | 0.94                        |
| MYR   | 10,000,000                | Malaysia 4.262% Ser 06/0001 06/15.09.16               | 2,523,018.26     | 2,455,509.50     | 0.19                        |
| MYR   | 27,000,000                | Malaysia 4.378% Ser 0902 09/29.11.19                  | 6,635,447.64     | 6,718,080.67     | 0.51                        |
| MYR   | 10,000,000                | Malaysia 4.498% Ser 10/0003 10/15.04.30               | 2,193,119.97     | 2,488,346.98     | 0.19                        |
|   |                           |   | 121,987,086.38   | 128,291,974.52   | 9.76                        |
| PEN   | 10,000,000                | Peru 7.84% Reg-S Sen 05/12.08.20                      | 3,242,626.83     | 3,120,699.45     | 0.24                        |
| THB   | 795,000,000               | Ministry of Finance 3.25% 11/16.06.17                 | 20,295,930.69    | 19,775,093.85    | 1.50                        |
| TRY   | 2,150,000                 | General Electric Capital Corp 15.75% EMTN 08/16.04.18 | 1,048,472.69     | 863,353.58       | 0.07                        |
| USD   | 61,000,000                | US 0.5% T-Notes Ser AM-2016 13/15.06.16               | 45,476,448.96    | 48,354,219.86    | 3.67                        |
| USD   | 10,000,000                | US 2% T-Notes Ser F-2021 11/15.11.21                  | 7,065,529.82     | 7,804,768.83     | 0.59                        |
| USD   | 28,000,000                | US 2.5% Ser E-2023 13/15.08.23                        | 19,971,863.30    | 22,334,788.03    | 1.70                        |
| USD   | 58,000,000                | US 2.75% T-Notes Ser B-2024 14/15.02.24               | 42,293,748.24    | 47,082,813.80    | 3.58                        |
|   |                           |   | 114,807,590.32   | 125,576,590.52   | 9.54                        |
| <b>Total bonds</b>  |                           |   | 321,047,916.90   | 340,562,972.57   | 25.89                       |
| <b>Other transferable securities</b>                                |                           |   |                  |                  |                             |
| <b>Bonds</b>  |                           |   |                  |                  |                             |
| PEN   | 30,000,000                | Peru 8.6% Sen 05/12.08.17                             | 10,634,546.49    | 9,268,099.31     | 0.70                        |
| <b>Total bonds</b>  |                           |   | 10,634,546.49    | 9,268,099.31     | 0.70                        |
| Total investments in securities                                     |                           |   | 1,188,214,771.21 | 1,233,129,389.99 | 93.72                       |
| Cash at banks   |                           |   |                  | 62,917,443.59    | 4.78                        |
| Bank overdrafts   |                           |   |                  | -661.78          | 0.00                        |
| Other net assets/(liabilities)                                      |                           |   |                  | 19,687,790.51    | 1.50                        |
| <b>Total</b>  |                           |   |                  | 1,315,733,962.31 | 100.00                      |

The accompanying notes are an integral part of these financial statements.

## **KBC BONDS EMERGING MARKETS**

### **Investment policy and outlook**

from 1st October 2013 to 30th September 2014

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#### ***Review***

The sub-fund invests in foreign debt issued in USD especially by central governments in a number of emerging markets of varying credit quality. The benchmark for this portfolio is the JP Morgan EMBI Plus index, of which Latin America accounts for around 41%, Europe 39%, Asia 17% and Africa 3%. The performance of the sub-fund is driven primarily by two factors: the pattern of US government bond yields and the risk premiums the emerging markets have to pay on top of that.

Over the period under review, the sub-fund posted a strong positive return, as the US Treasury yield curve flattened, while credit spreads tightened by about 40 basis points from 340 to 300 basis points. As a result, the yield on emerging markets debt declined from about 6% to 5.4%.

From an individual country perspective, the performance has been very divergent. Low beta Latam as well as Emerging Europe performed once again strongly. The former recovered from the negative impact on the back of the tapering, while the latter mainly benefited from the stabilisation of the euro area debt crisis. On the other hand, the escalation of the conflict between Russia and Ukraine weighed in particular on the performance of Russia. Within high beta Latam, Argentina posted very strong returns in spite of its default, as investors are still hoping for a resolution of the holdouts. Venezuela however suffered from a rapidly deteriorating economic environment amidst dropping oil prices.

#### ***Outlook***

At current credit spread levels of about 320 bps and US Treasury yields of below 2.5%, we do think the asset class looks quite vulnerable. On the one hand, the credit quality of a number of emerging market economies has been deteriorating, as has been reflected in the rating downgrades of Venezuela, Ukraine and Argentina to CCC. On the other hand, the asset class remains very sensitive to a potential rise in US Treasury yields given its long duration.

Note: The information in this report represents historical data and is not an indication of future results. It has not been audited or otherwise verified by the "réviseur d'entreprises agréé".

## KBC BONDS EMERGING MARKETS

### Statement of net assets (in USD)

as at 30th September 2014

#### Assets

|                                      |                |
|--------------------------------------|----------------|
| Securities portfolio at market value | 386,491,786.67 |
| Cash at banks                        | 37,962.46      |
| Other liquid assets                  | 864,343.40     |
| Receivable on sales of securities    | 77,680,107.43  |
| Receivable on issues of shares       | 31,350.32      |
| Income receivable on portfolio       | 6,422,934.54   |
| Total assets                         | 471,528,484.82 |

#### Liabilities

|                                    |               |
|------------------------------------|---------------|
| Bank overdrafts                    | 44,322,568.20 |
| Payable on purchases of securities | 5,477,048.61  |
| Payable on redemptions of shares   | 1,527.30      |
| Expenses payable                   | 813,271.83    |
| Total liabilities                  | 50,614,415.94 |

|                                   |                |
|-----------------------------------|----------------|
| Net assets at the end of the year | 420,914,068.88 |
|-----------------------------------|----------------|

|   |             |
|---|-------------|
| Number of capitalisation shares outstanding | 87,185.6598 |
| Net asset value per capitalisation share    | 2,086.55    |

|   |              |
|---|--------------|
| Number of distribution shares outstanding | 340,371.0698 |
| Net asset value per distribution share    | 668.89       |

|  |            |
|--|------------|
| Number of capitalisation shares "Institutional B Shares" outstanding | 5,415.8719 |
| Net asset value per capitalisation share "Institutional B Shares"    | 2,091.04   |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMERGING MARKETS

### Statement of operations and other changes in net assets (in USD)

from 1st October 2013 to 30th September 2014

#### **Income**

|  |               |
|--|---------------|
| Interest on bonds and other debt securities, net | 35,729,128.67 |
| Return on sukuk                                  | 565,651.44    |
| Interest on bank accounts                        | 1,573.47      |
| Commissions received                             | 5,172,996.38  |
| Other income                                     | 17,118.00     |
| Total income                                     | 41,486,467.96 |

#### **Expenses**

|   |              |
|---|--------------|
| Management fees                         | 7,451,312.52 |
| Custodian fees                          | 267,361.91   |
| Banking charges and other fees          | 9,224.40     |
| Transaction fees                        | 51,035.26    |
| Central administration costs            | 330,686.76   |
| Professional fees                       | 6,948.89     |
| Other administration costs              | 41,930.44    |
| Standard & Poor's fees                  | 11,556.62    |
| Subscription duty ("taxe d'abonnement") | 209,540.69   |
| Other taxes                             | 224,179.55   |
| Interest paid on bank overdrafts        | 3,507.12     |
| Other expenses                          | 44,104.29    |
| Total expenses                          | 8,651,388.45 |

|                       |               |
|-----------------------|---------------|
| Net investment income | 32,835,079.51 |
|-----------------------|---------------|

#### **Net realised gain/(loss)**

|                           |               |
|---------------------------|---------------|
| - on securities portfolio | 16,031,681.75 |
| - on futures contracts    | -994,379.64   |
| - on foreign exchange     | -5,853.96     |
| Realised result           | 47,866,527.66 |

#### **Net variation of the unrealised gain/(loss)**

|                           |              |
|---------------------------|--------------|
| - on securities portfolio | 7,341,636.83 |
| - on futures contracts    | -238,125.00  |

|                      |               |
|----------------------|---------------|
| Result of operations | 54,970,039.49 |
|----------------------|---------------|

|                |               |
|----------------|---------------|
| Dividends paid | -9,195,213.36 |
|----------------|---------------|

|               |                |
|---------------|----------------|
| Subscriptions | 418,935,230.09 |
|---------------|----------------|

|             |                 |
|-------------|-----------------|
| Redemptions | -638,274,960.30 |
|-------------|-----------------|

|                             |                 |
|-----------------------------|-----------------|
| Total changes in net assets | -173,564,904.08 |
|-----------------------------|-----------------|

|   |                |
|---|----------------|
| Total net assets at the beginning of the year | 594,478,972.96 |
|---|----------------|

|   |                |
|---|----------------|
| Total net assets at the end of the year | 420,914,068.88 |
|---|----------------|

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMERGING MARKETS

### Statistical information (in USD)

as at 30th September 2014

|   |                |
|---|----------------|
| <b>Total net assets</b>   |                |
| - as at 30.09.2014  | 420,914,068.88 |
| - as at 30.09.2013  | 594,478,972.96 |
| - as at 30.09.2012  | 382,287,038.45 |
| <b>Portfolio Turnover Rate (in %)</b>                           |                |
| - as at 30.09.2014  | 20.13          |
| <b>Number of capitalisation shares</b>                          |                |
| - outstanding at the beginning of the year                      | 93,533.7691    |
| - issued  | 14,377.7357    |
| - redeemed  | -20,725.8450   |
| - outstanding at the end of the year                            | 87,185.6598    |
| <b>Net asset value per capitalisation share</b>                 |                |
| - as at 30.09.2014  | 2,086.55       |
| - as at 30.09.2013  | 1,923.36       |
| - as at 30.09.2012  | 2,034.63       |
| <b>Performances of capitalisation shares (in %)</b>             |                |
| - as at 30.09.2014  | 8.48           |
| - as at 30.09.2013  | -5.47          |
| - as at 30.09.2012  | 21.48          |
| <b>TER per capitalisation share (in %)</b>                      |                |
| - as at 30.09.2014  | 1.39           |
| <b>Number of distribution shares</b>                            |                |
| - outstanding at the beginning of the year                      | 287,161.4176   |
| - issued  | 93,432.9605    |
| - redeemed  | -40,223.3083   |
| - outstanding at the end of the year                            | 340,371.0698   |
| <b>Net asset value per distribution share</b>                   |                |
| - as at 30.09.2014  | 668.89         |
| - as at 30.09.2013  | 648.61         |
| - as at 30.09.2012  | 719.09         |
| <b>Performances of distribution shares (in %)</b>               |                |
| - as at 30.09.2014  | 8.48           |
| - as at 30.09.2013  | -5.47          |
| - as at 30.09.2012  | 21.47          |
| <b>TER per distribution share (in %)</b>                        |                |
| - as at 30.09.2014  | 1.40           |
| <b>Dividends paid to distribution shares</b>                    |                |
| Ex-dividend date  | 01.10.2013     |
| Dividend per share  | 32.00          |
| Shares outstanding at dividend date                             | 287,350.4176   |
| <b>Number of capitalisation shares "Institutional B Shares"</b> |                |
| - outstanding at the beginning of the year                      | 118,522.0000   |
| - issued  | 163,183.6801   |
| - redeemed  | -276,289.8082  |
| - outstanding at the end of the year                            | 5,415.8719     |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMERGING MARKETS

### Statistical information (in USD) (continued)

as at 30th September 2014

#### Net asset value per capitalisation share "Institutional B Shares"

|                    |          |
|--------------------|----------|
| - as at 30.09.2014 | 2,091.04 |
| - as at 30.09.2013 | 1,926.43 |
| - as at 30.09.2012 | 2,037.09 |

#### Performances of capitalisation shares "Institutional B Shares" (in %)

|                    |       |
|--------------------|-------|
| - as at 30.09.2014 | 8.54  |
| - as at 30.09.2013 | -5.43 |
| - as at 30.09.2012 | -     |

#### TER per capitalisation share "Institutional B Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 1.37 |
|--------------------|------|

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.



## KBC BONDS EMERGING MARKETS

### Statement of investments and other net assets (in USD)

as at 30th September 2014

| Currency   | Number /<br>nominal value | Description  | Cost          | Market value  | % of<br>total net<br>assets |
|--|---------------------------|--|---------------|---------------|-----------------------------|
| <b><u>Investments in securities</u></b>  |                           |  |               |               |                             |
| <b><u>Transferable securities admitted to an official stock exchange listing</u></b> |                           |  |               |               |                             |
| <b>Bonds</b>   |                           |  |               |               |                             |
| USD  | 4,000,000                 | African Export-Import Bank 4.75% EMTN Reg S 14/29.07.19        | 3,956,240.00  | 4,048,720.00  | 0.96                        |
| USD  | 200,000                   | Bharti Airtel Intl Netherld BV 5.35% MTN Reg S 14/20.05.24     | 199,832.00    | 213,977.00    | 0.05                        |
| USD  | 7,000,000                 | Brazil 7.125% 06/20.01.37                                      | 8,233,638.29  | 8,613,500.00  | 2.05                        |
| USD  | 5,000,000                 | Brazil 8.25% 04/20.01.34                                       | 6,795,000.00  | 6,753,000.00  | 1.60                        |
| USD  | 750,000                   | Colombia 7.375% 06/18.09.37                                    | 991,581.16    | 1,003,125.00  | 0.24                        |
| USD  | 3,000,000                 | Croatia 5.5% Reg S Sen 13/04.04.23                             | 2,985,000.00  | 3,101,850.00  | 0.74                        |
| USD  | 10,000,000                | Croatia 6.25% Reg S 12/27.04.17                                | 10,731,923.07 | 10,652,500.00 | 2.53                        |
| USD  | 5,500,000                 | Croatia 6.375% Sen 11/24.03.21                                 | 5,599,017.86  | 5,991,975.00  | 1.42                        |
| USD  | 4,000,000                 | Croatia 6.625% Reg S 10/14.07.20                               | 4,240,000.00  | 4,405,400.00  | 1.05                        |
| USD  | 8,000,000                 | Gabonese Republic 6.375% Reg S 13/12.12.24                     | 8,160,571.43  | 8,577,600.00  | 2.04                        |
| USD  | 3,500,000                 | Grupo Financiero Bancomer SA 6.75% Reg-S 12/30.09.22           | 3,769,777.27  | 3,906,402.50  | 0.93                        |
| USD  | 3,500,000                 | Hungarian Development Bank Ltd 6.25% Reg S Sen<br>13/21.10.20  | 3,549,337.75  | 3,870,982.50  | 0.92                        |
| USD  | 1,000,000                 | Hungarian Export-Import Bk Plc 5.5% Reg S 12/12.02.18          | 1,036,250.00  | 1,067,635.00  | 0.25                        |
| USD  | 4,000,000                 | Hungary 5.375% Sen 13/21.02.23                                 | 3,740,000.00  | 4,240,000.00  | 1.01                        |
| USD  | 3,000,000                 | Hungary 5.375% Sen 14/25.03.24                                 | 3,035,109.23  | 3,172,950.00  | 0.75                        |
| USD  | 7,500,000                 | Hungary 5.75% 13/22.11.23                                      | 7,589,085.00  | 8,162,250.00  | 1.94                        |
| USD  | 7,500,000                 | Hungary 6.25% 10/29.01.20                                      | 7,907,784.69  | 8,365,875.00  | 1.99                        |
| USD  | 5,000,000                 | Hungary 7.625% Sen 11/29.03.41                                 | 5,428,350.00  | 6,400,750.00  | 1.52                        |
| USD  | 5,000,000                 | Indonesia 5.375% EMTN Reg S Ser 9 Tr 1 13/17.10.23             | 5,090,625.00  | 5,337,500.00  | 1.27                        |
| USD  | 5,000,000                 | Indonesia 5.875% Reg S Sen 14/15.01.24                         | 5,194,705.00  | 5,525,000.00  | 1.31                        |
| USD  | 1,500,000                 | Indonesia 7.75% Sen Reg S 08/17.01.38                          | 2,293,050.00  | 1,913,400.00  | 0.45                        |
| USD  | 6,350,000                 | Indonesia 8.5% 05/12.10.35                                     | 9,035,145.07  | 8,588,375.00  | 2.04                        |
| USD  | 3,500,000                 | MAF Global Securities Ltd VAR Reg S 29.10.13/29.04.Perpetual   | 3,626,000.00  | 3,820,460.00  | 0.91                        |
| USD  | 15,000,000                | Mexico 5.75% Sen Tr 24 10/12.10.2110                           | 13,890,362.72 | 15,658,500.00 | 3.72                        |
| USD  | 6,000,000                 | Northern Lights 3 BV 7% LPN 12/16.08.19                        | 6,561,825.00  | 6,503,070.00  | 1.55                        |
| USD  | 5,750,000                 | Panama 9.375% Sen 99/01.04.29                                  | 7,287,872.81  | 8,562,037.50  | 2.03                        |
| USD  | 5,000,000                 | Peru 8.75% 03/21.11.33   | 6,803,441.44  | 7,629,250.00  | 1.81                        |
| USD  | 5,000,000                 | Perusahaan Penerbit SBSN Ind III 4.35% Reg S Tr 3 14/10.09.24  | 5,037,500.00  | 4,883,375.00  | 1.16                        |
| USD  | 2,500,000                 | Perusahaan Gas Negara (PT) Tbk 5.125% Reg S Sen<br>14/16.05.24 | 2,475,925.00  | 2,514,675.00  | 0.60                        |
| USD  | 5,500,000                 | Petroleos De Venezuela SA 5.25% Reg S Sen 07/12.04.17          | 4,345,785.71  | 3,767,527.50  | 0.90                        |
| USD  | 3,000,000                 | PTTEP Canada Intl Fin Ltd 6.35% Reg-S Sen 12/12.06.42          | 3,059,004.75  | 3,525,780.00  | 0.84                        |
| USD  | 3,000,000                 | Romania 6.125% EMTN Reg S Sen 14/22.01.44                      | 3,412,500.00  | 3,440,250.00  | 0.82                        |
| USD  | 500,000                   | Rosneft Intl Finance Ltd 4.199% Loan Reg S Sen 12/06.03.22     | 500,000.00    | 431,500.00    | 0.10                        |
| USD  | 3,000,000                 | RSHB Capital SA 5.1% LPN Rus Agric Reg S Ser 14<br>13/25.07.18 | 3,047,250.00  | 2,910,165.00  | 0.69                        |
| USD  | 11,750,000                | Russia 12.75% 98/24.06.28                                      | 20,168,818.26 | 19,389,850.00 | 4.61                        |
| USD  | 4,000,000                 | Russia 4.875% Reg S Sen 13/16.09.23                            | 3,854,250.00  | 3,936,000.00  | 0.94                        |
| USD  | 16,184,722.69             | Russia Step-up 00/31.03.30                                     | 18,875,758.75 | 18,156,831.15 | 4.31                        |
| USD  | 4,250,000                 | SB Capital SA VAR LPN Sberbk Russia 14/26.02.24                | 4,241,330.00  | 3,849,798.75  | 0.91                        |
| USD  | 5,000,000                 | Slovenia 5.5% Reg S Sen 12/26.10.22                            | 5,051,875.00  | 5,442,250.00  | 1.29                        |
| USD  | 7,500,000                 | Slovenia 5.85% Reg S Sen 13/10.05.23                           | 8,034,430.00  | 8,361,000.00  | 1.99                        |
| USD  | 5,000,000                 | South Africa 5.5% 10/09.03.20                                  | 5,496,022.75  | 5,396,500.00  | 1.28                        |
| USD  | 5,000,000                 | South Africa 5.875% Sen 07/30.05.22                            | 5,550,000.00  | 5,522,500.00  | 1.31                        |
| USD  | 8,000,000                 | South Africa 6.875% 09/27.05.19                                | 9,548,750.00  | 9,102,800.00  | 2.16                        |
| USD  | 4,000,000                 | Transnet Ltd 4% Reg-S Sen 12/26.07.22                          | 3,581,400.00  | 3,779,840.00  | 0.90                        |
| USD  | 5,000,000                 | Turk Eximbank 5.375% Reg-S 11/04.11.16                         | 5,125,000.00  | 5,236,925.00  | 1.24                        |
| USD  | 2,000,000                 | Turkey 5.75% 14/22.03.24                                       | 1,985,020.00  | 2,126,800.00  | 0.51                        |
| USD  | 5,000,000                 | Turkey 6.25% 12/26.09.22                                       | 5,250,000.00  | 5,525,000.00  | 1.31                        |
| USD  | 10,000,000                | Turkey 7.375% 05/05.02.25                                      | 11,392,835.63 | 11,875,000.00 | 2.82                        |
| USD  | 10,000,000                | Turkey 7.5% 09/07.11.19  | 11,354,791.92 | 11,574,500.00 | 2.75                        |
| USD  | 1,000,000                 | Turkiye Halk Bankasi AS 4.75% Reg S Sen 14/04.06.19            | 999,340.00    | 997,845.00    | 0.24                        |
| USD  | 3,000,000                 | Turkiye Halk Bankasi AS 4.875% Reg S Sen 12/19.07.17           | 3,189,000.00  | 3,083,865.00  | 0.73                        |
| USD  | 3,000,000                 | Turkiye Is Bankasi AS 5.1% Reg-S Sen 11/01.02.16               | 3,030,000.00  | 3,096,360.00  | 0.74                        |
| USD  | 5,000,000                 | Ukraine 6.25% Reg S Sen 11/17.06.16                            | 4,650,000.00  | 4,322,000.00  | 1.03                        |
| USD  | 5,000,000                 | Ukraine 6.58% Sen 06/21.11.16                                  | 4,650,000.00  | 4,265,500.00  | 1.01                        |
| USD  | 2,000,000                 | Ukraine 6.75% Reg S Sen 07/14.11.17                            | 1,845,000.00  | 1,705,000.00  | 0.41                        |
| USD  | 1,000,000                 | Ukraine 7.95% Reg S 11/23.02.21                                | 1,051,250.00  | 855,650.00    | 0.20                        |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMERGING MARKETS

### Statement of investments and other net assets (in USD) (continued)

as at 30th September 2014

| Currency   | Number /<br>nominal value | Description   | Cost                  | Market value          | % of<br>total net<br>assets |
|--|---------------------------|---|-----------------------|-----------------------|-----------------------------|
| USD  | 3,000,000                 | UniCredit Luxembourg SA 5.1875% LPN Sen 10/13.10.15 | 3,045,000.00          | 3,075,960.00          | 0.73                        |
| USD  | 4,000,000                 | VEB Finance Plc 6.8% VneshconmBk RegS 10/22.11.25   | 4,160,000.00          | 3,913,460.00          | 0.93                        |
| USD  | 20,000,000                | Venezuela 6% Reg S 05/09.12.20                      | 14,375,000.00         | 12,852,000.00         | 3.05                        |
| USD  | 4,500,000                 | Venezuela 7% Reg S 07/31.03.38                      | 3,453,750.00          | 2,570,175.00          | 0.61                        |
| USD  | 3,000,000                 | Venezuela 7.65% Sen Reg S 05/21.04.25               | 2,355,000.00          | 1,945,050.00          | 0.46                        |
| USD  | 1,000,000                 | Venezuela 9% Reg S 08/07.05.23                      | 662,031.51            | 682,500.00            | 0.16                        |
| USD  | 5,000,000                 | Venezuela 9.25% Reg S 08/07.05.28                   | 4,000,000.00          | 3,325,000.00          | 0.79                        |
| USD  | 5,000                     | Venezuela VAR 90/15.04.20                           | 0.00                  | 101,250.00            | 0.02                        |
| <b>Total bonds</b>   |                           |   | <b>340,585,144.07</b> | <b>343,626,566.90</b> | <b>81.63</b>                |
| <b>Sukuk</b>   |                           |   |                       |                       |                             |
| USD  | 9,000,000                 | Turkey 2.803% Reg S Sen 12/26.03.18                 | 8,692,500.00          | 8,812,350.00          | 2.09                        |
| <b>Total sukuk</b>   |                           |   | <b>8,692,500.00</b>   | <b>8,812,350.00</b>   | <b>2.09</b>                 |
| <b><u>Transferable securities dealt in on another regulated market</u></b> |                           |   |                       |                       |                             |
| <b>Bonds</b>   |                           |   |                       |                       |                             |
| USD  | 4,000,000                 | 1MDB Global Investments Ltd 4.4% Sen 13/09.03.23    | 3,696,000.00          | 4,028,920.00          | 0.96                        |
| USD  | 4,000,000                 | Bahrain 6.125% Reg S Sen 13/01.08.23                | 4,121,313.33          | 4,485,200.00          | 1.07                        |
| USD  | 3,879,000                 | Banco de Bogota SA 5.375% Reg S Sub 13/19.02.23     | 3,763,881.17          | 3,978,787.27          | 0.95                        |
| USD  | 5,000,000                 | BNDES 6.5% Ser Reg S 09/10.06.19                    | 5,475,000.00          | 5,572,250.00          | 1.32                        |
| USD  | 3,750,000                 | Caixa Economica Federal 4.5% Reg S Sen 13/03.10.18  | 3,777,770.83          | 3,832,687.50          | 0.91                        |
| USD  | 4,000,000                 | Indonesia 11.625% Ser REGS 09/04.03.19              | 5,748,018.98          | 5,340,600.00          | 1.27                        |
| USD  | 1,000,000                 | Indonesia 6.625% 07/17.02.37                        | 1,087,500.00          | 1,136,800.00          | 0.27                        |
| USD  | 2,500,000                 | Ukraine 7.8% Reg S Sen 12/28.11.22                  | 2,248,000.00          | 2,139,750.00          | 0.51                        |
| USD  | 5,500,000                 | Venezuela 8.25% REGS 09/13.10.24                    | 3,816,988.37          | 3,537,875.00          | 0.84                        |
| <b>Total bonds</b>   |                           |   | <b>33,734,472.68</b>  | <b>34,052,869.77</b>  | <b>8.10</b>                 |
| Total investments in securities  |                           |   | 383,012,116.75        | 386,491,786.67        | 91.82                       |
| Cash at banks  |                           |   |                       | 37,962.46             | 0.01                        |
| Bank overdrafts  |                           |   |                       | -44,322,568.20        | -10.53                      |
| Other net assets/(liabilities)   |                           |   |                       | 78,706,887.95         | 18.70                       |
| <b>Total</b>   |                           |   |                       | <b>420,914,068.88</b> | <b>100.00</b>               |

The accompanying notes are an integral part of these financial statements.

## **KBC BONDS CORPORATES EURO**

### **Investment policy and outlook**

from 1st October 2013 to 30th September 2014

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#### ***Review***

Risk-bearing assets performed strongly during the final quarter of 2013. The market was positioned for this trend to continue at the beginning of 2014. Under this scenario, the stock markets would rise further and interest rates would rise. The trend at the end of 2013 did not continue, however, in 2014, because of the conflict in Ukraine, weaker economic figures in the US and disappointing Chinese data. Whereas the US data improved sharply in the course of 2014, the European economic figures disappointed. On top of that inflation dropped below the ECB's target. The central bank accordingly decided to continue with its highly accommodative monetary policy. This policy has been reflected in the evolution of the euro and government interest rates. The euro lost ground against the dollar and government interest rates fell to unparalleled levels. The German 10-year government rate fell to 0.95% at the end of the period under review.

Credit spreads - the difference between government paper and corporate bonds - narrowed sharply in the final quarter of 2013. Uncertainty regarding the impact of the harsh winter on the US data and the uncertain political situation in Ukraine had only a temporary negative impact on the market for corporate bonds. The weaker European data too were unable to prevent the narrowing of the credit spreads. The high yield segment of the credit market did however come under pressure, in both Europe and in the US. The US Federal Reserve also began tapering its bond purchases and the strong economic figures increase the likelihood of an interest rate hike. This did not however have any material impact on the market for higher quality loans. Credit spreads ultimately closed the reporting period at 90 basis points. The figure at the beginning of the reporting period was still 138 basis points.

Emphasis was placed within the fund on subordinated paper, in both the financial and non-financial sector. This segment offers the highest spread in the market, and we expect the vast majority of companies to exercise their call option. The oil and utilities sectors were also overweighted. We also preferred, lastly, businesses from the peripheral European countries.

#### ***Outlook***

The low inflation rate and a weak economic growth in Europe forced the European Central Bank to keep the interest rate at a low level. Furthermore, the ECB wants to increase the balance sheet to reach the level of 2012. The purchase of covered bonds and Asset Backed Securities has already started but it will probably be necessary to also buy corporate bonds and eventually government papers.

That will help maintaining the corporate bonds market.

We are still optimistic regarding corporate bonds with a preference for subordinated papers. Within the subordinated papers section, we will progressively let LT2 bonds go in favor of the insurers

Note: The information in this report represents historical data and is not an indication of future results. It has not been audited or otherwise verified by the "réviseur d'entreprises agréé".

## KBC BONDS CORPORATES EURO

### Statement of net assets (in EUR)

as at 30th September 2014

#### Assets

|                                      |                |
|--------------------------------------|----------------|
| Securities portfolio at market value | 874,958,863.53 |
| Cash at banks                        | 7,040,606.98   |
| Other liquid assets                  | 1,643,161.49   |
| Receivable on issues of shares       | 3,223,663.87   |
| Income receivable on portfolio       | 16,675,030.09  |
|                                      | <hr/>          |
| Total assets                         | 903,541,325.96 |

#### Liabilities

|                                      |              |
|--------------------------------------|--------------|
| Payable on purchases of securities   | 6,740,840.00 |
| Payable on redemptions of shares     | 593,461.40   |
| Interest payable on bank overdrafts  | 107.34       |
| Unrealised loss on futures contracts | 417,100.00   |
| Expenses payable                     | 1,122,387.53 |
|                                      | <hr/>        |
| Total liabilities                    | 8,873,896.27 |

|                                   |                |
|-----------------------------------|----------------|
| Net assets at the end of the year | 894,667,429.69 |
|-----------------------------------|----------------|

|   |             |
|---|-------------|
| Number of capitalisation shares outstanding | 52,868.2690 |
| Net asset value per capitalisation share    | 846.04      |

|   |              |
|---|--------------|
| Number of distribution shares outstanding | 433,861.0298 |
| Net asset value per distribution share    | 421.53       |

|  |              |
|--|--------------|
| Number of capitalisation shares "Institutional B Shares" outstanding | 787,836.9130 |
| Net asset value per capitalisation share "Institutional B Shares"    | 846.69       |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CORPORATES EURO

### Statement of operations and other changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

#### **Income**

|  |               |
|--|---------------|
| Interest on bonds and other debt securities, net | 38,521,051.55 |
| Interest on bank accounts                        | 2,095.92      |
| Commissions received                             | 5,210,231.28  |
| Other income                                     | 28,578.10     |
| Total income                                     | 43,761,956.85 |

#### **Expenses**

|   |              |
|---|--------------|
| Management fees                         | 7,865,486.30 |
| Custodian fees                          | 370,322.65   |
| Banking charges and other fees          | 5,828.50     |
| Transaction fees                        | 3,361.48     |
| Central administration costs            | 462,969.02   |
| Professional fees                       | 8,990.92     |
| Other administration costs              | 56,615.31    |
| Subscription duty ("taxe d'abonnement") | 186,444.75   |
| Other taxes                             | 611,495.88   |
| Interest paid on bank overdrafts        | 9,478.17     |
| Other expenses                          | 27,156.11    |
| Total expenses                          | 9,608,149.09 |

|                       |               |
|-----------------------|---------------|
| Net investment income | 34,153,807.76 |
|-----------------------|---------------|

#### **Net realised gain/(loss)**

|                           |               |
|---------------------------|---------------|
| - on securities portfolio | 43,786,767.80 |
| - on futures contracts    | -1,725,310.00 |
| - on foreign exchange     | 0.04          |
| Realised result           | 76,215,265.60 |

#### **Net variation of the unrealised gain/(loss)**

|                           |               |
|---------------------------|---------------|
| - on securities portfolio | 12,421,481.54 |
| - on futures contracts    | -507,500.00   |
| Result of operations      | 88,129,247.14 |

|                |               |
|----------------|---------------|
| Dividends paid | -5,743,115.07 |
|----------------|---------------|

|               |                |
|---------------|----------------|
| Subscriptions | 962,693,408.37 |
|---------------|----------------|

|             |                   |
|-------------|-------------------|
| Redemptions | -1,080,619,809.24 |
|-------------|-------------------|

|                             |                |
|-----------------------------|----------------|
| Total changes in net assets | -35,540,268.80 |
|-----------------------------|----------------|

|   |                |
|---|----------------|
| Total net assets at the beginning of the year | 930,207,698.49 |
|---|----------------|

|   |                |
|---|----------------|
| Total net assets at the end of the year | 894,667,429.69 |
|---|----------------|

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CORPORATES EURO

### Statistical information (in EUR)

as at 30th September 2014

|   |                  |
|---|------------------|
| <b>Total net assets</b>   |                  |
| - as at 30.09.2014  | 894,667,429.69   |
| - as at 30.09.2013  | 930,207,698.49   |
| - as at 30.09.2012  | 1,270,249,378.85 |
| <b>Portfolio Turnover Rate (in %)</b>                           |                  |
| - as at 30.09.2014  | 285.72           |
| <b>Number of capitalisation shares</b>                          |                  |
| - outstanding at the beginning of the year                      | 76,414.4239      |
| - issued  | 42,300.7738      |
| - redeemed  | -65,846.9287     |
| - outstanding at the end of the year                            | 52,868.2690      |
| <b>Net asset value per capitalisation share</b>                 |                  |
| - as at 30.09.2014  | 846.04           |
| - as at 30.09.2013  | 772.13           |
| - as at 30.09.2012  | 733.07           |
| <b>Performances of capitalisation shares (in %)</b>             |                  |
| - as at 30.09.2014  | 9.57             |
| - as at 30.09.2013  | 5.33             |
| - as at 30.09.2012  | 12.27            |
| <b>TER per capitalisation share (in %)</b>                      |                  |
| - as at 30.09.2014  | 1.03             |
| <b>Number of distribution shares</b>                            |                  |
| - outstanding at the beginning of the year                      | 522,299.3702     |
| - issued  | 24,395.7810      |
| - redeemed  | -112,834.1214    |
| - outstanding at the end of the year                            | 433,861.0298     |
| <b>Net asset value per distribution share</b>                   |                  |
| - as at 30.09.2014  | 421.53           |
| - as at 30.09.2013  | 395.82           |
| - as at 30.09.2012  | 389.79           |
| <b>Performances of distribution shares (in %)</b>               |                  |
| - as at 30.09.2014  | 9.54             |
| - as at 30.09.2013  | 5.33             |
| - as at 30.09.2012  | 12.23            |
| <b>TER per distribution share (in %)</b>                        |                  |
| - as at 30.09.2014  | 1.05             |
| <b>Dividends paid to distribution shares</b>                    |                  |
| Ex-dividend date  | 01.10.2013       |
| Dividend per share  | 11.00            |
| Shares outstanding at dividend date                             | 522,101.3702     |
| <b>Number of capitalisation shares "Institutional B Shares"</b> |                  |
| - outstanding at the beginning of the year                      | 859,953.0000     |
| - issued  | 1,132,773.3009   |
| - redeemed  | -1,204,889.3879  |
| - outstanding at the end of the year                            | 787,836.9130     |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CORPORATES EURO

### Statistical information (in EUR) (continued)

as at 30th September 2014

#### Net asset value per capitalisation share "Institutional B Shares"

|                    |        |
|--------------------|--------|
| - as at 30.09.2014 | 846.69 |
| - as at 30.09.2013 | 772.68 |
| - as at 30.09.2012 | 733.16 |

#### Performances of capitalisation shares "Institutional B Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 9.58 |
| - as at 30.09.2013 | 5.39 |
| - as at 30.09.2012 | -    |

#### TER per capitalisation share "Institutional B Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 1.01 |
|--------------------|------|

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

# KBC BONDS CORPORATES EURO

## Statement of investments and other net assets (in EUR)

as at 30th September 2014

| Currency  | Number /<br>nominal value | Description   | Cost         | Market value | % of<br>total net<br>assets |
|---|---------------------------|---|--------------|--------------|-----------------------------|
| <b>Investments in securities</b>  |                           |   |              |              |                             |
| <b>Transferable securities admitted to an official stock exchange listing</b> |                           |   |              |              |                             |
| <b>Bonds</b>  |                           |   |              |              |                             |
| EUR   | 2,000,000                 | A2A SpA 3.625% EMTN Sen 13/13.01.22                           | 2,035,200.00 | 2,231,140.00 | 0.25                        |
| EUR   | 3,200,000                 | A2A SpA 4.375% EMTN 13/10.01.21                               | 3,424,400.00 | 3,702,416.00 | 0.41                        |
| EUR   | 1,000,000                 | A2A SpA 4.5% EMTN 09/02.11.16                                 | 1,076,250.00 | 1,077,420.00 | 0.12                        |
| EUR   | 7,000,000                 | ABN AMRO Bank NV 4.75% EMTN Sen 12/11.01.19                   | 7,570,944.71 | 8,205,960.00 | 0.92                        |
| EUR   | 4,700,000                 | ABN AMRO Bank NV 7.125% EMTN 12/06.07.22                      | 5,469,069.15 | 6,152,323.50 | 0.69                        |
| EUR   | 5,000,000                 | Accor SA 2.625% Sen 14/05.02.21                               | 5,254,455.00 | 5,290,925.00 | 0.59                        |
| EUR   | 2,300,000                 | Aegon NV VAR EMTN Sub 14/25.04.44                             | 2,318,063.47 | 2,350,634.50 | 0.26                        |
| EUR   | 2,000,000                 | Aeroport de Paris 2.75% Sen 13/05.06.28                       | 2,117,100.00 | 2,188,710.00 | 0.24                        |
| EUR   | 2,000,000                 | Aeroport de Paris 3.125% EMTN Sen 12/11.06.24                 | 2,304,000.00 | 2,310,190.00 | 0.26                        |
| EUR   | 5,200,000                 | Allianz Finance II BV VAR EMTN 11/08.07.41                    | 5,407,799.89 | 6,079,684.00 | 0.68                        |
| EUR   | 3,000,000                 | Allianz Finance II BV VAR Ser XW Sub 05/17.02.Perpetual       | 3,131,250.00 | 3,138,195.00 | 0.35                        |
| EUR   | 3,500,000                 | Allianz SE VAR 12/17.10.42                                    | 4,081,345.00 | 4,097,782.50 | 0.46                        |
| EUR   | 3,300,000                 | America Movil SAB de CV 3% Sen 12/12.07.21                    | 3,528,360.00 | 3,662,488.50 | 0.41                        |
| EUR   | 1,700,000                 | America Movil SAB de CV 3.259% Sen 13/22.07.23                | 1,773,320.52 | 1,925,233.00 | 0.21                        |
| EUR   | 1,500,000                 | America Movil SAB de CV 4.75% 10/28.06.22                     | 1,741,500.00 | 1,855,672.50 | 0.21                        |
| EUR   | 1,000,000                 | America Movil SAB de CV VAR Ser A 13/06.09.73                 | 994,630.00   | 1,082,020.00 | 0.12                        |
| EUR   | 1,000,000                 | America Movil SAB de CV VAR Sub Ser B 13/06.09.73             | 1,050,000.00 | 1,159,020.00 | 0.13                        |
| EUR   | 2,750,000                 | Anheuser-Busch InBev SA 8.625% EMTN 09/30.01.17               | 3,194,983.21 | 3,266,862.50 | 0.37                        |
| EUR   | 2,904,000                 | Aquarius + Inv Zurich VAR EMTN 13/02.10.43                    | 2,734,361.40 | 3,158,738.88 | 0.35                        |
| EUR   | 1,500,000                 | ASR Nederland NV VAR Sub 14/30.09.Perpetual                   | 1,485,840.00 | 1,488,952.50 | 0.17                        |
| EUR   | 6,000,000                 | Assicurazioni Generali SpA 2.875 EMTN Sen 14/14.01.20         | 6,338,390.00 | 6,507,930.00 | 0.73                        |
| EUR   | 3,500,000                 | Assicurazioni Generali SpA 4.125% EMTN Sen Sub<br>14/04.05.26 | 3,641,750.00 | 3,640,770.00 | 0.41                        |
| EUR   | 1,000,000                 | Assicurazioni Generali SpA VAR EMTN Sen 12/12.12.42           | 1,257,400.00 | 1,238,815.00 | 0.14                        |
| EUR   | 3,850,000                 | Atlantia SpA 3.375% EMTN 10/18.09.17                          | 3,710,707.00 | 4,159,751.75 | 0.46                        |
| EUR   | 7,000,000                 | Atlantia SpA 4.5% EMTN 12/08.02.19                            | 7,614,150.00 | 8,069,110.00 | 0.90                        |
| EUR   | 2,200,000                 | Axa SA VAR EMTN Sub 06/06.07.Perpetual                        | 2,281,714.29 | 2,313,179.00 | 0.26                        |
| EUR   | 2,000,000                 | Axa SA VAR EMTN Sub Ser 26 07/05.10.Perpetual                 | 1,624,625.00 | 2,184,540.00 | 0.24                        |
| EUR   | 4,500,000                 | Axa SA VAR Sub 10/16.04.40                                    | 4,110,275.06 | 5,047,650.00 | 0.56                        |
| EUR   | 4,000,000                 | BAA Funding Ltd VAR EMTN Reg S A8 Ser 1 08/15.02.20           | 4,504,900.00 | 4,517,560.00 | 0.50                        |
| EUR   | 8,500,000                 | Bank of America Corp 4.75% EMTN Sen 10/03.04.17               | 9,129,800.00 | 9,393,605.00 | 1.05                        |
| EUR   | 4,000,000                 | Bank of America Corp 7% EMTN 09/15.06.16                      | 4,513,867.80 | 4,449,140.00 | 0.50                        |
| EUR   | 2,000,000                 | Barclays Bank Plc 6% EMTN Sen Sub 10/14.01.21                 | 2,397,640.00 | 2,402,890.00 | 0.27                        |
| EUR   | 3,500,000                 | Barclays Bank Plc 6% EMTN Ser 164 Tr 1 08/23.01.18            | 3,691,103.33 | 4,017,475.00 | 0.45                        |
| EUR   | 4,500,000                 | Barclays Bank Plc 6.625% EMTN 11/30.03.22                     | 5,166,567.43 | 5,657,355.00 | 0.63                        |
| EUR   | 2,000,000                 | BAT Intl Finance Plc 4.875% EMTN 09/24.02.21                  | 2,427,100.00 | 2,460,420.00 | 0.27                        |
| EUR   | 1,500,000                 | Bayer AG VAR Sub 14/01.07.74                                  | 1,500,000.00 | 1,560,735.00 | 0.17                        |
| EUR   | 7,000,000                 | BBVA Senior Finance SA 2.375% EMTN Sen 14/22.01.19            | 7,143,655.78 | 7,465,325.00 | 0.83                        |
| EUR   | 3,000,000                 | BBVA Senior Finance SA 4.875% EMTN Reg-S Sen<br>11/15.04.16   | 3,021,410.00 | 3,206,220.00 | 0.36                        |
| EUR   | 4,000,000                 | BBVA Subordinated Capital SA VAR Reg S Sub 14/11.04.24        | 4,102,975.00 | 4,129,760.00 | 0.46                        |
| EUR   | 3,525,000                 | BG Energy Capital Plc VAR Sen 12/30.11.72                     | 3,735,019.85 | 3,965,501.62 | 0.44                        |
| EUR   | 3,000,000                 | BHP Billiton Finance Ltd 2.25% EMTN 12/25.09.20               | 3,200,810.00 | 3,238,065.00 | 0.36                        |
| EUR   | 3,500,000                 | BMW Finance NV 1.5% EMTN Ser 761 Sen 12/05.06.18              | 3,561,225.00 | 3,633,682.50 | 0.41                        |
| EUR   | 3,000,000                 | BMW Finance NV 3.25% EMTN 12/14.01.19                         | 2,993,040.00 | 3,342,465.00 | 0.37                        |
| EUR   | 7,000,000                 | BNP Paribas SA 3.5% EMTN Sen 11/07.03.16                      | 7,161,000.00 | 7,320,144.99 | 0.82                        |
| EUR   | 2,000,000                 | BPCE SA 3% EMTN Sen 14/19.07.24                               | 2,047,320.00 | 2,259,400.00 | 0.25                        |
| EUR   | 2,000,000                 | BPCE SA 4.625% Sub 13/18.07.23                                | 2,178,400.00 | 2,297,730.00 | 0.26                        |
| EUR   | 400,000                   | Casino Guichard Perrachon 3.248% EMTN 14/07.03.24             | 400,000.00   | 436,250.00   | 0.05                        |
| EUR   | 3,400,000                 | Casino Guichard Perrachon 3.311% EMTN Sen 13/25.01.23         | 3,524,250.00 | 3,764,735.00 | 0.42                        |
| EUR   | 2,000,000                 | Casino Guichard Perrachon 3.994% EMTN Sen 12/09.03.20         | 2,168,196.92 | 2,292,520.00 | 0.26                        |
| EUR   | 2,000,000                 | Casino Guichard Perrachon 4.726% EMTN Sen 11/26.05.21         | 2,077,040.00 | 2,408,210.00 | 0.27                        |
| EUR   | 3,800,000                 | Cie Fin et Ind des Autoroutes 5% 06/24.05.21                  | 4,069,420.00 | 4,724,787.00 | 0.53                        |
| EUR   | 1,500,000                 | Citigroup Inc 2.125% EMTN Sen 14/10.09.26                     | 1,492,935.00 | 1,500,517.50 | 0.17                        |
| EUR   | 2,700,000                 | Citigroup Inc 5% Sen 04/02.08.19                              | 2,398,668.38 | 3,224,151.00 | 0.36                        |
| EUR   | 7,000,000                 | Citigroup Inc 7.375% EMTN Sen 09/04.09.19                     | 8,833,629.00 | 9,164,750.00 | 1.02                        |
| EUR   | 2,000,000                 | Citigroup Inc VAR EMTN Reg-S Ser 20 05/25.02.30               | 2,179,000.00 | 2,219,820.00 | 0.25                        |
| EUR   | 5,870,000                 | CNOOC Curtis Fding No1 Pty Ltd 2.75% Reg S Sen<br>13/03.10.20 | 6,052,846.00 | 6,333,700.65 | 0.71                        |

The accompanying notes are an integral part of these financial statements.



## KBC BONDS CORPORATES EURO

### Statement of investments and other net assets (in EUR) (continued)

as at 30th September 2014

| Currency | Number /<br>nominal value | Description  | Cost          | Market value  | % of<br>total net<br>assets |
|----------|---------------------------|--|---------------|---------------|-----------------------------|
| EUR      | 900,000                   | CNP Assurances VAR Sub 14/05.06.45                           | 896,121.00    | 925,519.50    | 0.10                        |
| EUR      | 4,000,000                 | Commonwealth Bank of Australia 1.625% EMTN 13/04.02.19       | 4,132,800.00  | 4,167,480.00  | 0.47                        |
| EUR      | 5,000,000                 | Credit Agricole SA 5.875% EMTN 09/11.06.19                   | 5,776,057.14  | 6,001,550.00  | 0.67                        |
| EUR      | 4,000,000                 | CRH Finance BV 5% EMTN Reg S Ser 3 12/25.01.19               | 4,604,800.00  | 4,681,400.00  | 0.52                        |
| EUR      | 10,000,000                | CS London 1.375% Sen 14/29.11.19                             | 10,028,940.00 | 10,287,650.00 | 1.15                        |
| EUR      | 2,200,000                 | DAA Finance Plc 6.5872% 08/09.07.18                          | 2,537,425.00  | 2,635,501.00  | 0.29                        |
| EUR      | 5,000,000                 | Daimler AG 4.125% EMTN 10/19.01.17                           | 5,423,900.00  | 5,426,650.00  | 0.61                        |
| EUR      | 3,100,000                 | Danske Bank A/S VAR EMTN Reg S Sub 14/19.05.26               | 3,119,378.00  | 3,171,641.00  | 0.35                        |
| EUR      | 2,750,000                 | Danske Bank A/S VAR Reg S Sub 13/04.10.23                    | 2,843,830.00  | 2,959,522.50  | 0.33                        |
| EUR      | 1,800,000                 | Delta Lloyd Levensverzekering Nv VAR Reg S Sub 12/29.08.42   | 2,369,250.00  | 2,337,075.00  | 0.26                        |
| EUR      | 2,000,000                 | Delta Lloyd NV VAR EMTN 14/13.06.Perpetual                   | 1,985,000.00  | 1,891,250.00  | 0.21                        |
| EUR      | 1,500,000                 | Deutsche Bank AG 1.25% EMTN Sen 14/08.09.21                  | 1,491,030.00  | 1,502,452.50  | 0.17                        |
| EUR      | 5,800,000                 | Deutsche Bank AG 5% EMTN 10/24.06.20                         | 5,701,013.33  | 6,776,778.00  | 0.76                        |
| EUR      | 1,250,000                 | DnB Bank ASA 4.75% EMTN Reg-S 12/08.03.22                    | 1,240,077.27  | 1,352,843.75  | 0.15                        |
| EUR      | 4,900,000                 | E.On Intl Finance BV 5.75% EMTN 08/07.05.20                  | 6,017,902.77  | 6,178,018.00  | 0.69                        |
| EUR      | 4,100,000                 | Electricité de France 3.875% EMTN 12/18.01.22                | 4,367,199.00  | 4,862,149.00  | 0.54                        |
| EUR      | 7,000,000                 | Electricité de France 4% EMTN 10/12.11.25                    | 6,872,320.00  | 8,502,830.00  | 0.95                        |
| EUR      | 1,000,000                 | Electricité de France 4.5% EMTN Sen 10/12.11.40              | 1,059,000.00  | 1,324,945.00  | 0.15                        |
| EUR      | 750,000                   | Electricité de France 5.625% EMTN Ser 56 Tr 1 03/21.02.33    | 799,125.00    | 1,093,848.75  | 0.12                        |
| EUR      | 5,000,000                 | Electricité de France VAR EMTN Sub 13/29.01.Perpetual        | 5,426,830.00  | 5,652,300.00  | 0.63                        |
| EUR      | 1,250,000                 | ELM BV VAR Sub 06/25.11.Perpetual                            | 1,112,083.14  | 1,309,818.75  | 0.15                        |
| EUR      | 4,000,000                 | Emirates Telecommunicat Corp 1.75% EMTN Sen 14/18.06.21      | 4,094,000.00  | 4,072,820.00  | 0.46                        |
| EUR      | 2,500,000                 | Enagas Financiaciones SAU 2.5% EMTN Sen 14/11.04.22          | 2,648,375.00  | 2,688,125.00  | 0.30                        |
| EUR      | 200,000                   | Enagas SA 4.25% EMTN Reg S 12/05.10.17                       | 220,100.00    | 221,450.00    | 0.02                        |
| EUR      | 1,000,000                 | EnBW Energie Baden-Wuerttem AG VAR EMTN Reg S 14/02.04.76    | 992,360.00    | 1,002,430.00  | 0.12                        |
| EUR      | 6,500,000                 | Enel Finance Intl SA 3.625% EMTN Sen 12/17.04.18             | 6,902,200.00  | 7,148,862.50  | 0.80                        |
| EUR      | 3,000,000                 | Enel Finance Intl SA 5% EMTN 09/14.09.22                     | 3,330,000.00  | 3,735,900.00  | 0.42                        |
| EUR      | 2,250,000                 | ENEL SpA 5.625% EMTN Ser 36 07/21.06.27                      | 2,318,160.00  | 3,001,432.50  | 0.34                        |
| EUR      | 1,000,000                 | ENI SpA 3.625% EMTN Sen 14/29.01.29                          | 993,740.00    | 1,166,880.00  | 0.13                        |
| EUR      | 3,750,000                 | ENI SpA 3.75% EMTN 12/27.06.19                               | 4,088,046.20  | 4,284,093.75  | 0.48                        |
| EUR      | 2,250,000                 | ENI SpA 4.25% EMTN 12/03.02.20                               | 2,569,725.00  | 2,639,295.00  | 0.29                        |
| EUR      | 3,000,000                 | Ferrovial Emisiones SA 3.375% EMTN 13/07.06.21               | 3,168,000.00  | 3,366,930.00  | 0.38                        |
| EUR      | 8,300,000                 | Gas Natural Capital Mks SA 5.125% EMTN R-S S7 T1 09/02.11.21 | 8,870,756.00  | 10,425,339.50 | 1.16                        |
| EUR      | 1,000,000                 | Gas Natural SDG SA 5% EMTN 12/13.02.18                       | 994,130.00    | 1,142,465.00  | 0.12                        |
| EUR      | 8,500,000                 | Gaz Capital SA 6.605% EMTN Gazprom 07/13.02.18               | 9,238,943.33  | 9,091,557.50  | 1.02                        |
| EUR      | 3,000,000                 | GDF Suez 1.5% EMTN Reg S 12/20.07.17                         | 3,063,000.00  | 3,095,460.00  | 0.35                        |
| EUR      | 2,500,000                 | GDF Suez 3.5% EMTN 10/18.10.22                               | 2,745,285.00  | 2,926,437.50  | 0.33                        |
| EUR      | 3,500,000                 | GDF Suez FRN 13/10.07.Perpetual                              | 3,441,970.00  | 3,672,847.50  | 0.41                        |
| EUR      | 4,000,000                 | GE Capital European Funding 2.625% EMTN Reg S 13/15.03.23    | 4,171,111.11  | 4,430,340.00  | 0.50                        |
| EUR      | 1,000,000                 | GE Capital European Funding 6.025% EMTN 08/01.03.38          | 1,521,270.00  | 1,569,075.00  | 0.18                        |
| EUR      | 6,319,000                 | GE Capital Trust IV VAR Ser REGS 10/15.09.66                 | 5,813,010.52  | 6,609,421.24  | 0.74                        |
| EUR      | 5,000,000                 | General Electric Capital Corp 6% EMTN Sen 08/15.01.19        | 5,345,040.84  | 6,141,750.00  | 0.69                        |
| EUR      | 2,500,000                 | GlaxoSmithKline Capital Plc 5.625% EMTN Ser 11 07/13.12.17   | 2,939,800.00  | 2,917,825.00  | 0.33                        |
| EUR      | 4,000,000                 | Goldman Sachs Group Inc 2.875% EMTN Reg S Sen 14/03.06.26    | 3,953,400.00  | 4,245,420.00  | 0.47                        |
| EUR      | 3,625,000                 | Goldman Sachs Group Inc 4.75% Sub 06/12.10.21                | 2,766,530.07  | 4,223,342.50  | 0.47                        |
| EUR      | 5,000,000                 | Goldman Sachs Group Inc 6.375% EMTN Sen 08/02.05.18          | 5,980,708.65  | 6,004,375.00  | 0.67                        |
| EUR      | 2,000,000                 | Hera SpA 3.25% EMTN Reg S Sen 13/04.10.21                    | 2,068,900.00  | 2,238,630.00  | 0.25                        |
| EUR      | 1,000,000                 | Hera SpA 4.5% Sen 09/03.12.19                                | 1,064,300.00  | 1,171,675.00  | 0.13                        |
| EUR      | 2,000,000                 | Hera SpA 5.2% EMTN Sen 13/29.01.28                           | 2,248,400.00  | 2,583,500.00  | 0.29                        |
| EUR      | 700,000                   | Hit Finance BV 5.75% Reg S 11/09.03.18                       | 786,648.45    | 818,695.50    | 0.09                        |
| EUR      | 5,500,000                 | HSBC Bank Plc 3.875% EMTN 11/24.10.18                        | 5,913,397.88  | 6,248,990.00  | 0.70                        |
| EUR      | 4,500,000                 | HSBC Holdings Plc 6.25% EMTN Ser 11 Tr 1 08/19.03.18         | 4,626,900.00  | 5,269,477.50  | 0.59                        |
| EUR      | 2,000,000                 | HSBC Holdings Plc VAR EMTN 100124                            | 2,101,800.00  | 2,131,490.00  | 0.24                        |
| EUR      | 3,000,000                 | Hutchison Wh Europe Fin 13 Ltd VAR Sub 13/10.05.Perpetual    | 2,974,950.00  | 3,060,990.00  | 0.34                        |
| EUR      | 5,600,000                 | Iberdrola Intl BV 4.25% EMTN 12/11.10.18                     | 5,886,581.97  | 6,365,548.00  | 0.71                        |
| EUR      | 4,750,000                 | Imperial Tobacco Finance Plc 4.5% EMTN Sen 11/05.07.18       | 5,126,708.65  | 5,379,493.75  | 0.60                        |
| EUR      | 3,000,000                 | ING Bank NV 3.5% EMTN Sub 13/21.11.23                        | 2,991,750.00  | 3,170,670.00  | 0.35                        |
| EUR      | 4,000,000                 | ING Bank NV 4.25% EMTN Sen 12/13.01.17                       | 4,183,105.00  | 4,346,120.00  | 0.49                        |
| EUR      | 8,200,000                 | ING Bank NV VAR EMTN Sub 14/25.02.26                         | 8,450,469.80  | 8,723,078.00  | 0.97                        |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CORPORATES EURO

### Statement of investments and other net assets (in EUR) (continued)

as at 30th September 2014

| Currency | Number /<br>nominal value | Description   | Cost          | Market value  | % of<br>total net<br>assets |
|----------|---------------------------|---|---------------|---------------|-----------------------------|
| EUR      | 6,000,000                 | Intesa Sanpaolo SpA 3.5% EMTN Sen 14/17.01.22                   | 6,137,730.00  | 6,731,520.00  | 0.75                        |
| EUR      | 6,500,000                 | Intesa Sanpaolo SpA 4.375% EMTN Reg S Sen 12/15.10.19           | 7,210,760.00  | 7,520,630.00  | 0.84                        |
| EUR      | 4,500,000                 | Intesa Sanpaolo SpA 4.75% EMTN Ser 356 GMTN 07/15.06.17         | 4,390,400.30  | 4,988,902.50  | 0.56                        |
| EUR      | 3,500,000                 | Intesa Sanpaolo SpA 6.625% EMTN Sub 13/13.09.23                 | 3,983,058.33  | 4,256,630.00  | 0.48                        |
| EUR      | 5,500,000                 | IPIC GMTN Ltd 3.625% EMTN Reg-S Sen 12/30.05.23                 | 5,650,565.00  | 6,208,840.00  | 0.70                        |
| EUR      | 3,000,000                 | IPIC GMTN Ltd 5.875% EMTN 11/14.03.21                           | 3,676,776.00  | 3,803,580.00  | 0.43                        |
| EUR      | 1,500,000                 | Johnson & Johnson 4.75% Sen 07/06.11.19                         | 1,726,486.48  | 1,815,862.50  | 0.20                        |
| EUR      | 2,700,000                 | JPMorgan Chase & Co 2.625% EMTN Sen 13/23.04.21                 | 2,911,680.00  | 2,939,287.50  | 0.33                        |
| EUR      | 3,000,000                 | JPMorgan Chase & Co VAR Sub 06/30.11.21                         | 2,708,432.14  | 3,165,375.00  | 0.35                        |
| EUR      | 2,000,000                 | Kering 1.375% EMTN Sen 14/01.10.21                              | 1,993,640.00  | 2,005,770.00  | 0.22                        |
| EUR      | 5,000,000                 | Koninklijke KPN NV 4.5% EMTN Sen 11/04.10.21                    | 5,586,246.67  | 5,903,625.00  | 0.66                        |
| EUR      | 4,000,000                 | Linde Finance BV VAR 06/14.07.66                                | 4,418,890.71  | 4,435,820.00  | 0.50                        |
| EUR      | 2,500,000                 | Lloyds Bank Plc 5.375% EMTN 09/03.09.19                         | 2,744,236.36  | 3,057,162.50  | 0.34                        |
| EUR      | 4,800,000                 | Lloyds Bank Plc 6.5% 10/24.03.20                                | 5,585,255.00  | 5,905,488.00  | 0.66                        |
| EUR      | 4,000,000                 | Luxottica Group SpA 3.625% EMTN 12/19.03.19                     | 4,476,800.00  | 4,510,180.00  | 0.50                        |
| EUR      | 6,000,000                 | Microsoft Corp 2.125% Sen 13/06.12.21                           | 6,158,180.00  | 6,473,700.00  | 0.72                        |
| EUR      | 2,000,000                 | Microsoft Corp 3.125% Sen 13/06.12.28                           | 2,247,000.00  | 2,291,910.00  | 0.26                        |
| EUR      | 2,400,000                 | Mondelez Intl Inc 2.375% Sen 13/26.01.21                        | 2,532,960.00  | 2,562,336.00  | 0.29                        |
| EUR      | 2,000,000                 | Morgan Stanley 5.375% EMTN 10/10.08.20                          | 2,198,600.00  | 2,463,050.00  | 0.28                        |
| EUR      | 3,000,000                 | Morgan Stanley 6.5% Ser G 08/28.12.18                           | 3,481,855.00  | 3,707,115.00  | 0.41                        |
| EUR      | 8,000,000                 | Morgan Stanley Group Inc 4.375% EMTN Ser G 06/12.10.16          | 6,800,945.45  | 8,624,040.00  | 0.96                        |
| EUR      | 3,500,000                 | Munich Reinsurance Co VAR EMTN 11/26.05.41                      | 3,646,266.91  | 4,189,377.50  | 0.47                        |
| EUR      | 2,000,000                 | Munich Reinsurance Co VAR Sub 07/12.06.Perpetual                | 2,163,800.00  | 2,175,060.00  | 0.24                        |
| EUR      | 3,600,000                 | National Australia Bank Ltd VAR EMTN Sen 08/26.06.23            | 4,029,960.00  | 4,273,056.00  | 0.48                        |
| EUR      | 2,000,000                 | Nederlandse Gasunie NV 2.625% EMTN Reg S Ser 8<br>12/13.07.22   | 2,177,242.21  | 2,211,230.00  | 0.25                        |
| EUR      | 2,500,000                 | Nordea Bank AB 4% EMTN Sen 12/11.07.19                          | 2,660,808.33  | 2,897,362.50  | 0.32                        |
| EUR      | 2,175,000                 | Nykredit Realkredit AS 1.75% EMTN Ser JCB 13/28.01.19           | 2,220,457.50  | 2,263,022.25  | 0.25                        |
| EUR      | 2,500,000                 | OMV AG 3.5% EMTN Reg S Ser 6 12/27.09.27                        | 2,791,250.00  | 2,974,350.00  | 0.33                        |
| EUR      | 3,000,000                 | OMV AG VAR EMTN Perpetual                                       | 3,352,500.00  | 3,385,155.00  | 0.38                        |
| EUR      | 8,500,000                 | Orange 3% EMTN 12/15.06.22                                      | 8,994,210.00  | 9,513,582.50  | 1.06                        |
| EUR      | 1,000,000                 | Orange 8.125% EMTN Ser 55 Tr 1 03/28.01.33                      | 1,505,500.00  | 1,691,770.00  | 0.19                        |
| EUR      | 4,800,000                 | Orange VAR Reg S Sub 14/01.10.Perpetual                         | 4,747,200.00  | 4,806,960.00  | 0.54                        |
| EUR      | 1,500,000                 | Orange VAR Reg S Sub 14/07.02.Perpetual                         | 1,541,100.00  | 1,536,682.50  | 0.17                        |
| EUR      | 500,000                   | Orange VAR Sub Sen 14/07.02.Perpetual                           | 495,260.00    | 525,005.00    | 0.06                        |
| EUR      | 5,500,000                 | Pemex Project Fding Mast Trust 5.5% 05/24.02.25                 | 6,367,418.75  | 6,900,822.50  | 0.77                        |
| EUR      | 5,500,000                 | Petrobras Intl Fin Co Ltd 4.875% EMTN Sen 11/07.03.18           | 6,003,858.93  | 6,060,202.50  | 0.68                        |
| EUR      | 1,000,000                 | Petroleos Mexicanos 3.75% Reg S Sen 14/16.04.26                 | 996,030.00    | 1,099,090.00  | 0.12                        |
| EUR      | 4,000,000                 | Pfizer Inc 5.75% 09/03.06.21                                    | 5,190,400.00  | 5,203,320.00  | 0.58                        |
| EUR      | 6,000,000                 | Philip Morris Intl Inc 2.875% Sen 12/30.05.24                   | 6,236,360.00  | 6,631,380.00  | 0.74                        |
| EUR      | 2,400,000                 | Philip Morris Intl Inc 2.875% Sen 14/14.05.29                   | 2,383,584.00  | 2,575,956.00  | 0.29                        |
| EUR      | 3,000,000                 | Procter & Gamble Co 2% Reg-S Sen 12/16.08.22                    | 3,011,700.00  | 3,195,210.00  | 0.36                        |
| EUR      | 10,000,000                | Rabobank Intl Equity Deriv 4% EMTN Sen 12/11.01.22              | 11,245,092.50 | 11,993,500.00 | 1.34                        |
| EUR      | 7,000,000                 | Rabobank Nederland NV 4.125% EMTN 12/14.09.22                   | 7,460,448.33  | 7,971,495.00  | 0.89                        |
| EUR      | 10,600,000                | Rabobank Nederland NV 4.125% EMTN Sen 10/14.01.20               | 11,741,854.68 | 12,452,880.00 | 1.39                        |
| EUR      | 3,700,000                 | Rabobank Nederland NV VAR 14/26.05.26                           | 3,690,380.00  | 3,734,558.00  | 0.42                        |
| EUR      | 2,500,000                 | Red Electrica Financiacion SAU 4.875% EMTN Reg S<br>11/29.04.20 | 2,912,500.00  | 3,019,762.50  | 0.34                        |
| EUR      | 2,500,000                 | Repsol Intl Finance BV 4.875% EMTN 12/19.02.19                  | 2,658,875.08  | 2,914,437.50  | 0.33                        |
| EUR      | 2,500,000                 | Roche Holdings Inc 5.625% EMTN 09/04.03.16                      | 2,727,097.16  | 2,693,075.00  | 0.30                        |
| EUR      | 5,000,000                 | Roche Holdings Inc 6.5% EMTN 09/04.03.21                        | 6,690,256.25  | 6,746,400.00  | 0.75                        |
| EUR      | 6,000,000                 | Royal Bank of Scotland Gr Plc 5.375% EMTN Sen 09/30.09.19       | 6,724,946.67  | 7,220,430.00  | 0.81                        |
| EUR      | 1,500,000                 | Royal Bank of Scotland Plc VAR Ser 3455 12/16.03.22             | 1,797,600.00  | 1,790,092.50  | 0.20                        |
| EUR      | 2,300,000                 | Ryanair Ltd 1.875% EMTN Sen 14/17.06.21                         | 2,331,602.00  | 2,342,067.00  | 0.26                        |
| EUR      | 8,500,000                 | Sabic Capital BV 2.75% Reg S Sen 13/20.11.20                    | 8,854,355.00  | 9,149,187.50  | 1.03                        |
| EUR      | 7,000,000                 | Santander Intl Debt SA 4% EMTN Sen 13/24.01.20                  | 8,022,000.00  | 8,148,455.00  | 0.91                        |
| EUR      | 1,400,000                 | Santos Finance Ltd VAR EMTN Reg-S 10/22.09.70                   | 1,604,610.00  | 1,585,136.00  | 0.18                        |
| EUR      | 3,950,000                 | Siemens Financieringsmaatsc NV VAR 06/14.09.66                  | 3,816,909.41  | 4,265,229.75  | 0.48                        |
| EUR      | 1,500,000                 | Sinopec Gr Ov Dev (2013) Ltd 2.625% Reg S Sen 13/17.10.20       | 1,563,000.00  | 1,593,802.50  | 0.18                        |
| EUR      | 2,500,000                 | Skandinaviska Enskilda Banken VAR EMTN Reg s 14/28.05.26        | 2,518,115.00  | 2,558,575.00  | 0.29                        |
| EUR      | 2,360,000                 | Snam SpA 3.875 EMTN 12/19.03.18                                 | 2,501,906.13  | 2,615,198.60  | 0.29                        |
| EUR      | 4,600,000                 | Snam SpA 5% EMTN 12/18.01.19                                    | 5,293,676.00  | 5,394,052.00  | 0.60                        |
| EUR      | 1,000,000                 | Snam SpA 5.25% EMTN 12/19.09.22                                 | 1,158,500.00  | 1,272,465.00  | 0.14                        |
| EUR      | 2,200,000                 | Société Générale 2.25% EMTN Sen 13/23.01.20                     | 2,247,536.92  | 2,353,879.00  | 0.26                        |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CORPORATES EURO

### Statement of investments and other net assets (in EUR) (continued)

as at 30th September 2014

| Currency   | Number /<br>nominal value | Description   | Cost                  | Market value          | % of<br>total net<br>assets |
|--|---------------------------|---|-----------------------|-----------------------|-----------------------------|
| EUR  | 3,500,000                 | Suez Environnement Co VAR Sub 14/23.06.Perpetual            | 3,476,410.00          | 3,526,460.00          | 0.39                        |
| EUR  | 1,600,000                 | Svenska Handelsbanken AB 2.25% EMTN Sen 12/14.06.18         | 1,670,473.04          | 1,703,392.00          | 0.19                        |
| EUR  | 8,000,000                 | Svenska Handelsbanken AB 4.375% EMTN Sen 11/20.10.21        | 8,895,655.69          | 9,798,920.00          | 1.10                        |
| EUR  | 1,000,000                 | Svenska Handelsbanken AB VAR Sub 14/15.01.24                | 1,000,000.00          | 1,042,895.00          | 0.12                        |
| EUR  | 5,000,000                 | Telefonica Emisiones SA 2.242% EMTN Sen 14/27.05.22         | 5,000,000.00          | 5,204,900.00          | 0.58                        |
| EUR  | 8,500,000                 | Telefonica Emisiones SA 3.987% EMTN Sen 13/23.01.23         | 8,735,835.00          | 9,867,012.50          | 1.10                        |
| EUR  | 5,000,000                 | Telefonica Emisiones SA 4.797% EMTN 12/21.02.18             | 5,251,950.00          | 5,655,625.00          | 0.63                        |
| EUR  | 1,500,000                 | Telenor ASA 2.75% EMTN Sen 12/27.06.22                      | 1,491,855.00          | 1,665,555.00          | 0.18                        |
| EUR  | 3,955,000                 | Telstra Corp Ltd 3.5% EMTN Reg-S Sen 12/21.09.22            | 4,496,835.15          | 4,607,654.10          | 0.52                        |
| EUR  | 3,700,000                 | Telstra Corp Ltd 4.25% EMTN 10/23.03.20                     | 4,317,160.00          | 4,357,231.00          | 0.49                        |
| EUR  | 1,500,000                 | Terna Rete Elettr Nazionale SpA 2.875% EMTN 12/16.02.18     | 1,573,125.00          | 1,610,130.00          | 0.18                        |
| EUR  | 3,360,000                 | Terna Rete Elettr Nazionale SpA 4.125% EMTN Sen 12/17.02.17 | 3,638,598.85          | 3,645,751.20          | 0.41                        |
| EUR  | 1,000,000                 | Terna Rete Elettr Nazionale SpA 4.875% EMTN 09/03.10.19     | 1,147,800.00          | 1,194,530.00          | 0.13                        |
| EUR  | 2,500,000                 | Total Infrastruct Gaz France 4.339% Sen 11/07.07.21         | 2,868,000.00          | 2,979,437.50          | 0.33                        |
| EUR  | 1,350,000                 | TVO Power Co 2.5% EMTN Sen 14/17.03.21                      | 1,348,864.50          | 1,426,464.00          | 0.16                        |
| EUR  | 8,000,000                 | Unibail-Rodamco SE 2.5% EMTN Sen 14/04.06.26                | 8,177,760.00          | 8,422,800.00          | 0.94                        |
| EUR  | 3,500,000                 | Unicredit SpA 3.25% EMTN Sen 14/14.01.21                    | 3,521,820.00          | 3,828,860.00          | 0.43                        |
| EUR  | 8,550,000                 | Unicredit SpA 4.875% EMTN Ser 5Y 12/07.03.17                | 8,962,548.69          | 9,405,555.75          | 1.05                        |
| EUR  | 4,500,000                 | Vale SA 3.75% EMTN Sen 12/10.01.23                          | 4,731,750.00          | 4,916,925.00          | 0.55                        |
| EUR  | 4,000,000                 | Valeo SA 3.25% EMTN Sen 14/22.01.24                         | 4,314,000.00          | 4,483,120.00          | 0.50                        |
| EUR  | 3,200,000                 | Veolia Environnement SA 4.625% EMTN 12/30.03.27             | 3,404,746.00          | 4,030,944.00          | 0.45                        |
| EUR  | 1,900,000                 | Verizon Communications Inc 3.25% EMTN 14/17.02.26           | 1,910,960.56          | 2,135,457.50          | 0.24                        |
| EUR  | 3,000,000                 | Vivendi 2.375% EMTN Sen 13/21.01.19                         | 3,154,500.00          | 3,181,545.00          | 0.36                        |
| EUR  | 1,000,000                 | Vivendi 4.75% EMTN Sen 11/13.07.21                          | 1,120,368.57          | 1,217,030.00          | 0.14                        |
| EUR  | 4,800,000                 | Vivendi 4.875% EMTN Sen 11/30.11.18                         | 5,336,144.61          | 5,590,416.00          | 0.62                        |
| EUR  | 2,700,000                 | Volkswagen Intl Finance NV VAR 14/24.03.Perpetual           | 2,813,400.00          | 2,894,454.00          | 0.32                        |
| EUR  | 3,000,000                 | Volkswagen Intl Finance NV VAR Sub 31/09.04.Perpetual       | 2,976,390.00          | 3,166,590.00          | 0.35                        |
| EUR  | 11,000,000                | Volkswagen Leasing GmbH 3.25% EMTN 11/10.05.18              | 11,685,923.33         | 12,055,780.00         | 1.35                        |
| EUR  | 6,000,000                 | Votorantim Cimentos SA 3.25% Reg S 14/25.04.21              | 5,920,320.00          | 6,136,830.00          | 0.69                        |
| EUR  | 3,000,000                 | Wells Fargo & Co 2.25% EMTN Reg S Sen 13/03.09.20           | 3,073,950.00          | 3,234,375.00          | 0.36                        |
| EUR  | 2,000,000                 | WPP Fin 2013 3% EMTN Reg S Ser1 13/20.11.23                 | 1,989,460.00          | 2,225,210.00          | 0.25                        |
| <b>Total bonds</b>   |                           |   | <b>798,044,627.50</b> | <b>847,852,430.03</b> | <b>94.76</b>                |
| <b><u>Transferable securities dealt in on another regulated market</u></b> |                           |   |                       |                       |                             |
| <b>Bonds</b>   |                           |   |                       |                       |                             |
| EUR  | 3,000,000                 | Abertis Infraestructuras SA 4.75% 12/25.10.19               | 3,546,300.00          | 3,540,150.00          | 0.40                        |
| EUR  | 5,000,000                 | BNP Paribas SA 2% EMTN Sen 13/28.01.19                      | 5,094,227.00          | 5,275,150.00          | 0.59                        |
| EUR  | 500,000                   | GE Capital Trust II VAR Reg S Sub 10/15.09.67               | 488,650.00            | 543,952.50            | 0.06                        |
| EUR  | 1,500,000                 | GTECH SpA 3.5% Reg-S Sen 12/05.03.20                        | 1,561,405.00          | 1,667,520.00          | 0.19                        |
| EUR  | 1,400,000                 | NGG Finance Plc VAR Sub 13/18.06.76                         | 1,438,547.20          | 1,489,201.00          | 0.17                        |
| <b>Total bonds</b>   |                           |   | <b>12,129,129.20</b>  | <b>12,515,973.50</b>  | <b>1.41</b>                 |
| <b><u>Open-ended investment funds</u></b>                                  |                           |   |                       |                       |                             |
| <b>Investment funds (UCI)</b>  |                           |   |                       |                       |                             |
| EUR  | 15,500                    | KBC Participation Europe Fin Bond Opp Cap                   | 6,049,852.06          | 14,590,460.00         | 1.63                        |
| <b>Total investment funds (UCI)</b>  |                           |   | <b>6,049,852.06</b>   | <b>14,590,460.00</b>  | <b>1.63</b>                 |
| <b>Total investments in securities</b>                                     |                           |   | <b>816,223,608.76</b> | <b>874,958,863.53</b> | <b>97.80</b>                |
| <b>Cash at banks</b>   |                           |   |                       | <b>7,040,606.98</b>   | <b>0.79</b>                 |
| <b>Other net assets/(liabilities)</b>                                      |                           |   |                       | <b>12,667,959.18</b>  | <b>1.41</b>                 |
| <b>Total</b>   |                           |   |                       | <b>894,667,429.69</b> | <b>100.00</b>               |

The accompanying notes are an integral part of these financial statements.

## **KBC BONDS EUROPE EX-EMU**

### **Investment policy and outlook**

from 1st October 2013 to 30th September 2014

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#### ***Review***

The fund invests primarily in European countries outside the euro area (the United Kingdom, Switzerland, Denmark, Norway, Sweden, Poland and the Czech Republic, etc.).

The sub-fund had to contend in the first half of the financial year with a persistently strong euro. Only the pound sterling and the Polish zloty managed to appreciate against the euro. As against that, the Czech koruna and the Swedish krona depreciated heavily against the euro after their respective central banks took radical measures to avert the threat of deflation. During the second half of the year sterling, in particular, continued its advance, after the ECB announced a further relaxation of its monetary policy. The persistently disappointing economic growth in the euro area and the extremely low inflation figures continued to kindle the risk of deflation. In consequence the ECB felt obliged to cut interest rates still further and to pump additional liquidity into the banking system, either in the form of TLTROs or purchasing covered bonds and ABS. Monetary policy and the economic environment in the euro area are in sharp contrast to the United Kingdom, where the central bank, in response to the economic recovery, is making preparations for an initial interest rate hike.

The excess cheap liquidity in the banking system, together with the announcement by the US Federal Reserve that it would be keeping interest rates low for some time to come, ensured that bond rates in the various countries came down further.

#### ***Outlook***

Looking ahead to the next financial year we expect the sub-fund to perform well thanks to a further weakening of the euro now that the ECB has opened the door to a flexible policy of quantitative easing.

Note: The information in this report represents historical data and is not an indication of future results. It has not been audited or otherwise verified by the "réviseur d'entreprises agréé".

## KBC BONDS EUROPE EX-EMU

### Statement of net assets (in EUR)

as at 30th September 2014

#### Assets

|   |               |
|---|---------------|
| Securities portfolio at market value                  | 47,070,922.01 |
| Cash at banks   | 154,999.26    |
| Income receivable on portfolio                        | 486,123.74    |
| Unrealised gain on forward foreign exchange contracts | 16.90         |
| Total assets  | 47,712,061.91 |

#### Liabilities

|                                     |           |
|-------------------------------------|-----------|
| Other liquid liabilities            | 0.26      |
| Interest payable on bank overdrafts | 3.09      |
| Expenses payable                    | 63,992.00 |
| Total liabilities                   | 63,995.35 |

Net assets at the end of the year 47,648,066.56

|   |            |
|---|------------|
| Number of capitalisation shares outstanding | 7,789.8477 |
| Net asset value per capitalisation share    | 1,007.97   |

|   |             |
|---|-------------|
| Number of distribution shares outstanding | 56,128.5773 |
| Net asset value per distribution share    | 495.27      |

|  |             |
|--|-------------|
| Number of capitalisation shares "Institutional B Shares" outstanding | 11,889.0000 |
| Net asset value per capitalisation share "Institutional B Shares"    | 1,009.11    |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EUROPE EX-EMU

### Statement of operations and other changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

#### **Income**

|  |              |
|--|--------------|
| Interest on bonds and other debt securities, net | 1,705,027.03 |
| Interest on bank accounts                        | 139.91       |
| Commissions received                             | 6,355.85     |
| Other income                                     | 40,364.43    |
| Total income                                     | 1,751,887.22 |

#### **Expenses**

|   |            |
|---|------------|
| Management fees                         | 366,153.50 |
| Custodian fees                          | 24,556.17  |
| Banking charges and other fees          | 967.54     |
| Transaction fees                        | 79.70      |
| Central administration costs            | 30,257.52  |
| Professional fees                       | 1,469.83   |
| Other administration costs              | 10,362.82  |
| Subscription duty ("taxe d'abonnement") | 19,358.42  |
| Other taxes                             | 35,456.42  |
| Interest paid on bank overdrafts        | 443.82     |
| Other expenses                          | 2,689.16   |
| Total expenses                          | 491,794.90 |

|                       |              |
|-----------------------|--------------|
| Net investment income | 1,260,092.32 |
|-----------------------|--------------|

#### **Net realised gain/(loss)**

|   |             |
|---|-------------|
| - on securities portfolio               | -886,330.70 |
| - on futures contracts                  | 93,420.00   |
| - on forward foreign exchange contracts | -3,689.57   |
| - on foreign exchange                   | -3,796.85   |
| Realised result                         | 459,695.20  |

#### **Net variation of the unrealised gain/(loss)**

|   |              |
|---|--------------|
| - on securities portfolio               | 3,834,624.38 |
| - on futures contracts                  | -56,600.00   |
| - on forward foreign exchange contracts | 19,030.29    |

|                      |              |
|----------------------|--------------|
| Result of operations | 4,256,749.87 |
|----------------------|--------------|

|                |             |
|----------------|-------------|
| Dividends paid | -690,167.66 |
|----------------|-------------|

|               |              |
|---------------|--------------|
| Subscriptions | 1,082,641.31 |
|---------------|--------------|

|             |                |
|-------------|----------------|
| Redemptions | -11,163,603.75 |
|-------------|----------------|

|                             |               |
|-----------------------------|---------------|
| Total changes in net assets | -6,514,380.23 |
|-----------------------------|---------------|

|   |               |
|---|---------------|
| Total net assets at the beginning of the year | 54,162,446.79 |
|---|---------------|

|   |               |
|---|---------------|
| Total net assets at the end of the year | 47,648,066.56 |
|---|---------------|

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EUROPE EX-EMU

### Statistical information (in EUR)

as at 30th September 2014

|   |               |
|---|---------------|
| <b>Total net assets</b>   |               |
| - as at 30.09.2014  | 47,648,066.56 |
| - as at 30.09.2013  | 54,162,446.79 |
| - as at 30.09.2012  | 61,810,597.12 |
| <b>Portfolio Turnover Rate (in %)</b>                           |               |
| - as at 30.09.2014  | 13.43         |
| <b>Number of capitalisation shares</b>                          |               |
| - outstanding at the beginning of the year                      | 9,563.8265    |
| - issued  | 149.5711      |
| - redeemed  | -1,923.5499   |
| - outstanding at the end of the year                            | 7,789.8477    |
| <b>Net asset value per capitalisation share</b>                 |               |
| - as at 30.09.2014  | 1,007.97      |
| - as at 30.09.2013  | 921.72        |
| - as at 30.09.2012  | 966.94        |
| <b>Performances of capitalisation shares (in %)</b>             |               |
| - as at 30.09.2014  | 9.36          |
| - as at 30.09.2013  | -4.68         |
| - as at 30.09.2012  | 10.27         |
| <b>TER per capitalisation share (in %)</b>                      |               |
| - as at 30.09.2014  | 1.01          |
| <b>Number of distribution shares</b>                            |               |
| - outstanding at the beginning of the year                      | 70,828.4262   |
| - issued  | 1,346.4244    |
| - redeemed  | -16,046.2733  |
| - outstanding at the end of the year                            | 56,128.5773   |
| <b>Net asset value per distribution share</b>                   |               |
| - as at 30.09.2014  | 495.27        |
| - as at 30.09.2013  | 462.62        |
| - as at 30.09.2012  | 501.35        |
| <b>Performances of distribution shares (in %)</b>               |               |
| - as at 30.09.2014  | 9.36          |
| - as at 30.09.2013  | -4.68         |
| - as at 30.09.2012  | 10.25         |
| <b>TER per distribution share (in %)</b>                        |               |
| - as at 30.09.2014  | 1.02          |
| <b>Dividends paid to distribution shares</b>                    |               |
| Ex-dividend date  | 01.10.2013    |
| Dividend per share  | 9.75          |
| Shares outstanding at dividend date                             | 70,786.4262   |
| <b>Number of capitalisation shares "Institutional B Shares"</b> |               |
| - outstanding at the beginning of the year                      | 13,639.0000   |
| - issued  | 326.0000      |
| - redeemed  | -2,076.0000   |
| - outstanding at the end of the year                            | 11,889.0000   |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EUROPE EX-EMU

### Statistical information (in EUR) (continued)

as at 30th September 2014

#### Net asset value per capitalisation share "Institutional B Shares"

|                    |          |
|--------------------|----------|
| - as at 30.09.2014 | 1,009.11 |
| - as at 30.09.2013 | 922.39   |
| - as at 30.09.2012 | 967.30   |

#### Performances of capitalisation shares "Institutional B Shares" (in %)

|                    |       |
|--------------------|-------|
| - as at 30.09.2014 | 9.40  |
| - as at 30.09.2013 | -4.64 |
| - as at 30.09.2012 | -     |

#### TER per capitalisation share "Institutional B Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 0.97 |
|--------------------|------|

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.



## KBC BONDS EUROPE EX-EMU

### Statement of investments and other net assets (in EUR)

as at 30th September 2014

| Currency   | Number /<br>nominal value | Description   | Cost          | Market value  | % of<br>total net<br>assets |
|--|---------------------------|---|---------------|---------------|-----------------------------|
| <b><u>Investments in securities</u></b>  |                           |   |               |               |                             |
| <b><u>Transferable securities admitted to an official stock exchange listing</u></b> |                           |   |               |               |                             |
| <b>Bonds</b>   |                           |   |               |               |                             |
| BGN  | 2,000,000                 | KBC Ifima NV 7.6% EMTN Ser 3595 08/30.07.15           | 1,022,421.21  | 1,078,708.28  | 2.26                        |
| CHF  | 1,000,000                 | EIB 3.375% Sen 07/15.10.27                            | 1,057,905.88  | 1,072,284.02  | 2.25                        |
| CHF  | 1,150,000                 | KFW AG 2.125% 06/15.02.16                             | 1,017,945.15  | 981,122.89    | 2.06                        |
| CHF  | 2,200,000                 | KFW AG 2.5% EMTN 05/25.08.25                          | 2,154,960.77  | 2,158,528.22  | 4.53                        |
| CHF  | 300,000                   | KFW AG 2.75% Sen 07/16.02.37                          | 331,876.65    | 321,312.37    | 0.67                        |
|  |                           |   | 4,562,688.45  | 4,533,247.50  | 9.51                        |
| CZK  | 7,500,000                 | Czech Republic 3.85% Ser 61 10/29.09.21               | 342,809.29    | 328,294.20    | 0.69                        |
| CZK  | 62,000,000                | Czech Republic 4.6% Ser 41 03/18.08.18                | 2,655,803.79  | 2,634,372.43  | 5.53                        |
| CZK  | 22,000,000                | Czech Republic 5.7% Ser 58 09/25.05.24                | 1,155,996.61  | 1,129,159.75  | 2.37                        |
| CZK  | 15,000,000                | KBC Ifima NV 3.87% EMTN Sub 05/18.05.16               | 502,094.70    | 568,014.65    | 1.19                        |
|  |                           |   | 4,656,704.39  | 4,659,841.03  | 9.78                        |
| DKK  | 10,325,000                | Denmark 1.5% 12/15.11.23                              | 1,378,766.05  | 1,458,373.93  | 3.06                        |
| DKK  | 6,600,000                 | Denmark 3% T-Bond 11/15.11.21                         | 995,045.50    | 1,038,157.44  | 2.18                        |
|  |                           |   | 2,373,811.55  | 2,496,531.37  | 5.24                        |
| GBP  | 1,800,000                 | Italia 6% EMTN 98/04.08.28                            | 3,042,309.52  | 2,737,701.19  | 5.75                        |
| GBP  | 385,000                   | United Kingdom 2.25% Sen 13/07.09.23                  | 460,558.30    | 491,931.28    | 1.03                        |
| GBP  | 5,650,000                 | United Kingdom 3.75% T-Stock 09/07.09.19              | 7,881,862.74  | 7,938,775.35  | 16.66                       |
| GBP  | 5,000,000                 | United Kingdom 4.25% T-Stock 09/07.09.39              | 7,407,155.00  | 7,822,184.99  | 16.42                       |
|  |                           |   | 18,791,885.56 | 18,990,592.81 | 39.86                       |
| NOK  | 7,000,000                 | Norway 3% Ser 476 14/14.03.24                         | 902,343.74    | 920,338.28    | 1.93                        |
| NOK  | 13,000,000                | Norway 3.75% 10/25.05.21                              | 1,967,711.47  | 1,782,586.12  | 3.74                        |
| NOK  | 6,500,000                 | Norway 4.25% 06/19.05.17                              | 990,092.73    | 857,804.48    | 1.80                        |
| NOK  | 8,100,000                 | Norway 4.5% 08/22.05.19                               | 1,112,541.72  | 1,123,866.79  | 2.36                        |
|  |                           |   | 4,972,689.66  | 4,684,595.67  | 9.83                        |
| PLN  | 5,500,000                 | Poland 4% Ser DS1023 12/25.10.23                      | 1,392,734.73  | 1,422,897.88  | 2.99                        |
| PLN  | 11,500,000                | Poland Government Bd 5.5% Ser 1019 08/25.10.19        | 2,764,040.88  | 3,159,015.43  | 6.63                        |
|  |                           |   | 4,156,775.61  | 4,581,913.31  | 9.62                        |
| SEK  | 14,500,000                | Sweden 2.25% Ser 1056 11/01.06.32                     | 1,781,048.31  | 1,668,148.21  | 3.50                        |
| SEK  | 12,500,000                | Sweden 3.5% Ser 1054 10/01.06.22                      | 1,654,999.04  | 1,607,381.44  | 3.37                        |
| SEK  | 11,500,000                | Sweden 4.5% Ser 1049 04/12.08.15                      | 1,408,184.63  | 1,309,518.79  | 2.75                        |
|  |                           |   | 4,844,231.98  | 4,585,048.44  | 9.62                        |
| SKK  | 35,000,000                | Rabobank Nederland NV 4.2% EMTN Ser 1559A 06/08.03.26 | 943,403.65    | 1,460,443.60  | 3.07                        |
| Total investments in securities  |                           |   | 46,324,612.06 | 47,070,922.01 | 98.79                       |
| Cash at banks  |                           |   |               | 154,999.26    | 0.33                        |
| Other net assets/(liabilities)   |                           |   |               | 422,145.29    | 0.88                        |
| Total  |                           |   |               | 47,648,066.56 | 100.00                      |

The accompanying notes are an integral part of these financial statements.

## **KBC BONDS CONVERTIBLES**

### **Investment policy and outlook**

from 1st October 2013 to 30th September 2014

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#### ***Review***

The period under review was marked by divergent regional trends. The US markets rebounded sharply, while the markets in the rest of the world tended to struggle. With respect to interest rates the market was for some time convinced that the US economy would take the rest of the world in tow. Initially this supported European interest rates. As the period under review progressed, however, it became clear that the European economy was much weaker than had been assumed. This rapidly led to falling markets and a new low for German interest rates. Riskier bonds also tended to perform weakly in this climate. In the case of convertibles this led to a variable performance during the reporting period. With a beta of around 45% the asset class showed its best side in rising markets. This means that the fund rises or falls roughly 45% in line with the broader equity market. The duration of two years is on the low side for bond funds. As a result, the sub-fund also however benefited to a limited extent from the fall in interest rates. The widening credit spread at the end of the reporting period accordingly tended to workout negatively. In general terms, however, the return throughout the period as a whole was clearly positive.

#### ***Outlook***

Over the next few months we will be looking in particular for confirmation of economic recovery outside the US. We are seeing the first cautious signs of rising wages in the US. This can be viewed as a signal of a fundamentally stronger economy. This is important for the valuation of higher-risk assets. After all, if quantitative easing by the central bank comes to an end in the United States, the economy will need to be sufficiently strong to safeguard current price levels. In this climate, we expect US government bond yields to rise only slightly toward the end of the year. The European Central Bank is likely to continue pursuing a policy that provides further support for the economy and thus keeps interest rates low. We do not expect spreads to narrow much further. We are sticking to the current positioning for the time being.

Note: The information in this report represents historical data and is not an indication of future results. It has not been audited or otherwise verified by the "réviseur d'entreprises agréé".

## KBC BONDS CONVERTIBLES

### Statement of net assets (in EUR)

as at 30th September 2014

#### Assets

|                                      |                |
|--------------------------------------|----------------|
| Securities portfolio at market value | 116,754,052.58 |
| Cash at banks                        | 1,527,240.36   |
| Other liquid assets                  | 84,487.75      |
| Income receivable on portfolio       | 446,371.91     |
| Total assets                         | 118,812,152.60 |

#### Liabilities

|                                      |            |
|--------------------------------------|------------|
| Bank overdrafts                      | 102,585.33 |
| Payable on treasury transactions     | 206,267.20 |
| Payable on redemptions of shares     | 328,609.16 |
| Interest payable on bank overdrafts  | 1,341.29   |
| Unrealised loss on futures contracts | 12,023.03  |
| Expenses payable                     | 202,689.71 |
| Total liabilities                    | 853,515.72 |

Net assets at the end of the year 117,958,636.88

Number of capitalisation shares outstanding 39,912.6251  
Net asset value per capitalisation share 749.91

Number of distribution shares outstanding 85,312.1627  
Net asset value per distribution share 597.44

Number of capitalisation shares "Euro Hedged" outstanding 13,262.8564  
Net asset value per capitalisation share "Euro Hedged" 688.30

Number of distribution shares "Euro Hedged" outstanding 50,694.5907  
Net asset value per distribution share "Euro Hedged" 550.96

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CONVERTIBLES

### Statement of operations and other changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

#### **Income**

|  |                     |
|--|---------------------|
| Interest on bonds and other debt securities, net | 1,987,803.02        |
| Interest on bank accounts                        | 4,450.46            |
| Commissions received                             | 71,480.09           |
| Other income                                     | 15,194.00           |
| Total income                                     | <u>2,078,927.57</u> |

#### **Expenses**

|   |                     |
|---|---------------------|
| Management fees                         | 1,358,283.94        |
| Custodian fees                          | 61,990.58           |
| Banking charges and other fees          | 1,976.12            |
| Transaction fees                        | 244.16              |
| Central administration costs            | 76,367.98           |
| Professional fees                       | 2,322.01            |
| Other administration costs              | 18,228.56           |
| Subscription duty ("taxe d'abonnement") | 61,031.17           |
| Other taxes                             | 99,259.00           |
| Interest paid on bank overdrafts        | 7,722.75            |
| Other expenses                          | 3,721.46            |
| Total expenses                          | <u>1,691,147.73</u> |

|                       |            |
|-----------------------|------------|
| Net investment income | 387,779.84 |
|-----------------------|------------|

#### **Net realised gain/(loss)**

|   |                     |
|---|---------------------|
| - on securities portfolio               | 6,574,739.89        |
| - on futures contracts                  | 172,368.05          |
| - on forward foreign exchange contracts | -1,479,056.01       |
| - on foreign exchange                   | 100,213.07          |
| Realised result                         | <u>5,756,044.84</u> |

#### **Net variation of the unrealised gain/(loss)**

|                           |                     |
|---------------------------|---------------------|
| - on securities portfolio | 2,314,941.06        |
| - on futures contracts    | 505.78              |
| Result of operations      | <u>8,071,491.68</u> |

|                |               |
|----------------|---------------|
| Dividends paid | -1,744,331.66 |
|----------------|---------------|

|               |              |
|---------------|--------------|
| Subscriptions | 4,342,518.33 |
|---------------|--------------|

|             |                |
|-------------|----------------|
| Redemptions | -24,722,601.20 |
|-------------|----------------|

|                             |                       |
|-----------------------------|-----------------------|
| Total changes in net assets | <u>-14,052,922.85</u> |
|-----------------------------|-----------------------|

|   |                       |
|---|-----------------------|
| Total net assets at the beginning of the year | <u>132,011,559.73</u> |
|---|-----------------------|

|   |                       |
|---|-----------------------|
| Total net assets at the end of the year | <u>117,958,636.88</u> |
|---|-----------------------|

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CONVERTIBLES

### Statistical information (in EUR)

as at 30th September 2014

|  |                |
|--|----------------|
| <b>Total net assets</b>                              |                |
| - as at 30.09.2014                                   | 117,958,636.88 |
| - as at 30.09.2013                                   | 132,011,559.73 |
| - as at 30.09.2012                                   | 437,850,030.42 |
| <b>Portfolio Turnover Rate (in %)</b>                |                |
| - as at 30.09.2014                                   | 100.82         |
| <b>Number of capitalisation shares</b>               |                |
| - outstanding at the beginning of the year           | 47,192.1945    |
| - issued   | 911.0482       |
| - redeemed   | -8,190.6176    |
| - outstanding at the end of the year                 | 39,912.6251    |
| <b>Net asset value per capitalisation share</b>      |                |
| - as at 30.09.2014                                   | 749.91         |
| - as at 30.09.2013                                   | 694.37         |
| - as at 30.09.2012                                   | 662.96         |
| <b>Performances of capitalisation shares (in %)</b>  |                |
| - as at 30.09.2014                                   | 8.00           |
| - as at 30.09.2013                                   | 4.74           |
| - as at 30.09.2012                                   | 10.84          |
| <b>TER per capitalisation share (in %)</b>           |                |
| - as at 30.09.2014                                   | 1.36           |
| <b>Number of distribution shares</b>                 |                |
| - outstanding at the beginning of the year           | 94,876.6054    |
| - issued   | 5,513.0573     |
| - redeemed   | -15,077.5000   |
| - outstanding at the end of the year                 | 85,312.1627    |
| <b>Net asset value per distribution share</b>        |                |
| - as at 30.09.2014                                   | 597.44         |
| - as at 30.09.2013                                   | 564.15         |
| - as at 30.09.2012                                   | 549.15         |
| <b>Performances of distribution shares (in %)</b>    |                |
| - as at 30.09.2014                                   | 8.00           |
| - as at 30.09.2013                                   | 4.74           |
| - as at 30.09.2012                                   | 10.83          |
| <b>TER per distribution share (in %)</b>             |                |
| - as at 30.09.2014                                   | 1.36           |
| <b>Dividends paid to distribution shares</b>         |                |
| Ex-dividend date                                     | 01.10.2013     |
| Dividend per share                                   | 11.00          |
| Shares outstanding at dividend date                  | 94,842.6054    |
| <b>Number of capitalisation shares "Euro Hedged"</b> |                |
| - outstanding at the beginning of the year           | 16,900.4472    |
| - issued   | 176.6422       |
| - redeemed   | -3,814.2330    |
| - outstanding at the end of the year                 | 13,262.8564    |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CONVERTIBLES

### Statistical information (in EUR) (continued)

as at 30th September 2014

#### Net asset value per capitalisation share "Euro Hedged"

|                    |        |
|--------------------|--------|
| - as at 30.09.2014 | 688.30 |
| - as at 30.09.2013 | 662.67 |
| - as at 30.09.2012 | 598.78 |

#### Performances of capitalisation shares "Euro Hedged" (in %)

|                    |       |
|--------------------|-------|
| - as at 30.09.2014 | 3.87  |
| - as at 30.09.2013 | 10.67 |
| - as at 30.09.2012 | 6.64  |

#### TER per capitalisation share "Euro Hedged" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 1.36 |
|--------------------|------|

#### Number of distribution shares "Euro Hedged"

|  |              |
|--|--------------|
| - outstanding at the beginning of the year | 63,756.0000  |
| - issued                                   | 724.9735     |
| - redeemed                                 | -13,786.3828 |
| - outstanding at the end of the year       | 50,694.5907  |

#### Net asset value per distribution share "Euro Hedged"

|                    |        |
|--------------------|--------|
| - as at 30.09.2014 | 550.96 |
| - as at 30.09.2013 | 541.41 |
| - as at 30.09.2012 | 499.74 |

#### Performances of distribution shares "Euro Hedged" (in %)

|                    |       |
|--------------------|-------|
| - as at 30.09.2014 | 3.87  |
| - as at 30.09.2013 | 10.66 |
| - as at 30.09.2012 | 6.64  |

#### TER per distribution share "Euro Hedged" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 1.36 |
|--------------------|------|

#### Dividends paid to distribution shares "Euro Hedged"

|                                     |             |
|-------------------------------------|-------------|
| Ex-dividend date                    | 01.10.2013  |
| Dividend per share                  | 11.00       |
| Shares outstanding at dividend date | 63,733.0000 |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CONVERTIBLES

### Statement of investments and other net assets (in EUR)

as at 30th September 2014

| Currency  | Number /<br>nominal value | Description   | Cost          | Market value  | % of<br>total net<br>assets |
|---|---------------------------|---|---------------|---------------|-----------------------------|
| <b>Investments in securities</b>  |                           |   |               |               |                             |
| <b>Transferable securities admitted to an official stock exchange listing</b> |                           |   |               |               |                             |
| <b>Bonds</b>  |                           |   |               |               |                             |
| EUR   | 1,500,000                 | Aabar Investments PJSC 4% Conv Daimler 11/27.05.16              | 1,579,199.30  | 1,685,040.00  | 1.43                        |
| EUR   | 500,000                   | Acciona SA 3% Conv Reg S Ser ANA 14/30.01.19                    | 573,125.00    | 559,675.00    | 0.47                        |
| EUR   | 500,000                   | ACS Actividades Fin 2 BV 1.625% Conv Iberdrola 14/27.03.19      | 510,000.00    | 515,910.00    | 0.44                        |
| EUR   | 900,000                   | ACS Actividades Finance BV 2.625% Conv Iberdrola<br>13/22.10.18 | 941,625.00    | 981,513.00    | 0.83                        |
| EUR   | 800,000                   | Adidas AG 0.25% Conv 12/14.06.19                                | 860,940.00    | 859,404.00    | 0.73                        |
| EUR   | 80,000                    | Air France KLM 2.03% Conv 13/15.02.23                           | 818,326.56    | 887,437.06    | 0.75                        |
| EUR   | 70,000                    | Air France KLM 4.97% Conv 09/01.04.15                           | 873,730.59    | 839,480.14    | 0.71                        |
| EUR   | 200,000                   | Alcatel-Lucent 0% Conv Ser ALU 14/30.01.19                      | 817,400.00    | 763,100.00    | 0.65                        |
| EUR   | 120,000                   | Alcatel-Lucent 0.125% Conv Sen 14/30.01.20                      | 478,548.34    | 439,735.12    | 0.37                        |
| EUR   | 600,000                   | Amorim Energia BV 3.375% Conv GalpEner B Reg S<br>13/03.06.18   | 644,250.00    | 643,395.00    | 0.55                        |
| EUR   | 7,987                     | Cap Gemini SA 0% Conv 13/01.01.19                               | 572,676.98    | 615,214.65    | 0.52                        |
| EUR   | 700,000                   | CEZ MH BV 0% EMTN Conv MOL Hungarian 14/04.08.17                | 735,700.00    | 695,674.00    | 0.59                        |
| EUR   | 1,300,000                 | Deutsche Post AG 0.6% Conv Reg Ser DPW 12/06.12.19              | 1,399,991.67  | 1,686,165.00  | 1.43                        |
| EUR   | 7,000                     | Fonciere des Regions 3.34% Conv Ser FDR 11/01.01.17             | 585,717.84    | 644,049.23    | 0.55                        |
| EUR   | 600,000                   | Fresenius SE & Co KGaA 0% Conv Reg S 14/24.09.19                | 638,100.00    | 619,137.00    | 0.53                        |
| EUR   | 500,000                   | Gagfah SA 1.5% Conv Reg S 14/20.05.19                           | 531,000.00    | 546,242.50    | 0.46                        |
| EUR   | 1,300,000                 | GBL Verwaltung SA 1.25% Conv GDF Reg S Sen 13/07.02.17          | 1,324,375.00  | 1,474,486.00  | 1.25                        |
| EUR   | 4,000                     | Gecina SA 2.125% Conv Gecina Reg 10/01.01.16                    | 509,655.72    | 544,849.82    | 0.46                        |
| EUR   | 170,000                   | Immofinanz AG 4.25% Conv 11/08.03.18                            | 672,430.32    | 723,835.96    | 0.61                        |
| EUR   | 850,000                   | Industrivaerden AB 1.875% Conv EMTN 11/27.02.17                 | 869,361.11    | 895,292.25    | 0.76                        |
| EUR   | 500,000                   | Intl Consolidated Air Gr SA 1.75% Conv Reg S Sen 13/31.05.18    | 530,625.00    | 644,382.50    | 0.55                        |
| EUR   | 600,000                   | Marine Harvest ASA 0.875% Conv Reg S Ser MHG 14/06.05.19        | 624,600.00    | 685,470.00    | 0.58                        |
| EUR   | 8,000                     | Michelin SA 0% Conv 07/01.01.17                                 | 1,100,000.00  | 1,106,208.00  | 0.94                        |
| EUR   | 6,000                     | Misarte 3.25% Conv PPR SA Ser PP 10/01.01.16                    | 982,302.50    | 1,038,952.01  | 0.88                        |
| EUR   | 500,000                   | Oci NV 3.875% Conv Reg S Sen 13/25.09.18                        | 599,950.00    | 520,860.00    | 0.44                        |
| EUR   | 600,000                   | OHL Investment SA 4% Conv OHL Mexico SAB Reg S<br>13/25.04.18   | 651,000.00    | 641,028.00    | 0.54                        |
| EUR   | 1,250,000                 | Parpublica Part Pub SGPS SA 5.25% Conv GalpEner<br>10/28.09.17  | 1,197,568.42  | 1,413,100.00  | 1.20                        |
| EUR   | 30,000                    | Peugeot SA 4.45% Conv 09/01.01.16                               | 818,319.77    | 788,350.95    | 0.67                        |
| EUR   | 500,000                   | RAG-Stiftung 0% Conv 14/31.12.18                                | 505,000.00    | 497,382.50    | 0.42                        |
| EUR   | 5,944                     | Rallye SA 1% EMTN Conv Casino Guich Reg S 13/02.10.20           | 633,127.30    | 654,302.02    | 0.56                        |
| EUR   | 500,000                   | Sargerpar SA 0.375% Conv Gr Bxl Lambert Reg S 13/09.10.18       | 510,300.00    | 530,760.00    | 0.45                        |
| EUR   | 700,000                   | Solidium Oy 0.5% Conv Sen TeliaSonera AB 12/29.09.15            | 711,375.00    | 704,998.00    | 0.60                        |
| EUR   | 500,000                   | Steinhoff Finance Hg GmbH 4% Conv Reg S Ser SHF<br>14/30.01.21  | 540,625.00    | 605,425.00    | 0.51                        |
| EUR   | 500,000                   | Steinhoff Finance Hg GmbH 4.5% Conv 11/31.03.18                 | 479,285.71    | 662,472.50    | 0.56                        |
| EUR   | 500,000                   | Steinhoff Finance Hg GmbH 5% Conv 10/22.05.16                   | 543,533.33    | 706,302.50    | 0.60                        |
| EUR   | 500,000                   | Steinhoff Finance Hg GmbH 6.375% Conv Ser SHF 12/26.05.17       | 521,875.00    | 652,975.00    | 0.55                        |
| EUR   | 25,044                    | Suez Environnement Co 0% Conv Ser SEV 14/27.02.20               | 518,410.80    | 477,238.46    | 0.40                        |
| EUR   | 10,500                    | Technip SA 0.5% Conv 10/01.01.16                                | 1,011,939.17  | 897,141.19    | 0.76                        |
| EUR   | 7,564                     | TUI AG 2.75% Conv 11/24.03.16                                   | 511,416.25    | 514,257.37    | 0.44                        |
| EUR   | 2,000                     | Unibail-Rodamco SE 0% Conv Ormane 14/01.07.21                   | 571,200.00    | 570,587.00    | 0.48                        |
| EUR   | 4,500                     | Unibail-Rodamco SE 0.75% Conv 12/01.01.18                       | 1,029,055.19  | 1,131,485.01  | 0.96                        |
|   |                           |   | 30,527,661.87 | 32,063,313.74 | 27.18                       |
| GBP   | 800,000                   | British Land (Jersey) Ltd 1.5% Conv 12/10.09.17                 | 984,580.54    | 1,133,431.40  | 0.96                        |
| GBP   | 500,000                   | Intu (JE) Ltd 2.5% Conv Reg S Sen 12/04.10.18                   | 630,800.73    | 678,187.82    | 0.58                        |
| GBP   | 400,000                   | TUI Travel Plc 4.9% Conv REGS SerTT 10/27.04.17                 | 488,117.74    | 608,544.95    | 0.52                        |
|   |                           |   | 2,103,499.01  | 2,420,164.17  | 2.06                        |
| HKD   | 4,000,000                 | ASM Pacific Technology Ltd 2% Conv Sen 14/28.03.19              | 402,105.07    | 424,567.84    | 0.36                        |
| HKD   | 3,000,000                 | China Oversea Gr Oc Fin Ca Ltd Step-down Conv 12/21.03.17       | 355,445.53    | 306,911.34    | 0.26                        |
| HKD   | 8,000,000                 | Hengan Intl Group Co Ltd 0% Conv Reg S Sen 13/27.06.18          | 797,360.04    | 832,969.35    | 0.71                        |
| HKD   | 4,000,000                 | Kingsoft Co Ltd 1.25% Conv Reg S Sen 14/11.04.19                | 359,894.81    | 369,686.35    | 0.31                        |
| HKD   | 4,000,000                 | Logo Star Ltd 1.5% Conv Fosun Intl Reg S Sen 13/22.11.18        | 395,954.92    | 443,207.63    | 0.38                        |
| HKD   | 4,000,000                 | Shenzhen Intl Group Ltd 0.5% Conv Sen 14/18.06.19               | 391,164.88    | 402,428.86    | 0.34                        |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CONVERTIBLES

### Statement of investments and other net assets (in EUR) (continued)

as at 30th September 2014

| Currency           | Number /<br>nominal value | Description   | Cost          | Market value  | % of<br>total net<br>assets |
|--------------------|---------------------------|---|---------------|---------------|-----------------------------|
| HKD                | 4,000,000                 | Shine Power International Ltd 0% Conv Sen 14/28.07.19           | 374,774.17    | 393,674.83    | 0.33                        |
| HKD                | 5,000,000                 | Tong Jie Ltd 0% Conv Shanghai Ind Hgs Ltd Reg S 13/18.02.18     | 500,988.32    | 513,356.69    | 0.44                        |
|                    |                           |   | 3,577,687.74  | 3,686,802.89  | 3.13                        |
| JPY                | 40,000,000                | ABC-Mart Inc 0% Conv Reg S Sen 13/05.02.18                      | 351,331.17    | 365,946.81    | 0.31                        |
| JPY                | 50,000,000                | Advantest Corp 0% Conv Reg S Sen 14/14.03.19                    | 361,069.26    | 394,523.87    | 0.33                        |
| JPY                | 20,000,000                | Alps Electric Co Ltd 0% Conv Sen 14/25.03.19                    | 147,534.48    | 173,713.00    | 0.15                        |
| JPY                | 40,000,000                | Asahi Glass Co Ltd 0% Conv 09/14.11.14                          | 324,346.07    | 289,010.84    | 0.25                        |
| JPY                | 50,000,000                | Asics Corp 0% Conv Sen 14/01.03.19                              | 392,347.17    | 414,780.34    | 0.35                        |
| JPY                | 30,000,000                | GS Yuasa Corp 0% Conv 14/13.03.19                               | 220,522.50    | 233,405.43    | 0.20                        |
| JPY                | 60,000,000                | Kawasaki Kisen Kaisha Ltd 0% Sen Conv 13/26.09.18               | 472,388.59    | 445,244.62    | 0.38                        |
| JPY                | 20,000,000                | Nagoya Railroad Co Ltd 0% Conv Reg S 13/03.10.23                | 156,764.80    | 177,330.83    | 0.15                        |
| JPY                | 120,000,000               | Nidec Corp 0% Conv 10/18.09.15                                  | 958,018.33    | 1,212,486.47  | 1.03                        |
| JPY                | 40,000,000                | SBI Holdings Inc 0% Conv Sen 13/02.11.17                        | 313,111.59    | 303,703.05    | 0.26                        |
| JPY                | 50,000,000                | Square Enix Hgs Co Ltd 0% Conv 10/04.02.15                      | 383,331.64    | 380,249.60    | 0.32                        |
| JPY                | 60,000,000                | Takashimaya Co Ltd 0% Conv Reg S 13/11.12.18                    | 454,588.24    | 439,568.84    | 0.37                        |
| JPY                | 60,000,000                | Takashimaya Co Ltd 0% Conv Reg S Sen 13/11.12.20                | 464,136.18    | 443,919.34    | 0.38                        |
| JPY                | 35,000,000                | Takashimaya Co Ltd 0% Conv Reg-S Sen 09/14.11.14                | 328,181.63    | 286,285.02    | 0.24                        |
| JPY                | 60,000,000                | Toppan Printing Co Ltd 0% Conv Reg S Sen 13/19.12.16            | 443,873.32    | 438,577.04    | 0.37                        |
| JPY                | 60,000,000                | Toppan Printing Co Ltd 0% Conv Sen 13/19.12.19                  | 447,692.50    | 440,006.27    | 0.37                        |
| JPY                | 60,000,000                | Toray Industries Inc 0% 14/31.08.21                             | 467,083.71    | 474,498.40    | 0.40                        |
| JPY                | 60,000,000                | Toray Industries Inc 0% Conv 14/30.08.19                        | 455,107.21    | 461,139.41    | 0.39                        |
| JPY                | 100,000,000               | Yamada Denki Co Ltd 0% Conv Reg S Sen 14/28.06.19               | 744,504.93    | 712,619.93    | 0.60                        |
| JPY                | 30,000,000                | Yamato Holdings Co Ltd 0% Reg S Conv 11/07.03.16                | 277,846.16    | 251,062.94    | 0.21                        |
|                    |                           |   | 8,163,779.48  | 8,338,072.05  | 7.06                        |
| SGD                | 1,500,000                 | Capitaland Ltd 1.85% Conv Reg S 13/19.06.20                     | 827,431.30    | 884,979.65    | 0.75                        |
| SGD                | 1,750,000                 | Capitaland Ltd 1.95% Conv Reg S Sen 13/17.10.23                 | 1,042,051.69  | 1,109,030.23  | 0.94                        |
| SGD                | 1,200,000                 | Indah Capital Ltd 0% Reg S Conv IHH Healthcare 13/24.10.18      | 698,513.51    | 811,105.61    | 0.69                        |
| SGD                | 750,000                   | Ruby Assets Pte Ltd 1.6% Conv AscEREIT Uts 10/01.02.17          | 522,884.08    | 523,779.67    | 0.44                        |
|                    |                           |   | 3,090,880.58  | 3,328,895.16  | 2.82                        |
| USD                | 400,000                   | Advanced Semicond Engineer Inc 0% Conv Reg S 13/05.09.18        | 323,294.13    | 373,073.67    | 0.32                        |
| USD                | 300,000                   | AYC Finance Ltd 0.5% Conv 14/02.05.19                           | 239,544.97    | 257,502.67    | 0.22                        |
| USD                | 2,400,000                 | Billion Express Inv Ltd 0.75% Conv ChiUniHk 10/18.10.15         | 1,919,948.04  | 1,935,095.59  | 1.64                        |
| USD                | 500,000                   | Celltrion Inc 2.75% Conv Reg S Sen 13/27.03.18                  | 310,735.53    | 356,329.41    | 0.30                        |
| USD                | 1,000,000                 | China Ov Fin Inv Cayman IV Ltd 0% Conv Ch Ov L&I<br>14/04.02.21 | 731,707.32    | 820,437.00    | 0.70                        |
| USD                | 1,000,000                 | DP World Ltd 1.75% Conv Sen 14/19.06.24                         | 748,189.27    | 842,342.55    | 0.71                        |
| USD                | 750,000                   | ENN Energy Hgs Ltd 0% Conv Sen 13/26.02.18                      | 629,998.85    | 691,099.63    | 0.59                        |
| USD                | 500,000                   | Epistar Corp 0% Conv Ser 2448 13/07.08.18                       | 435,280.43    | 436,072.52    | 0.37                        |
| USD                | 1,100,000                 | Glencore Finance SA 5% Conv 09/31.12.14                         | 1,041,647.37  | 947,024.11    | 0.80                        |
| USD                | 800,000                   | Golden Agri-Resources Ltd 2.5% Conv Reg S Sen 12/04.10.17       | 604,688.64    | 617,956.70    | 0.52                        |
| USD                | 600,000                   | HKEx International Ltd 0.5% Conv HKExcCie Reg S<br>12/23.10.17  | 501,642.93    | 556,066.97    | 0.47                        |
| USD                | 300,000                   | Joyo Bank Ltd (The) 0% Conv Sen 14/24.04.19                     | 218,810.40    | 235,944.66    | 0.20                        |
| USD                | 2,200,000                 | Lukoil Intl Fin BV 2.625% Conv Sen 10/16.06.15                  | 1,850,377.93  | 1,714,402.88  | 1.45                        |
| USD                | 600,000                   | National Bank of Abu Dhabi 1% EMTN Conv Reg-S 13/12.03.18       | 471,823.59    | 521,710.01    | 0.44                        |
| USD                | 500,000                   | Semiconduct Manufact Intl Corp 0% Conv Reg S Sen<br>13/07.11.18 | 412,331.34    | 453,449.71    | 0.38                        |
| USD                | 2,250,000                 | Siemens Financierings NV 1.65% cum Wts Ser WW<br>12/16.08.19    | 1,741,712.03  | 1,983,113.64  | 1.68                        |
| USD                | 2,250,000                 | Siemens Financieringsmaatsc NV 1.05% Cum Wts 12/16.08.17        | 1,724,838.37  | 1,915,541.51  | 1.62                        |
| USD                | 600,000                   | STMicroelectronics NV 0% Conv Sen 14/03.07.19                   | 431,486.45    | 445,118.16    | 0.38                        |
| USD                | 1,200,000                 | Subsea 7 SA 1% Reg-S Sen Conv 12/05.10.17                       | 926,084.66    | 901,218.38    | 0.76                        |
| USD                | 1,500,000                 | Tesla Motors Inc 1.25% Conv Sen 14/01.03.21                     | 1,043,014.24  | 1,136,076.47  | 0.96                        |
| USD                | 600,000                   | Wistron Corp 0% Conv 12/19.01.15                                | 489,452.67    | 496,724.85    | 0.42                        |
| USD                | 500,000                   | Yamaguchi Financial Group Inc 0% Conv Reg S 13/20.12.18         | 401,932.22    | 411,619.76    | 0.35                        |
| USD                | 500,000                   | Zhen Ding Technology Hg Ltd 0% Conv Reg S 14/26.06.19           | 380,528.70    | 397,185.61    | 0.34                        |
|                    |                           |   | 17,579,070.08 | 18,445,106.46 | 15.62                       |
| <b>Total bonds</b> |                           |   | 65,042,578.76 | 68,282,354.47 | 57.87                       |

The accompanying notes are an integral part of these financial statements.



## KBC BONDS CONVERTIBLES

### Statement of investments and other net assets (in EUR) (continued)

as at 30th September 2014

| Currency  | Number /<br>nominal value | Description   | Cost         | Market value | % of<br>total net<br>assets |
|---|---------------------------|---|--------------|--------------|-----------------------------|
| <b>Transferable securities dealt in on another regulated market</b> |                           |   |              |              |                             |
| <b>Bonds</b>  |                           |   |              |              |                             |
| EUR   | 1,100,000                 | Caixabank SA 1% Conv 13/25.11.17                                | 1,109,350.00 | 1,275,675.50 | 1.08                        |
| EUR   | 8,487                     | Crédit Agricole SA 0% Conv Eurazeo Reg S Sen 13/06.12.16        | 660,712.95   | 614,811.01   | 0.52                        |
| EUR   | 1,300,000                 | ENI SpA 0.25% EMTN Sen Conv Galp Energia SGPS B<br>12/30.11.15  | 1,339,796.25 | 1,315,067.00 | 1.12                        |
| EUR   | 1,700,000                 | ENI SpA 0.625% Conv Snam Sen 13/18.01.16                        | 1,704,404.55 | 1,822,425.50 | 1.55                        |
| EUR   | 1,300,000                 | Magyar Nemzeti Vagyon Zrt 3.375% Conv Chemi Wks<br>13/02.04.19  | 1,355,750.00 | 1,349,387.00 | 1.14                        |
| EUR   | 400,000                   | Marine Harvest ASA 2.375% Conv 13/08.05.18                      | 434,800.00   | 529,340.00   | 0.45                        |
| EUR   | 6,500                     | Technip SA 0.25% Conv 11/01.01.17                               | 693,386.78   | 633,725.48   | 0.54                        |
|   |                           |   | 7,298,200.53 | 7,540,431.49 | 6.40                        |
| JPY   | 40,000,000                | Fukuyama Transporting Co Ltd 0% Conv 12/22.03.17                | 393,502.92   | 322,498.17   | 0.27                        |
| USD   | 1,000,000                 | Akamai Technologies Inc 0% Conv Sen 14/15.02.19                 | 727,235.16   | 796,322.69   | 0.68                        |
| USD   | 1,000,000                 | American Realty Cap Prop Inc 3% Conv Sen 13/01.08.18            | 763,926.22   | 790,583.06   | 0.67                        |
| USD   | 750,000                   | Annaly Capital Management Inc Conv 12/15.05.15                  | 588,831.91   | 601,021.26   | 0.51                        |
| USD   | 675,000                   | Ares Capital Corp 5.75% Conv 11/01.02.16                        | 556,898.72   | 562,852.68   | 0.48                        |
| USD   | 400,000                   | BES Finance Ltd 3.5% EMTN Conv Sen BBradesco<br>12/06.12.15     | 328,557.78   | 318,726.99   | 0.27                        |
| USD   | 350,000                   | Cemex SAB de CV 4.875% Conv Cemex SAB ADR 10/15.03.15           | 245,469.05   | 332,829.04   | 0.28                        |
| USD   | 500,000                   | Ciena Corp 0.875% Conv Sen 07/15.06.17                          | 374,292.26   | 387,196.70   | 0.33                        |
| USD   | 1,600,000                 | Citrix Systems Inc 0.5% Conv Ser 144A 14/15.04.19               | 1,175,484.01 | 1,378,268.62 | 1.17                        |
| USD   | 2,000,000                 | Cobalt Intl Energy Inc 3.125% Conv 14/15.05.24                  | 1,614,093.34 | 1,424,676.40 | 1.21                        |
| USD   | 600,000                   | Concur Technologies Inc 0.5% Conv Sen 13/15.06.18               | 499,355.13   | 620,346.75   | 0.53                        |
| USD   | 1,000,000                 | Ctrip.Com Intl Ltd 1.25% Conv Reg S Sen 13/15.10.18             | 709,077.03   | 840,969.01   | 0.71                        |
| USD   | 450,000                   | Cubist Pharmaceuticals Inc 1.875% Conv Sen 13/01.09.20          | 389,530.33   | 398,076.24   | 0.34                        |
| USD   | 900,000                   | Electronic Arts 0.75% Conv Electronic Arts Inc 12/15.07.16      | 664,311.02   | 878,607.05   | 0.75                        |
| USD   | 900,000                   | General Cable Corp 4.5% Conv 09/15.11.29                        | 820,466.21   | 501,738.51   | 0.43                        |
| USD   | 625,000                   | Hologic Inc 2% Conv Sen 10/15.12.37                             | 570,965.48   | 592,266.04   | 0.50                        |
| USD   | 500,000                   | Hologic Inc 2% Conv Ser 2012 12/01.03.42                        | 379,228.66   | 420,383.56   | 0.36                        |
| USD   | 500,000                   | Illumina Inc 0% Conv 144A Sen 14/15.06.19                       | 376,778.56   | 410,030.48   | 0.35                        |
| USD   | 500,000                   | Illumina Inc 0.50% Conv Ser 144A 14/15.06.21                    | 377,035.92   | 423,522.54   | 0.36                        |
| USD   | 2,300,000                 | Intel Corp 2.95% Conv Sub 06/15.12.35                           | 1,909,830.59 | 2,328,295.93 | 1.97                        |
| USD   | 1,000,000                 | Jarden Corp 1.125% Conv Sub Ser 144A 14/15.03.34                | 708,625.97   | 801,100.42   | 0.68                        |
| USD   | 800,000                   | Jazz Investments I Ltd 1.875% Conv Jazz Pharma 14/15.08.21      | 716,376.31   | 705,262.25   | 0.60                        |
| USD   | 1,000,000                 | JDS Uniphase Corp 0.625% Conv Sen 14/15.08.33                   | 812,042.08   | 793,262.88   | 0.67                        |
| USD   | 600,000                   | Lam Research Corp 0.5% Conv Sen 12/15.05.16                     | 504,461.61   | 604,738.16   | 0.51                        |
| USD   | 600,000                   | Lam Research Corp 1.25% Conv Ser 12/15.05.18                    | 523,634.25   | 644,716.78   | 0.55                        |
| USD   | 1,225,000                 | Liberty Interactive Llc 0.75% Conv Sen Basket 14/30.03.43       | 1,028,420.68 | 1,289,413.97 | 1.09                        |
| USD   | 1,500,000                 | Liberty Media Corp 1.375% Sen Conv A 144A 13/15.10.23           | 1,152,261.85 | 1,160,729.13 | 0.98                        |
| USD   | 300,000                   | Mitsui OSK Lines Ltd 0% Conv Sen 14/24.04.18                    | 217,716.35   | 227,092.98   | 0.19                        |
| USD   | 900,000                   | Molina Healthcare Inc 1.125% Conv 14/15.01.20                   | 723,709.56   | 840,206.62   | 0.71                        |
| USD   | 900,000                   | Newmont Mining Corp 1.625% Conv 07/15.07.17                     | 808,874.04   | 729,280.37   | 0.62                        |
| USD   | 700,000                   | Nuance Communications Inc 2.75% Sen Conv 12/01.11.31            | 514,724.80   | 547,913.55   | 0.46                        |
| USD   | 1,800,000                 | NVIDIA Corp 1% Conv Ser 144A 13/01.12.18                        | 1,429,859.94 | 1,560,021.37 | 1.32                        |
| USD   | 850,000                   | Owens-Brockway Glass Cont Inc 3% Conv Ser 144A<br>10/01.06.15   | 662,070.71   | 679,401.11   | 0.58                        |
| USD   | 1,500,000                 | Priceline Group Inc (The) 0.35% Conv Sen 13/15.06.20            | 1,137,845.71 | 1,331,854.88 | 1.13                        |
| USD   | 1,000,000                 | Priceline Group Inc (The) 0.9% Conv Ser 144A 14/15.09.21        | 743,708.87   | 748,355.30   | 0.63                        |
| USD   | 810,000                   | ProLogis LP 3.25% Conv Sen 11/15.03.15                          | 703,420.27   | 674,672.96   | 0.57                        |
| USD   | 500,000                   | Qihoo 360 Technology Co Ltd 0.5% Conv Reg S Sen<br>14/15.08.20  | 374,564.46   | 380,734.67   | 0.32                        |
| USD   | 500,000                   | Qihoo 360 Technology Co Ltd 1.75% Conv ADR Reg S<br>14/15.08.21 | 372,628.72   | 380,734.67   | 0.32                        |
| USD   | 1,000,000                 | Qihoo 360 Technology Co Ltd 2.5% Conv Reg S Sen<br>13/15.09.18  | 864,174.34   | 793,801.21   | 0.67                        |
| USD   | 1,800,000                 | Salesforce.com Inc 0.25% Conv Sen 14/01.04.18                   | 1,376,339.87 | 1,587,110.79 | 1.35                        |
| USD   | 1,950,000                 | SanDisk Corp 0.5% Conv Sen 144A 13/15.10.20                     | 1,477,385.24 | 1,852,820.33 | 1.57                        |
| USD   | 1,000,000                 | ServiceNow Inc 0% Conv Ser 144A 13/01.11.18                     | 764,986.60   | 844,484.03   | 0.72                        |
| USD   | 700,000                   | Shizuoka Bank (The) Ltd 0% Conv Reg S Sen 13/25.04.18           | 618,665.85   | 552,876.14   | 0.47                        |
| USD   | 750,000                   | Starwood Property Trust Inc 4% Conv Sen 13/15.01.19             | 603,893.28   | 645,879.35   | 0.55                        |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CONVERTIBLES

### Statement of investments and other net assets (in EUR) (continued)

as at 30th September 2014

| Currency                        | Number /<br>nominal value | Description  | Cost                  | Market value          | % of<br>total net<br>assets |
|---------------------------------|---------------------------|--|-----------------------|-----------------------|-----------------------------|
| USD                             | 900,000                   | Starwood Property Trust Inc 4.55% Conv Sen 13/01.03.18 | 757,511.56            | 764,050.58            | 0.65                        |
| USD                             | 500,000                   | SunEdison Inc 0.25% Conv Ser 144A 14/15.01.20          | 404,426.63            | 389,510.35            | 0.33                        |
| USD                             | 1,000,000                 | Tesla Motors Inc 0.25% Conv Sen 14/01.03.19            | 704,326.58            | 755,484.31            | 0.64                        |
| USD                             | 750,000                   | Teva Pharm Fin LLC 0.25% Conv Sen Ser C 06/01.02.26    | 603,446.62            | 762,688.52            | 0.65                        |
| USD                             | 1,000,000                 | Vipshop Holdings Ltd 1.5% Sen Conv 14/15.03.19         | 734,737.98            | 956,853.90            | 0.81                        |
| USD                             | 2,100,000                 | Yahoo Inc 0% Conv Ser 144A 13/01.12.18                 | 1,584,722.05          | 1,730,731.50          | 1.47                        |
| USD                             | 1,250,000                 | Yandex NV 1.125% Conv Ser 144A 13/15.12.18             | 923,690.50            | 866,271.82            | 0.73                        |
|                                 |                           |  | <u>37,624,620.66</u>  | <u>40,608,768.45</u>  | <u>34.44</u>                |
| <b>Total bonds</b>              |                           |  | <u>45,316,324.11</u>  | <u>48,471,698.11</u>  | <u>41.11</u>                |
| Total investments in securities |                           |  | <u>110,358,902.87</u> | <u>116,754,052.58</u> | <u>98.98</u>                |
| Cash at banks                   |                           |  |                       | 1,527,240.36          | 1.29                        |
| Bank overdrafts                 |                           |  |                       | -102,585.33           | -0.09                       |
| Other net assets/(liabilities)  |                           |  |                       | -220,070.73           | -0.18                       |
| <b>Total</b>                    |                           |  |                       | <u>117,958,636.88</u> | <u>100.00</u>               |

The accompanying notes are an integral part of these financial statements.

## **KBC BONDS INFLATION - LINKED BONDS**

### **Investment policy and outlook**

from 1st October 2013 to 30th September 2014

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#### ***Review***

The market for inflation-linked bonds started the financial year on a calm note. The gradually improving figures for the European economy did not translate into higher inflation or inflation forecasts. On the contrary: during the first few months of 2014 the inflation figures for the euro area consistently came in lower than expected, primarily as a result of the fall in food prices accentuated by the strength of the euro. From the second quarter onwards the mood darkened as the growth figures for the euro area - led by the weak German performance - began to create disquiet. On account of the sharp fall in oil prices European inflation remained under pressure until the end of the period under review. Core inflation - i.e. without the volatile food and energy prices - did however remain highly stable during the second half of the financial year. But the combination of low inflation with (very) little growth generated fears of deflation, with a sharp decline in inflation forecasts.

Of the four governments that currently issue inflation-linked loans that form part of the universe, namely France, Italy, Germany and newcomer Spain, Spanish and Italian bonds did better than the rest. The relatively favourable valuation and the trend toward narrowing credit spreads on the nominal bonds also pulled up the prices of inflation-linked bonds.

The investment policy continued to be based around the themes that had also been concentrated on in the previous reporting period, namely an overweighting of Spanish and Italian bonds at the expense of French bonds, while the weighting of German loans was broadly neutral. In the case of the French inflation-linked bonds preference was given to loans linked to the euro area rate of inflation at the expense of bonds linked to French inflation.

#### ***Outlook***

The economic outlook for the euro area appears unfavourable in the short term. The risk of deflation - i.e. negative inflation - remains present, but we consider it less likely than a modest rate rise in response to an economic upturn. Over the next few months we are expecting stable to somewhat higher inflation figures, but the volatile oil price could be a game changer.

Greater convergence in the euro area in terms of growth and budget is driving convergence in bond yields, and so we remain positive about the peripheral markets.

Note: The information in this report represents historical data and is not an indication of future results. It has not been audited or otherwise verified by the "réviseur d'entreprises agréé".

## KBC BONDS INFLATION - LINKED BONDS

### Statement of net assets (in EUR)

as at 30th September 2014

#### Assets

|                                      |                |
|--------------------------------------|----------------|
| Securities portfolio at market value | 178,841,649.64 |
| Cash at banks                        | 2,314,957.08   |
| Receivable on issues of shares       | 10,249.89      |
| Income receivable on portfolio       | 489,640.22     |
| Interest receivable on bank accounts | 0.17           |
| Total assets                         | 181,656,497.00 |

#### Liabilities

|                                  |            |
|----------------------------------|------------|
| Payable on redemptions of shares | 239,543.77 |
| Expenses payable                 | 175,699.11 |
| Total liabilities                | 415,242.88 |

Net assets at the end of the year 181,241,254.12

|   |             |
|---|-------------|
| Number of capitalisation shares outstanding | 45,574.5607 |
| Net asset value per capitalisation share    | 955.87      |

|   |             |
|---|-------------|
| Number of distribution shares outstanding | 50,746.4801 |
| Net asset value per distribution share    | 704.09      |

|  |            |
|--|------------|
| Number of capitalisation shares "Institutional B Shares" outstanding | 1,671.0000 |
| Net asset value per capitalisation share "Institutional B Shares"    | 958.89     |

|  |              |
|--|--------------|
| Number of capitalisation shares "Institutional Shares" outstanding | 714,792.8869 |
| Net asset value per capitalisation share "Institutional Shares"    | 140.38       |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS INFLATION - LINKED BONDS

### Statement of operations and other changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

#### **Income**

|  |              |
|--|--------------|
| Interest on bonds and other debt securities, net | 2,907,042.17 |
| Interest on bank accounts                        | 8.45         |
| Commissions received                             | 8,863.63     |
| Other income                                     | 1,721.00     |
| Total income                                     | 2,917,635.25 |

#### **Expenses**

|   |              |
|---|--------------|
| Management fees                         | 857,914.85   |
| Custodian fees                          | 58,353.20    |
| Banking charges and other fees          | 404.64       |
| Central administration costs            | 73,574.68    |
| Professional fees                       | 2,607.84     |
| Other administration costs              | 20,506.26    |
| Subscription duty ("taxe d'abonnement") | 50,153.12    |
| Other taxes                             | 143,545.69   |
| Interest paid on bank overdrafts        | 10.17        |
| Other expenses                          | 5,711.39     |
| Total expenses                          | 1,212,781.84 |

|                       |              |
|-----------------------|--------------|
| Net investment income | 1,704,853.41 |
|-----------------------|--------------|

#### **Net realised gain/(loss)**

|                           |              |
|---------------------------|--------------|
| - on securities portfolio | 3,631,920.30 |
| - on foreign exchange     | 0.06         |
| Realised result           | 5,336,773.77 |

#### **Net variation of the unrealised gain/(loss)**

|                           |              |
|---------------------------|--------------|
| - on securities portfolio | 9,328,534.79 |
|---------------------------|--------------|

|                      |               |
|----------------------|---------------|
| Result of operations | 14,665,308.56 |
|----------------------|---------------|

|                |             |
|----------------|-------------|
| Dividends paid | -391,991.82 |
|----------------|-------------|

|               |               |
|---------------|---------------|
| Subscriptions | 32,267,718.81 |
|---------------|---------------|

|             |                |
|-------------|----------------|
| Redemptions | -36,126,101.46 |
|-------------|----------------|

|                             |               |
|-----------------------------|---------------|
| Total changes in net assets | 10,414,934.09 |
|-----------------------------|---------------|

|   |                |
|---|----------------|
| Total net assets at the beginning of the year | 170,826,320.03 |
|---|----------------|

|   |                |
|---|----------------|
| Total net assets at the end of the year | 181,241,254.12 |
|---|----------------|

The accompanying notes are an integral part of these financial statements.

## KBC BONDS INFLATION - LINKED BONDS

### Statistical information (in EUR)

as at 30th September 2014

|   |                |
|---|----------------|
| <b>Total net assets</b>   |                |
| - as at 30.09.2014  | 181,241,254.12 |
| - as at 30.09.2013  | 170,826,320.03 |
| - as at 30.09.2012  | 207,629,071.03 |
| <b>Portfolio Turnover Rate (in %)</b>                           |                |
| - as at 30.09.2014  | 26.89          |
| <b>Number of capitalisation shares</b>                          |                |
| - outstanding at the beginning of the year                      | 52,840.1975    |
| - issued  | 7,498.9412     |
| - redeemed  | -14,764.5780   |
| - outstanding at the end of the year                            | 45,574.5607    |
| <b>Net asset value per capitalisation share</b>                 |                |
| - as at 30.09.2014  | 955.87         |
| - as at 30.09.2013  | 877.91         |
| - as at 30.09.2012  | 866.36         |
| <b>Performances of capitalisation shares (in %)</b>             |                |
| - as at 30.09.2014  | 8.88           |
| - as at 30.09.2013  | 1.33           |
| - as at 30.09.2012  | 9.39           |
| <b>TER per capitalisation share (in %)</b>                      |                |
| - as at 30.09.2014  | 0.78           |
| <b>Number of distribution shares</b>                            |                |
| - outstanding at the beginning of the year                      | 60,419.4336    |
| - issued  | 1,499.0074     |
| - redeemed  | -11,171.9609   |
| - outstanding at the end of the year                            | 50,746.4801    |
| <b>Net asset value per distribution share</b>                   |                |
| - as at 30.09.2014  | 704.09         |
| - as at 30.09.2013  | 653.13         |
| - as at 30.09.2012  | 657.62         |
| <b>Performances of distribution shares (in %)</b>               |                |
| - as at 30.09.2014  | 8.88           |
| - as at 30.09.2013  | 1.32           |
| - as at 30.09.2012  | 9.40           |
| <b>TER per distribution share (in %)</b>                        |                |
| - as at 30.09.2014  | 0.78           |
| <b>Dividends paid to distribution shares</b>                    |                |
| Ex-dividend date  | 01.10.2013     |
| Dividend per share  | 6.50           |
| Shares outstanding at dividend date                             | 60,306.4336    |
| <b>Number of capitalisation shares "Institutional B Shares"</b> |                |
| - outstanding at the beginning of the year                      | 1,874.0000     |
| - issued  | 1,789.0000     |
| - redeemed  | -1,992.0000    |
| - outstanding at the end of the year                            | 1,671.0000     |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS INFLATION - LINKED BONDS

### Statistical information (in EUR) (continued)

as at 30th September 2014

#### Net asset value per capitalisation share "Institutional B Shares"

|                    |        |
|--------------------|--------|
| - as at 30.09.2014 | 958.89 |
| - as at 30.09.2013 | 880.45 |
| - as at 30.09.2012 | 869.09 |

#### Performances of capitalisation shares "Institutional B Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 8.91 |
| - as at 30.09.2013 | 1.31 |
| - as at 30.09.2012 | -    |

#### TER per capitalisation share "Institutional B Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 0.76 |
|--------------------|------|

#### Number of capitalisation shares "Institutional Shares"

|  |               |
|--|---------------|
| - outstanding at the beginning of the year | 647,181.4029  |
| - issued                                   | 169,225.4840  |
| - redeemed                                 | -101,614.0000 |
| <hr/>                                      |               |
| - outstanding at the end of the year       | 714,792.8869  |

#### Net asset value per capitalisation share "Institutional Shares"

|                    |        |
|--------------------|--------|
| - as at 30.09.2014 | 140.38 |
| - as at 30.09.2013 | 128.75 |
| - as at 30.09.2012 | 126.74 |

#### Performances of capitalisation shares "Institutional Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 9.03 |
| - as at 30.09.2013 | 1.59 |
| - as at 30.09.2012 | 9.64 |

#### TER per capitalisation share "Institutional Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 0.64 |
|--------------------|------|

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS INFLATION - LINKED BONDS

### Statement of investments and other net assets (in EUR)

as at 30th September 2014

| Currency   | Number /<br>nominal value | Description  | Cost                  | Market value          | % of<br>total net<br>assets |
|--|---------------------------|--|-----------------------|-----------------------|-----------------------------|
| <b><u>Investments in securities</u></b>  |                           |  |                       |                       |                             |
| <b><u>Transferable securities admitted to an official stock exchange listing</u></b> |                           |  |                       |                       |                             |
| <b>Bonds</b>   |                           |  |                       |                       |                             |
| EUR  | 8,000,000                 | Deutschland ILB 11/15.04.18                            | 8,806,827.14          | 8,905,041.56          | 4.91                        |
| EUR  | 5,000,000                 | Deutschland ILB Ser I/L 12/15.04.23                    | 5,212,585.94          | 5,433,726.37          | 3.00                        |
| EUR  | 2,500,000                 | Deutschland ILB Ser I/L 14/15.04.30                    | 2,532,750.00          | 2,746,212.12          | 1.52                        |
| EUR  | 7,000,000                 | Deutschland VAR Inflation Index 06/15.04.16            | 8,055,558.67          | 8,335,272.07          | 4.60                        |
| EUR  | 5,500,000                 | Deutschland VAR Lk Inflation Index 09/15.04.20         | 6,834,154.60          | 6,848,654.73          | 3.78                        |
| EUR  | 4,500,000                 | Espana ILB Sen 14/30.11.24                             | 4,667,899.50          | 4,924,080.72          | 2.72                        |
| EUR  | 4,800,000                 | France ILB OAT 10/25.07.19                             | 5,131,960.53          | 5,647,252.72          | 3.12                        |
| EUR  | 2,600,000                 | France ILB OAT 12/25.07.18                             | 2,591,994.86          | 2,810,417.54          | 1.55                        |
| EUR  | 3,000,000                 | France ILB OAT 13/25.07.30                             | 2,987,297.63          | 3,201,770.03          | 1.77                        |
| EUR  | 6,000,000                 | France ILB Ser OAT 10/25.07.22                         | 6,908,404.96          | 7,287,789.17          | 4.02                        |
| EUR  | 3,000,000                 | France ILB Ser OAT 99/25.07.29                         | 4,801,324.03          | 5,553,720.77          | 3.06                        |
| EUR  | 3,200,000                 | France VAR OAT Inflation Index 02/25.07.32             | 4,738,018.66          | 5,893,688.29          | 3.25                        |
| EUR  | 4,000,000                 | France VAR OAT Inflation Index 07/25.07.40             | 4,700,798.50          | 6,040,462.12          | 3.33                        |
| EUR  | 5,100,000                 | France VAR OAT Inflation Index 08/25.07.23             | 6,360,871.50          | 6,819,793.93          | 3.76                        |
| EUR  | 11,800,000                | France VAR OAT Lk Eurozone Inflation 04/25.07.20       | 15,189,770.03         | 16,882,359.03         | 9.32                        |
| EUR  | 9,800,000                 | France VAR OAT Lk French Inflation 05/25.07.17         | 10,573,387.71         | 11,696,378.99         | 6.45                        |
| EUR  | 3,400,000                 | Italia ILB 09/15.09.41                                 | 2,958,644.48          | 4,011,740.31          | 2.21                        |
| EUR  | 7,700,000                 | Italia ILB BPT 11/15.09.26                             | 7,073,874.30          | 9,653,506.54          | 5.33                        |
| EUR  | 8,500,000                 | Italia ILB Ser CPI 10/15.09.21                         | 8,389,443.29          | 10,067,774.50         | 5.56                        |
| EUR  | 4,500,000                 | Italia ILB Ser CPI 11/15.09.16                         | 4,755,713.95          | 5,021,768.67          | 2.77                        |
| EUR  | 4,000,000                 | Italia ILB Ser ICPI 14/23.04.20                        | 4,000,000.00          | 4,135,434.08          | 2.28                        |
| EUR  | 4,500,000                 | Italia VAR BTP Lk CPI Ex Tobacco Index Sen 04/15.09.35 | 4,424,358.09          | 5,916,333.65          | 3.26                        |
| EUR  | 7,800,000                 | Italia VAR Lk CPI 06/15.09.17                          | 8,129,266.78          | 9,632,124.86          | 5.32                        |
| EUR  | 7,600,000                 | Italia VAR Sen Lk CPI 07/15.09.23                      | 7,450,049.71          | 9,812,479.55          | 5.41                        |
| EUR  | 4,400,000                 | Italia VAR Ser CPI Lk European inflation 08/15.09.19   | 4,316,043.69          | 5,365,650.17          | 2.96                        |
| <b>Total bonds</b>   |                           |  | <b>151,590,998.55</b> | <b>172,643,432.49</b> | <b>95.26</b>                |
| <b><u>Transferable securities dealt in on another regulated market</u></b>           |                           |  |                       |                       |                             |
| <b>Bonds</b>   |                           |  |                       |                       |                             |
| EUR  | 3,900,000                 | France ILB Ser BTNi 11/25.07.16                        | 4,009,970.60          | 4,194,273.17          | 2.31                        |
| EUR  | 1,800,000                 | Italia ILB BOT 14/15.09.24                             | 1,792,914.57          | 2,003,943.98          | 1.11                        |
| <b>Total bonds</b>   |                           |  | <b>5,802,885.17</b>   | <b>6,198,217.15</b>   | <b>3.42</b>                 |
| Total investments in securities  |                           |  | <b>157,393,883.72</b> | <b>178,841,649.64</b> | <b>98.68</b>                |
| Cash at banks  |                           |  |                       | 2,314,957.08          | 1.28                        |
| Other net assets/(liabilities)   |                           |  |                       | 84,647.40             | 0.04                        |
| <b>Total</b>   |                           |  |                       | <b>181,241,254.12</b> | <b>100.00</b>               |

The accompanying notes are an integral part of these financial statements.



## **KBC BONDS EUROPE**

### **Investment policy and outlook**

from 1st October 2013 to 30th September 2014

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#### ***Review***

The early part of the period under review was dominated by relief that Democrats and Republicans in the United States had finally reached an accord on the budget for 2014 and the raising of the debt ceiling. The threat of default or a general shutdown of government services was averted, at least for the time being, as a result.

The figures in the euro area showed improvement in the fourth quarter of 2013. GDP in Q3 was higher than expected, thereby officially bringing the recession in the euro area to an end. The leading indicators, especially for producers, pointed to buoyant economic activity in the coming months. However, following a better than expected first-quarter in 2014, aided by an extremely mild winter, the euro area engine began to splutter. Particularly in Germany - until then the economic driver - the figures disappointed. The main factors behind this were the relatively weak performance of China - an important customer for German capital goods - and the feared impact of the sanctions on Russia, but domestic orders also slipped.

German bond yields spiked briefly, supported by improved economic news, before easing again at the beginning of 2014, largely on account of the lower US interest rates. The culprits in the second half of the year were the weak growth figures in the euro area. The lower than expected inflation - due in part to the weak food and energy prices and in part to the strength of the euro in 2013 and early 2014 - created the spectre of deflation and a Japan-style scenario.

The impact on the bond markets was impressive. At the start of the financial year, the yield on a benchmark 10-year German bund was 1.80%. By the end of the financial year the yield had halved to 0.90%. The spreads on other European countries continue to narrow until mid-2014 but the higher volatility and increased risk aversion saw spreads widen again after the summer.

The investment policy continued to be based around the themes that had also been concentrated on in the previous reporting period, namely an overweight position in the peripheral countries of Spain and Italy at the expense of (in particular) France and Germany.

The duration policy - the strategy toward interest-rate sensitivity - remains cautious, i.e. lower than the market in general, especially in Germany and the other core countries, where the risk of increased rates is considered greatest.

The British economy had already overtaken continental Europe, supported by a vigorous recovery in the housing market but also in consumer spending. The labour market also benefited from this: UK unemployment had eased to barely 6% in mid-2014 - far lower than the 12% in the euro area.

We are pursuing a neutral vision for the British bond market in terms of duration.

#### ***Outlook***

The economic outlook for the euro area appears unfavourable in the short term. The risk of deflation - i.e. negative inflation - remains present, but we consider it less likely than a modest rate rise in response to an economic upturn.

Greater convergence in the euro area in terms of growth and budget is driving convergence in bond yields, and so we remain positive about the peripheral markets.

## KBC BONDS EUROPE

### **Investment policy and outlook (continued)**

from 1st October 2013 to 30th September 2014

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The British economy is already doing well. The likelihood of an interest-hike is deemed to be slightly higher, although inflation is moving favourably here too. The Bank of England is prominently active in the bond market through the purchase of government bonds, which means policy will play a very important role, even more so than elsewhere.

Note: The information in this report represents historical data and is not an indication of future results. It has not been audited or otherwise verified by the "réviseur d'entreprises agréé".

## KBC BONDS EUROPE

### Statement of net assets (in EUR)

as at 30th September 2014

#### Assets

|                                      |               |
|--------------------------------------|---------------|
| Securities portfolio at market value | 35,745,303.93 |
| Cash at banks                        | 210,806.50    |
| Receivable on issues of shares       | 613.69        |
| Income receivable on portfolio       | 498,599.54    |
| Total assets                         | 36,455,323.66 |

#### Liabilities

|                                     |           |
|-------------------------------------|-----------|
| Other liquid liabilities            | 1.62      |
| Payable on redemptions of shares    | 28,385.30 |
| Interest payable on bank overdrafts | 0.07      |
| Expenses payable                    | 38,697.76 |
| Total liabilities                   | 67,084.75 |

Net assets at the end of the year 36,388,238.91

|   |             |
|---|-------------|
| Number of capitalisation shares outstanding | 48,135.9995 |
| Net asset value per capitalisation share    | 265.72      |

|   |              |
|---|--------------|
| Number of distribution shares outstanding | 112,930.2600 |
| Net asset value per distribution share    | 123.37       |

|  |             |
|--|-------------|
| Number of capitalisation shares "Institutional B Shares" outstanding | 36,332.0000 |
| Net asset value per capitalisation share "Institutional B Shares"    | 266.03      |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EUROPE

### Statement of operations and other changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

#### **Income**

|  |              |
|--|--------------|
| Interest on bonds and other debt securities, net | 1,437,817.10 |
| Interest on bank accounts                        | 204.27       |
| Commissions received                             | 6,955.03     |
| Other income                                     | 12,163.70    |
| Total income                                     | 1,457,140.10 |

#### **Expenses**

|   |            |
|---|------------|
| Management fees                         | 260,257.10 |
| Custodian fees                          | 18,591.50  |
| Banking charges and other fees          | 926.20     |
| Transaction fees                        | 11.50      |
| Central administration costs            | 22,864.62  |
| Professional fees                       | 1,354.23   |
| Other administration costs              | 9,746.05   |
| Subscription duty ("taxe d'abonnement") | 14,343.39  |
| Other taxes                             | 17,130.91  |
| Interest paid on bank overdrafts        | 22.58      |
| Other expenses                          | 2,450.13   |
| Total expenses                          | 347,698.21 |

|                       |              |
|-----------------------|--------------|
| Net investment income | 1,109,441.89 |
|-----------------------|--------------|

#### **Net realised gain/(loss)**

|   |              |
|---|--------------|
| - on securities portfolio               | 122,905.11   |
| - on futures contracts                  | 32,500.00    |
| - on forward foreign exchange contracts | -1,103.43    |
| - on foreign exchange                   | -2,625.26    |
| Realised result                         | 1,261,118.31 |

#### **Net variation of the unrealised gain/(loss)**

|                           |              |
|---------------------------|--------------|
| - on securities portfolio | 2,812,085.30 |
| Result of operations      | 4,073,203.61 |

|                |             |
|----------------|-------------|
| Dividends paid | -420,138.29 |
|----------------|-------------|

|               |              |
|---------------|--------------|
| Subscriptions | 2,125,359.86 |
|---------------|--------------|

|             |               |
|-------------|---------------|
| Redemptions | -8,048,333.34 |
|-------------|---------------|

|                             |               |
|-----------------------------|---------------|
| Total changes in net assets | -2,269,908.16 |
|-----------------------------|---------------|

|   |               |
|---|---------------|
| Total net assets at the beginning of the year | 38,658,147.07 |
|---|---------------|

|   |               |
|---|---------------|
| Total net assets at the end of the year | 36,388,238.91 |
|---|---------------|

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EUROPE

### Statistical information (in EUR)

as at 30th September 2014

|   |               |
|---|---------------|
| <b>Total net assets</b>   |               |
| - as at 30.09.2014  | 36,388,238.91 |
| - as at 30.09.2013  | 38,658,147.07 |
| - as at 30.09.2012  | 50,271,055.48 |
| <b>Portfolio Turnover Rate (in %)</b>                           |               |
| - as at 30.09.2014  | 14.78         |
| <b>Number of capitalisation shares</b>                          |               |
| - outstanding at the beginning of the year                      | 53,541.7280   |
| - issued  | 1,786.4175    |
| - redeemed  | -7,192.1460   |
| - outstanding at the end of the year                            | 48,135.9995   |
| <b>Net asset value per capitalisation share</b>                 |               |
| - as at 30.09.2014  | 265.72        |
| - as at 30.09.2013  | 238.05        |
| - as at 30.09.2012  | 235.64        |
| <b>Performances of capitalisation shares (in %)</b>             |               |
| - as at 30.09.2014  | 11.62         |
| - as at 30.09.2013  | 1.02          |
| - as at 30.09.2012  | 8.39          |
| <b>TER per capitalisation share (in %)</b>                      |               |
| - as at 30.09.2014  | 0.94          |
| <b>Number of distribution shares</b>                            |               |
| - outstanding at the beginning of the year                      | 140,146.0975  |
| - issued  | 1,025.0623    |
| - redeemed  | -28,240.8998  |
| - outstanding at the end of the year                            | 112,930.2600  |
| <b>Net asset value per distribution share</b>                   |               |
| - as at 30.09.2014  | 123.37        |
| - as at 30.09.2013  | 113.51        |
| - as at 30.09.2012  | 115.77        |
| <b>Performances of distribution shares (in %)</b>               |               |
| - as at 30.09.2014  | 11.63         |
| - as at 30.09.2013  | 1.02          |
| - as at 30.09.2012  | 8.38          |
| <b>TER per distribution share (in %)</b>                        |               |
| - as at 30.09.2014  | 0.95          |
| <b>Dividends paid to distribution shares</b>                    |               |
| Ex-dividend date  | 01.10.2013    |
| Dividend per share  | 3.00          |
| Shares outstanding at dividend date                             | 140,046.0975  |
| <b>Number of capitalisation shares "Institutional B Shares"</b> |               |
| - outstanding at the beginning of the year                      | 41,993.0000   |
| - issued  | 6,406.0000    |
| - redeemed  | -12,067.0000  |
| - outstanding at the end of the year                            | 36,332.0000   |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EUROPE

### Statistical information (in EUR) (continued)

as at 30th September 2014

#### Net asset value per capitalisation share "Institutional B Shares"

|                    |        |
|--------------------|--------|
| - as at 30.09.2014 | 266.03 |
| - as at 30.09.2013 | 238.23 |
| - as at 30.09.2012 | 235.72 |

#### Performances of capitalisation shares "Institutional B Shares" (in %)

|                    |       |
|--------------------|-------|
| - as at 30.09.2014 | 11.67 |
| - as at 30.09.2013 | 1.06  |
| - as at 30.09.2012 | -     |

#### TER per capitalisation share "Institutional B Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 0.91 |
|--------------------|------|

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EUROPE

### Statement of investments and other net assets (in EUR)

as at 30th September 2014

| Currency   | Number /<br>nominal value | Description                                    | Cost          | Market value  | % of<br>total net<br>assets |
|--|---------------------------|--|---------------|---------------|-----------------------------|
| <b><u>Investments in securities</u></b>  |                           |  |               |               |                             |
| <b><u>Transferable securities admitted to an official stock exchange listing</u></b> |                           |  |               |               |                             |
| <b>Bonds</b>   |                           |  |               |               |                             |
| EUR  | 350,000                   | Belgium 3.5% Ser 63 11/28.06.17                | 384,986.00    | 383,722.50    | 1.05                        |
| EUR  | 1,600,000                 | Czech Republic 4.125% EMTN Sen 05/18.03.20     | 1,619,481.08  | 1,896,960.00  | 5.21                        |
| EUR  | 2,300,000                 | Deutschland 3% 10/04.07.20                     | 2,546,904.79  | 2,663,745.00  | 7.32                        |
| EUR  | 1,150,000                 | EIB 4.625% EMTN Ser INTL 04/15.04.20           | 1,305,020.00  | 1,418,755.00  | 3.90                        |
| EUR  | 3,300,000                 | Espana 5.85% 11/31.01.22                       | 3,401,770.27  | 4,301,632.50  | 11.82                       |
| EUR  | 475,000                   | Finland 4% 09/04.07.25                         | 537,019.55    | 609,341.88    | 1.67                        |
| EUR  | 250,000                   | Finland 4.375% Sen 08/04.07.19                 | 292,691.46    | 298,925.00    | 0.82                        |
| EUR  | 2,700,000                 | France 3.5% 10/25.04.20                        | 3,088,395.00  | 3,161,767.50  | 8.69                        |
| EUR  | 500,000                   | IBRD 3.875% EMTN Ser GDIF 09/20.05.19          | 527,345.00    | 584,522.50    | 1.61                        |
| EUR  | 4,700,000                 | Italia 5% BTP 11/01.03.22                      | 4,738,948.75  | 5,737,525.00  | 15.77                       |
| EUR  | 900,000                   | Italia 5.25% BTP Sen 02/01.08.17               | 943,869.19    | 1,017,270.00  | 2.79                        |
| EUR  | 500,000                   | Netherlands 4% 05/15.01.37                     | 652,179.21    | 704,395.00    | 1.94                        |
| EUR  | 450,000                   | Oesterreich 1.95% Sen 12/18.06.19              | 471,036.83    | 486,427.50    | 1.34                        |
| EUR  | 700,000                   | Oesterreich 4.15% 07/15.03.37                  | 733,626.60    | 992,687.50    | 2.73                        |
| EUR  | 1,700,000                 | Poland 3.625% EMTN 06/01.02.16                 | 1,695,311.70  | 1,777,860.00  | 4.89                        |
|  |                           |  | 22,938,585.43 | 26,035,536.88 | 71.55                       |
| GBP  | 1,350,000                 | EIB 8.75% 95/25.08.17                          | 2,602,742.87  | 2,090,662.23  | 5.74                        |
| GBP  | 700,000                   | United Kingdom 4.25% T-Stock 08/07.12.49       | 994,757.75    | 1,137,202.19  | 3.12                        |
| GBP  | 760,000                   | United Kingdom 4.25% T-Stock 09/07.09.39       | 969,572.88    | 1,188,972.12  | 3.27                        |
| GBP  | 450,000                   | United Kingdom 4.75% T-Stock 05/07.03.20       | 652,917.76    | 664,466.85    | 1.83                        |
| GBP  | 1,200,000                 | United Kingdom 6% T-Stock 98/07.12.28          | 2,192,174.93  | 2,150,377.71  | 5.91                        |
|  |                           |  | 7,412,166.19  | 7,231,681.10  | 19.87                       |
| SKK  | 20,000,000                | Intesa Sanpaolo SpA 5% EMTN Ser 62 03/24.03.18 | 669,189.40    | 725,565.95    | 1.99                        |
|  |                           |  | 31,019,941.02 | 33,992,783.93 | 93.41                       |
| <b><u>Transferable securities dealt in on another regulated market</u></b>           |                           |  |               |               |                             |
| <b>Bonds</b>   |                           |  |               |               |                             |
| EUR  | 1,400,000                 | Slovakia 4.35% Ser 216 10/14.10.25             | 1,504,560.00  | 1,752,520.00  | 4.82                        |
|  |                           |  | 1,504,560.00  | 1,752,520.00  | 4.82                        |
| <b>Total bonds</b>   |                           |  |               |               |                             |
| Total investments in securities  |                           |  | 32,524,501.02 | 35,745,303.93 | 98.23                       |
| Cash at banks  |                           |  |               | 210,806.50    | 0.58                        |
| Other net assets/(liabilities)   |                           |  |               | 432,128.48    | 1.19                        |
| <b>Total</b>   |                           |  |               | 36,388,238.91 | 100.00                      |

The accompanying notes are an integral part of these financial statements.

## **KBC BONDS CORPORATES USD**

### **Investment policy and outlook**

from 1st October 2013 to 30th September 2014

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#### ***Review***

A limited fall in interest rates in combination with narrowing spreads on corporate bonds resulted in a respectable return for the sub-fund. With a duration of around 6 years the sub-fund is less sensitive to movements in the US government interest rates. Initially bond rates rose, but to the extent that the economic figures - especially outside the US - reflected weakness, US government interest rates also began to fall. If anything this was unexpected; the market had been positioned at the beginning of 2014 around a number of consensus ideas. Under this scenario, the stock markets would rise further and interest rates would rise. Expectations were not realised, however, in recent months. As previously noted, the spreads - the extra yield you receive for the extra risk you take as an investor - narrowed further, pushing up the prices of the bonds. This had however been expected. The credit spread on corporate bonds fell 25 basis points in this period. By the end of the reporting period, the spread between the broad credit markets and US government bonds was 110 basis points. This is on the expensive side by historical standards.

#### ***Outlook***

Over the next few months we will be looking in particular for confirmation of economic recovery outside the US. We are seeing the first cautious signs in the US of rising wages. This can be viewed as a signal of a fundamentally stronger economy. This is important for the valuation of higher-risk assets. After all, if quantitative easing by the central bank comes to an end in the United States, the economy will need to be sufficiently strong to safeguard current price levels. In this climate, we expect US government bond yields to rise only slightly toward the end of the year. The European Central Bank is likely to continue pursuing a policy that provides further support for the economy and thus keeps interest rates low. We do not expect spreads to narrow much further. We are sticking to the current positioning for the time being.

Note: The information in this report represents historical data and is not an indication of future results. It has not been audited or otherwise verified by the "réviseur d'entreprises agréé".



## KBC BONDS CORPORATES USD

### Statement of net assets (in USD)

as at 30th September 2014

#### Assets

|                                      |                |
|--------------------------------------|----------------|
| Securities portfolio at market value | 382,237,688.57 |
| Cash at banks                        | 1,532,814.22   |
| Other liquid assets                  | 115,750.00     |
| Receivable on issues of shares       | 1,016,122.62   |
| Income receivable on portfolio       | 4,196,061.32   |
| Total assets                         | 389,098,436.73 |

#### Liabilities

|                                      |            |
|--------------------------------------|------------|
| Payable on redemptions of shares     | 79,107.26  |
| Unrealised loss on futures contracts | 27,500.00  |
| Expenses payable                     | 452,125.83 |
| Total liabilities                    | 558,733.09 |

Net assets at the end of the year 388,539,703.64

|   |             |
|---|-------------|
| Number of capitalisation shares outstanding | 69,285.8700 |
| Net asset value per capitalisation share    | 1,019.34    |

|   |              |
|---|--------------|
| Number of distribution shares outstanding | 132,664.8573 |
| Net asset value per distribution share    | 525.53       |

|  |              |
|--|--------------|
| Number of capitalisation shares "Institutional B Shares" outstanding | 243,161.5416 |
| Net asset value per capitalisation share "Institutional B Shares"    | 1,020.70     |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CORPORATES USD

### Statement of operations and other changes in net assets (in USD)

from 1st October 2013 to 30th September 2014

#### **Income**

|  |               |
|--|---------------|
| Interest on bonds and other debt securities, net | 19,075,598.60 |
| Interest on bank accounts                        | 540.09        |
| Commissions received                             | 4,478,063.17  |
| Other income                                     | 6,277.50      |
| Total income                                     | 23,560,479.36 |

#### **Expenses**

|   |              |
|---|--------------|
| Management fees                         | 3,184,219.68 |
| Custodian fees                          | 198,371.81   |
| Banking charges and other fees          | 1,910.95     |
| Transaction fees                        | 2,501.32     |
| Central administration costs            | 245,240.49   |
| Professional fees                       | 5,243.21     |
| Other administration costs              | 32,312.84    |
| Subscription duty ("taxe d'abonnement") | 89,425.07    |
| Other taxes                             | 229,415.14   |
| Interest paid on bank overdrafts        | 1,437.39     |
| Other expenses                          | 15,042.62    |
| Total expenses                          | 4,005,120.52 |

|                       |               |
|-----------------------|---------------|
| Net investment income | 19,555,358.84 |
|-----------------------|---------------|

#### **Net realised gain/(loss)**

|                           |               |
|---------------------------|---------------|
| - on securities portfolio | -3,394,893.38 |
| - on futures contracts    | -192,343.75   |
| - on foreign exchange     | -6,994.94     |
| Realised result           | 15,961,126.77 |

#### **Net variation of the unrealised gain/(loss)**

|                           |               |
|---------------------------|---------------|
| - on securities portfolio | 10,457,196.76 |
| - on futures contracts    | -27,500.00    |
| Result of operations      | 26,390,823.53 |

|                |               |
|----------------|---------------|
| Dividends paid | -1,857,977.83 |
|----------------|---------------|

|               |                |
|---------------|----------------|
| Subscriptions | 460,926,175.50 |
|---------------|----------------|

|             |                 |
|-------------|-----------------|
| Redemptions | -490,553,708.32 |
|-------------|-----------------|

|                             |               |
|-----------------------------|---------------|
| Total changes in net assets | -5,094,687.12 |
|-----------------------------|---------------|

|   |                |
|---|----------------|
| Total net assets at the beginning of the year | 393,634,390.76 |
|---|----------------|

|   |                |
|---|----------------|
| Total net assets at the end of the year | 388,539,703.64 |
|---|----------------|

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CORPORATES USD

### Statistical information (in USD)

as at 30th September 2014

|   |                |
|---|----------------|
| <b>Total net assets</b>   |                |
| - as at 30.09.2014  | 388,539,703.64 |
| - as at 30.09.2013  | 393,634,390.76 |
| - as at 30.09.2012  | 281,366,351.61 |
| <b>Portfolio Turnover Rate (in %)</b>                           |                |
| - as at 30.09.2014  | 4.38           |
| <b>Number of capitalisation shares</b>                          |                |
| - outstanding at the beginning of the year                      | 56,430.9542    |
| - issued  | 33,513.1837    |
| - redeemed  | -20,658.2679   |
| - outstanding at the end of the year                            | 69,285.8700    |
| <b>Net asset value per capitalisation share</b>                 |                |
| - as at 30.09.2014  | 1,019.34       |
| - as at 30.09.2013  | 960.08         |
| - as at 30.09.2012  | 971.55         |
| <b>Performances of capitalisation shares (in %)</b>             |                |
| - as at 30.09.2014  | 6.17           |
| - as at 30.09.2013  | -1.18          |
| - as at 30.09.2012  | 9.45           |
| <b>TER per capitalisation share (in %)</b>                      |                |
| - as at 30.09.2014  | 0.97           |
| <b>Number of distribution shares</b>                            |                |
| - outstanding at the beginning of the year                      | 123,975.1886   |
| - issued  | 29,441.6121    |
| - redeemed  | -20,751.9434   |
| - outstanding at the end of the year                            | 132,664.8573   |
| <b>Net asset value per distribution share</b>                   |                |
| - as at 30.09.2014  | 525.53         |
| - as at 30.09.2013  | 510.00         |
| - as at 30.09.2012  | 534.09         |
| <b>Performances of distribution shares (in %)</b>               |                |
| - as at 30.09.2014  | 6.17           |
| - as at 30.09.2013  | -1.19          |
| - as at 30.09.2012  | 9.44           |
| <b>TER per distribution share (in %)</b>                        |                |
| - as at 30.09.2014  | 0.97           |
| <b>Dividends paid to distribution shares</b>                    |                |
| Ex-dividend date  | 01.10.2013     |
| Dividend per share  | 15.00          |
| Shares outstanding at dividend date                             | 123,865.1886   |
| <b>Number of capitalisation shares "Institutional B Shares"</b> |                |
| - outstanding at the beginning of the year                      | 287,451.0000   |
| - issued  | 413,936.3805   |
| - redeemed  | -458,225.8389  |
| - outstanding at the end of the year                            | 243,161.5416   |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CORPORATES USD

### Statistical information (in USD) (continued)

as at 30th September 2014

#### Net asset value per capitalisation share "Institutional B Shares"

|                    |          |
|--------------------|----------|
| - as at 30.09.2014 | 1,020.70 |
| - as at 30.09.2013 | 960.96   |
| - as at 30.09.2012 | 972.04   |

#### Performances of capitalisation shares "Institutional B Shares" (in %)

|                    |       |
|--------------------|-------|
| - as at 30.09.2014 | 6.22  |
| - as at 30.09.2013 | -1.14 |
| - as at 30.09.2012 | -     |

#### TER per capitalisation share "Institutional B Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 0.93 |
|--------------------|------|

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

# KBC BONDS CORPORATES USD

## Statement of investments and other net assets (in USD)

as at 30th September 2014

| Currency   | Number /<br>nominal value | Description   | Cost         | Market value | % of<br>total net<br>assets |
|--|---------------------------|---|--------------|--------------|-----------------------------|
| <b><u>Investments in securities</u></b>  |                           |   |              |              |                             |
| <b><u>Transferable securities admitted to an official stock exchange listing</u></b> |                           |   |              |              |                             |
| <b>Bonds</b>   |                           |   |              |              |                             |
| USD  | 500,000                   | Abbott Laboratories 6.15% Sen 07/30.11.37                       | 666,068.42   | 644,292.50   | 0.17                        |
| USD  | 250,000                   | Abu Dhabi National Energy Co 5.875% Ser REG S 06/27.10.16       | 279,350.00   | 273,106.25   | 0.07                        |
| USD  | 1,500,000                 | Alpek SA de CV 4.5% Reg-S Sen 12/20.11.22                       | 1,457,550.00 | 1,504,080.00 | 0.39                        |
| USD  | 1,850,000                 | Altria Group Inc 9.7% 08/10.11.18                               | 2,546,284.21 | 2,383,142.25 | 0.61                        |
| USD  | 1,000,000                 | American Express Co 6.15% Sen 07/28.08.17                       | 1,198,167.46 | 1,128,005.00 | 0.29                        |
| USD  | 2,500,000                 | American Express Cred Corp 2.8% MTN Ser D Tr 75<br>11/19.09.16  | 2,617,056.41 | 2,586,375.00 | 0.67                        |
| USD  | 3,200,000                 | American Intl Group Inc 5.05% Sen 06/01.10.15                   | 3,460,590.90 | 3,337,008.00 | 0.86                        |
| USD  | 1,500,000                 | Amgen Inc 5.75% Ser Sen 10/15.03.40                             | 1,690,477.21 | 1,735,222.50 | 0.45                        |
| USD  | 1,740,000                 | Anadarko Petroleum Corp 6.375% Sen 10/15.09.17                  | 2,072,004.98 | 1,971,646.20 | 0.51                        |
| USD  | 2,390,000                 | Apache Corp 6% Sen 07/15.01.37                                  | 2,871,538.73 | 2,824,764.90 | 0.73                        |
| USD  | 2,000,000                 | Apple Inc 0.45% Sen 13/03.05.16                                 | 1,995,420.00 | 1,996,290.00 | 0.51                        |
| USD  | 1,870,000                 | Associates Corp of North Amer 6.95% Sen 98/01.11.18             | 2,170,059.85 | 2,188,891.10 | 0.56                        |
| USD  | 500,000                   | AstraZeneca Plc 6.45% Sen 07/15.09.37                           | 648,268.19   | 647,652.50   | 0.17                        |
| USD  | 333,333                   | AT&T Inc 2.5% Sen 10/15.08.15                                   | 342,922.99   | 338,989.66   | 0.09                        |
| USD  | 2,000,000                 | AT&T Inc 5.8% Sen 09/15.02.19                                   | 2,376,041.24 | 2,294,740.00 | 0.59                        |
| USD  | 1,110,000                 | Bank of America Corp 5.625% Ser L 10/01.07.20                   | 1,242,016.98 | 1,257,507.90 | 0.32                        |
| USD  | 4,360,000                 | Bank of America Corp 5.7% Sen 12/24.01.22                       | 4,988,108.30 | 4,980,253.60 | 1.28                        |
| USD  | 1,000,000                 | Bank of America Corp 6.875% MTN Tr 677 08/25.04.18              | 1,177,623.50 | 1,156,365.00 | 0.30                        |
| USD  | 340,000                   | Bank of America Corp 7.75% Sub 08/14.05.38                      | 425,600.59   | 464,385.60   | 0.12                        |
| USD  | 1,780,000                 | Bank of China Hong Kong Branch 5.55% Ser REGS<br>10/11.02.20    | 1,946,838.34 | 1,917,131.20 | 0.49                        |
| USD  | 2,000,000                 | Bank of India London Branch 3.625% Reg S Sen 13/21.09.18        | 1,939,940.00 | 2,035,200.00 | 0.52                        |
| USD  | 2,500,000                 | Bank of New York Mellon Corp 3.55% MTN Tr 47 Sen<br>11/23.09.21 | 2,616,837.77 | 2,603,975.00 | 0.67                        |
| USD  | 2,200,000                 | Bank of Nova Scotia 4.375% Sen 11/13.01.21                      | 2,402,850.83 | 2,419,868.00 | 0.62                        |
| USD  | 1,500,000                 | Barclays Bank Plc 6.75% Sen 09/22.05.19                         | 1,815,859.13 | 1,781,677.50 | 0.46                        |
| USD  | 1,500,000                 | BHP Billiton Finance USA Ltd 2.875% Sen 12/24.02.22             | 1,447,440.00 | 1,487,662.50 | 0.38                        |
| USD  | 3,060,000                 | BNP Paribas US MTN Program LLC 5% BKNT Tr 714<br>11/15.01.21    | 3,397,784.13 | 3,408,610.50 | 0.88                        |
| USD  | 1,500,000                 | Boston Scientific Corp 2.65% Sen 13/01.10.18                    | 1,517,055.00 | 1,513,620.00 | 0.39                        |
| USD  | 1,500,000                 | BP Capital Markets Plc 2.75% 13/10.05.23                        | 1,380,677.25 | 1,428,600.00 | 0.37                        |
| USD  | 500,000                   | British Telecommunications Plc 5.95% Sen 07/15.01.18            | 578,500.00   | 564,207.50   | 0.15                        |
| USD  | 500,000                   | BT Group Plc VAR 00/15.12.30                                    | 768,275.91   | 792,527.50   | 0.20                        |
| USD  | 1,000,000                 | Burlington North Santa Fe LLC 3.85% Sen 13/01.09.23             | 1,036,130.00 | 1,035,440.00 | 0.27                        |
| USD  | 1,440,000                 | Burlington North Santa Fe LLC 5.65% 07/01.05.17                 | 1,678,674.62 | 1,596,556.80 | 0.41                        |
| USD  | 3,000,000                 | Capital One Fin Corp 6.15% Sub 06/01.09.16                      | 3,403,765.68 | 3,275,850.00 | 0.84                        |
| USD  | 500,000                   | Chevron Corp 1.104% Sen 12/05.12.17                             | 497,650.00   | 495,540.00   | 0.13                        |
| USD  | 1,500,000                 | Chevron Corp 3.191% 13/24.06.23                                 | 1,487,295.00 | 1,514,655.00 | 0.39                        |
| USD  | 3,280,000                 | Citigroup Inc 6.125% Sen 07/21.11.17                            | 3,794,189.84 | 3,705,268.40 | 0.95                        |
| USD  | 1,680,000                 | Citigroup Inc 6.125% Sub 06/25.08.36                            | 1,886,304.31 | 1,937,023.20 | 0.50                        |
| USD  | 750,000                   | CNOOC Finance 2013 Ld 4.25% Sen 13/09.05.43                     | 644,752.50   | 711,438.75   | 0.18                        |
| USD  | 1,520,000                 | Coca-Cola Co 3.3% Gl Sen 11/01.09.21                            | 1,672,896.87 | 1,582,244.00 | 0.41                        |
| USD  | 1,310,000                 | Coca-Cola Enterprises Inc 3.5% Sen 10/15.09.20                  | 1,371,791.17 | 1,355,319.45 | 0.35                        |
| USD  | 1,000,000                 | ConocoPhillips 6.5% Sen 09/01.02.39                             | 1,284,722.34 | 1,317,965.00 | 0.34                        |
| USD  | 1,260,000                 | Consolidated Edison Co of New York 5.85% Ser-A<br>08/01.04.2018 | 1,493,502.45 | 1,432,122.30 | 0.37                        |
| USD  | 1,000,000                 | Crédit Agricole SA VAR Reg S Sub 13/19.09.33                    | 1,119,000.00 | 1,114,285.00 | 0.29                        |
| USD  | 3,000,000                 | CVS Health Corp 5.75% Sen 07/01.06.17                           | 3,445,537.06 | 3,334,635.00 | 0.86                        |
| USD  | 610,000                   | Daimler Fin North America LLC 8.5% 01/18.01.31                  | 919,547.24   | 922,152.25   | 0.24                        |
| USD  | 4,000,000                 | Deere and Co 3.9% Sen 12/09.06.42                               | 3,870,144.82 | 3,846,100.00 | 0.99                        |
| USD  | 760,000                   | Deutsche Telekom Intl Fin BV VAR 00/15.06.30                    | 1,130,169.14 | 1,117,705.40 | 0.29                        |
| USD  | 2,210,000                 | DirecTV Hgs Llc Fin Co Inc 5% Sen 11/01.03.21                   | 2,426,809.29 | 2,444,469.95 | 0.63                        |
| USD  | 2,500,000                 | Dow Chemical Co 2.5% Sen 10/15.02.16                            | 2,571,321.10 | 2,555,975.00 | 0.66                        |
| USD  | 500,000                   | Dow Chemical Co 4.375% Sen 12/15.11.42                          | 462,707.50   | 467,240.00   | 0.12                        |
| USD  | 1,500,000                 | Du Pont de Nemours (EI) & Co 2.8% Sen 13/15.02.23               | 1,408,485.00 | 1,453,230.00 | 0.37                        |
| USD  | 700,000                   | Duke Energy Corp 1.625% Sen 12/15.08.17                         | 703,213.00   | 702,100.00   | 0.18                        |
| USD  | 250,000                   | EMC Corp 3.375% Sen 13/01.06.23                                 | 243,952.50   | 247,138.75   | 0.06                        |
| USD  | 1,700,000                 | EnCana Corp 5.9% Sen 07/01.12.17                                | 1,966,552.51 | 1,908,258.50 | 0.49                        |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CORPORATES USD

### Statement of investments and other net assets (in USD) (continued)

as at 30th September 2014

| Currency | Number /<br>nominal value | Description   | Cost         | Market value | % of<br>total net<br>assets |
|----------|---------------------------|---|--------------|--------------|-----------------------------|
| USD      | 2,000,000                 | Enterprise Products Operat LLC 6.3% Sen 07/15.09.17       | 2,374,292.25 | 2,269,820.00 | 0.58                        |
| USD      | 1,000,000                 | EQT Corp 4.875% Sen 11/15.11.21                           | 1,060,689.90 | 1,092,120.00 | 0.28                        |
| USD      | 1,160,000                 | Exelon Generation Co LLC 6.2% Sen 07/01.10.17             | 1,361,912.52 | 1,306,102.00 | 0.34                        |
| USD      | 2,050,000                 | Florida Power Corp 6.4% Sen 08/15.06.38                   | 2,685,555.22 | 2,727,094.50 | 0.70                        |
| USD      | 1,500,000                 | Gap Inc 5.95% Sen 11/12.04.21                             | 1,679,445.00 | 1,709,370.00 | 0.44                        |
| USD      | 1,700,000                 | Gaz Capital SA 9.25% Ser REGS 09/23.04.19                 | 2,091,273.67 | 1,954,090.50 | 0.50                        |
| USD      | 1,500,000                 | General Electric Capital Corp 1% MTN Ser A 13/08.01.16    | 1,511,055.00 | 1,506,675.00 | 0.39                        |
| USD      | 2,500,000                 | General Electric Capital Corp 3.1% GMTN Ser A 13/09.01.23 | 2,405,450.00 | 2,477,300.00 | 0.64                        |
| USD      | 2,100,000                 | General Electric Capital Corp 5.5% Sen 10/08.01.20        | 2,435,397.90 | 2,409,330.00 | 0.62                        |
| USD      | 1,910,000                 | General Electric Capital Corp 5.875% Tr 806 08/14.01.38   | 2,136,325.76 | 2,314,671.70 | 0.60                        |
| USD      | 500,000                   | General Mills Inc 5.65% Sen 09/15.02.19                   | 586,650.00   | 568,170.00   | 0.15                        |
| USD      | 1,610,000                 | GlaxoSmithKline Capital Plc 2.85% Sen 12/08.05.22         | 1,633,334.67 | 1,586,598.65 | 0.41                        |
| USD      | 3,540,000                 | Goldman Sachs Group Inc 5.35% Sen 06/15.01.16             | 3,796,172.01 | 3,741,337.50 | 0.96                        |
| USD      | 500,000                   | Goldman Sachs Group Inc 5.75% Sen 12/24.01.22             | 564,780.00   | 570,567.50   | 0.15                        |
| USD      | 2,070,000                 | Goldman Sachs Group Inc 6.125% Sen 03/15.02.33            | 2,362,844.51 | 2,495,809.35 | 0.64                        |
| USD      | 1,090,000                 | Goldman Sachs Group Inc 6.75% 07/01.10.37                 | 1,182,962.98 | 1,308,899.25 | 0.34                        |
| USD      | 500,000                   | Hess Corp 7.3% Sen 01/15.08.31                            | 622,196.56   | 663,447.50   | 0.17                        |
| USD      | 1,200,000                 | Hewlett-Packard Co 4.65% Sen 11/09.12.21                  | 1,234,337.45 | 1,302,570.00 | 0.34                        |
| USD      | 500,000                   | Historic TW Inc 9.15% Sen 93/01.02.23                     | 684,770.00   | 684,240.00   | 0.18                        |
| USD      | 1,680,000                 | Home Depot Inc 5.875% Sen 06/16.12.36                     | 2,094,114.81 | 2,078,563.20 | 0.54                        |
| USD      | 2,590,000                 | HSBC Holdings Plc 4% Sen 12/30.03.22                      | 2,736,527.40 | 2,735,713.40 | 0.70                        |
| USD      | 1,550,000                 | HSBC Holdings Plc 5.1% Sen 11/05.04.21                    | 1,739,138.81 | 1,753,181.75 | 0.45                        |
| USD      | 1,810,000                 | Ingersoll Rand Global Hg Co Ltd 6.875% Sen 08/15.08.18    | 2,180,893.78 | 2,121,283.80 | 0.55                        |
| USD      | 1,000,000                 | Intel Corp 4.8% Sen 11/01.10.41                           | 1,046,020.00 | 1,057,755.00 | 0.27                        |
| USD      | 1,000,000                 | Intesa Sanpaolo SpA 3.875% X Sen 13/15.01.19              | 1,008,329.00 | 1,037,805.00 | 0.27                        |
| USD      | 2,500,000                 | Intl Paper Co 7.95% Sen 08/15.06.18                       | 3,086,861.15 | 3,003,900.00 | 0.77                        |
| USD      | 1,000,000                 | IPIC GMTN Ltd 5% Reg S 10/15.11.20                        | 1,087,300.00 | 1,118,430.00 | 0.29                        |
| USD      | 1,725,000                 | Jefferies Group Inc 5.125% Sen 13/20.01.23                | 1,821,581.50 | 1,835,641.50 | 0.47                        |
| USD      | 1,000,000                 | Johnson & Johnson 3.375% Sen 13/05.12.23                  | 1,045,070.00 | 1,046,510.00 | 0.27                        |
| USD      | 1,500,000                 | Johnson & Johnson 5.55% 07/15.08.17                       | 1,706,700.00 | 1,686,540.00 | 0.43                        |
| USD      | 1,000,000                 | JP Morgan Chase Bank New York 6% Ser BKNT 07/01.10.17     | 1,160,288.95 | 1,121,875.00 | 0.29                        |
| USD      | 2,180,000                 | JPMorgan Chase & Co 6% Sen 07/15.01.18                    | 2,517,486.14 | 2,460,936.60 | 0.63                        |
| USD      | 700,000                   | JPMorgan Chase & Co 6.4% Sen 07/02.10.17                  | 838,045.61   | 794,447.50   | 0.20                        |
| USD      | 1,750,000                 | JPMorgan Chase & Co 6.4% Sen 08/15.05.38                  | 2,172,429.54 | 2,210,398.75 | 0.57                        |
| USD      | 2,110,000                 | JPMorgan Chase & Co VAR Ser 1 08/30.10.Perpetual          | 2,382,519.06 | 2,291,196.25 | 0.59                        |
| USD      | 220,000                   | Kellogg Co 7.45% Ser B 01/01.04.31                        | 294,883.86   | 287,868.90   | 0.07                        |
| USD      | 1,690,000                 | Kinder Morgan Energy Part LP 6.95% DMTN 07/15.01.38       | 2,041,282.01 | 1,987,600.55 | 0.51                        |
| USD      | 1,590,000                 | Lloyds Bank Plc 5.8% MTN Reg S Tr 2 10/13.01.20           | 1,797,386.48 | 1,837,547.10 | 0.47                        |
| USD      | 1,700,000                 | Lukoil Intl Fin BV 6.356% Sen 07/07.06.17                 | 1,831,750.00 | 1,787,677.50 | 0.46                        |
| USD      | 1,000,000                 | Macquarie Bank Ltd 6.625% ETMN Reg S Sub 11/07.04.21      | 1,111,920.00 | 1,145,400.00 | 0.30                        |
| USD      | 1,500,000                 | Macy's Retail Holdings Inc 2.875% Sen 12/15.02.23         | 1,395,000.00 | 1,442,535.00 | 0.37                        |
| USD      | 1,800,000                 | Marathon Oil Corp 5.9% Sen 08/15.03.18                    | 2,060,119.01 | 2,032,281.00 | 0.52                        |
| USD      | 500,000                   | Mondelez Intl Inc 4.125% Sen 10/09.02.16                  | 532,465.00   | 521,657.50   | 0.13                        |
| USD      | 978,000                   | Mondelez Intl Inc 6.875% Reg S Sen 12/26.01.39            | 1,262,434.73 | 1,248,478.42 | 0.32                        |
| USD      | 2,800,000                 | Morgan Stanley 4.875% MTN Sub Ser F 12/01.11.22           | 2,959,796.00 | 2,965,802.00 | 0.76                        |
| USD      | 3,760,000                 | Morgan Stanley 6.25% MTN Ser F 06/09.08.26                | 4,459,484.14 | 4,509,198.80 | 1.16                        |
| USD      | 500,000                   | Morgan Stanley 6.375% Ser F 12/24.07.42                   | 588,950.00   | 630,670.00   | 0.16                        |
| USD      | 1,000,000                 | National Grid Plc 6.3% Sen 06/01.08.16                    | 1,130,915.00 | 1,095,415.00 | 0.28                        |
| USD      | 330,000                   | New York Life Insurance Co 6.75% Reg S 09/15.11.39        | 462,145.76   | 439,322.33   | 0.11                        |
| USD      | 700,000                   | Nippon Life Insurance Company VAR Reg S 12/18.10.42       | 710,330.49   | 734,783.00   | 0.19                        |
| USD      | 500,000                   | Noble Energy Inc 5.25% Sen 13/15.11.43                    | 499,690.00   | 530,885.00   | 0.14                        |
| USD      | 2,000,000                 | Nomura Holdings Inc 6.7% Sen 10/04.03.20                  | 2,411,980.00 | 2,377,190.00 | 0.61                        |
| USD      | 1,000,000                 | Nordea Bank AB 4.875% MTN Reg S Sub Tr 1 11/13.05.21      | 1,053,900.00 | 1,078,040.00 | 0.28                        |
| USD      | 2,600,000                 | Norfolk Southern Corp 3.25% Sen 11/01.12.21               | 2,701,671.74 | 2,651,831.00 | 0.68                        |
| USD      | 1,000,000                 | Orange 2.75% Sen 11/14.09.16                              | 1,038,224.00 | 1,030,365.00 | 0.27                        |
| USD      | 300,000                   | Orange VAR 02/01.03.31                                    | 413,421.00   | 448,170.00   | 0.12                        |
| USD      | 2,300,000                 | Pepsico Inc 2.5% Sen 11/10.05.16                          | 2,384,471.33 | 2,366,895.50 | 0.61                        |
| USD      | 1,100,000                 | Pernod-Ricard 4.45% Reg S Sen 11/15.01.22                 | 1,143,739.67 | 1,166,478.50 | 0.30                        |
| USD      | 1,000,000                 | Petrobras Intl Fin Co Ltd 6.875% Sen 09/20.01.40          | 994,378.00   | 1,032,075.00 | 0.27                        |
| USD      | 2,000,000                 | Petrobras Intl Fin Co Ltd 7.875% Sen 09/15.03.19          | 2,339,475.98 | 2,294,800.00 | 0.59                        |
| USD      | 2,050,000                 | Petronas Capital Ltd 5.25% Ser REGS 09/12.08.19           | 2,294,879.22 | 2,297,414.50 | 0.59                        |
| USD      | 680,000                   | Pfizer Inc 5.95% Sen 07/01.04.37                          | 863,568.14   | 827,672.20   | 0.21                        |
| USD      | 270,000                   | Pfizer Inc 7.2% Sen 09/15.03.39                           | 402,053.21   | 379,846.80   | 0.10                        |
| USD      | 1,000,000                 | Philip Morris Intl Inc 2.5% Sen 11/16.05.16               | 1,035,404.29 | 1,029,445.00 | 0.27                        |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CORPORATES USD

### Statement of investments and other net assets (in USD) (continued)

as at 30th September 2014

| Currency           | Number /<br>nominal value | Description  | Cost                  | Market value          | % of<br>total net<br>assets |
|--------------------|---------------------------|--|-----------------------|-----------------------|-----------------------------|
| USD                | 850,000                   | Philip Morris Intl Inc 6.375% Sen 08/16.05.38              | 1,098,895.72          | 1,077,528.00          | 0.28                        |
| USD                | 1,730,000                 | Procter & Gamble Co 4.7% Sen 09/15.02.19                   | 1,954,285.46          | 1,934,131.35          | 0.50                        |
| USD                | 2,000,000                 | Prudential Financial Inc 4.75% Ser D Tr 33 09/17.09.15     | 2,163,669.29          | 2,077,840.00          | 0.53                        |
| USD                | 500,000                   | QWest Corp 6.875% 93/15.09.33                              | 500,181.50            | 500,327.50            | 0.13                        |
| USD                | 2,200,000                 | Rabobank Nederland NV 5.25% MTN Sen Tr 57 11/24.05.41      | 2,345,644.40          | 2,501,015.00          | 0.64                        |
| USD                | 1,750,000                 | Reliance Holdings USA Inc 5.4% Reg S 12/14.02.22           | 1,815,758.50          | 1,919,207.50          | 0.49                        |
| USD                | 1,700,000                 | Rio Tinto Finance USA Ltd 6.5% Sen 08/15.07.18             | 2,022,059.51          | 1,970,436.00          | 0.51                        |
| USD                | 1,250,000                 | Roche Holdings Inc 7% Ser REGS 09/01.03.39                 | 1,773,403.56          | 1,781,487.50          | 0.46                        |
| USD                | 500,000                   | Rogers Communications Inc 6.8% Sen 08/15.08.18             | 595,595.56            | 585,540.00            | 0.15                        |
| USD                | 2,500,000                 | Royal Bank of Scotland Plc 5.625% Sen 10/24.08.20          | 2,844,508.33          | 2,841,287.50          | 0.73                        |
| USD                | 500,000                   | SABIC Capital II BV 2.625% Reg S Sen 13/03.10.18           | 497,495.00            | 504,017.50            | 0.13                        |
| USD                | 1,950,000                 | Sanofi 4% Sen 11/29.03.21                                  | 2,145,939.71          | 2,104,030.50          | 0.54                        |
| USD                | 1,350,000                 | SB Capital SA 5.717% Sen 11/16.06.21                       | 1,464,267.86          | 1,331,201.25          | 0.34                        |
| USD                | 1,000,000                 | Shell Intl Finance BV 3.25% 09/22.09.15                    | 1,048,990.00          | 1,027,230.00          | 0.26                        |
| USD                | 1,260,000                 | Shell Intl Finance BV 6.375% Sen 08/15.12.38               | 1,645,394.83          | 1,663,011.00          | 0.43                        |
| USD                | 750,000                   | Sinopec Gr Overs Dev 2012 Ltd 4.875% Reg S Sen 12/17.05.42 | 709,342.50            | 787,961.25            | 0.20                        |
| USD                | 1,000,000                 | Société Générale 5.2% EMTN Reg-S Tr 1 11/15.04.21          | 1,113,900.00          | 1,120,845.00          | 0.29                        |
| USD                | 1,000,000                 | Southern Copper Corp 5.25% Sen 12/08.11.42                 | 880,485.00            | 945,650.00            | 0.24                        |
| USD                | 1,300,000                 | Statoil ASA 2.45% Sen 12/17.01.23                          | 1,204,118.50          | 1,244,223.50          | 0.32                        |
| USD                | 1,700,000                 | Sumitomo Mitsui Banking Corp 3% Sen 13/18.01.23            | 1,626,224.25          | 1,678,180.50          | 0.43                        |
| USD                | 700,000                   | Telefonica Emisiones SA 6.421% Sen 06/20.06.16             | 781,940.25            | 761,355.00            | 0.20                        |
| USD                | 500,000                   | Teva Pharma Fin Co Bv 2.4% Sen 11/10.11.16                 | 517,500.00            | 513,045.00            | 0.13                        |
| USD                | 1,000,000                 | Thermo Fisher Scientific Inc 4.15% Sen 13/01.02.24         | 1,033,820.00          | 1,039,345.00          | 0.27                        |
| USD                | 650,000                   | Time Warner Cable Inc 6.75% Sen 09/15.06.39                | 829,357.95            | 837,109.00            | 0.22                        |
| USD                | 1,930,000                 | Time Warner Inc 7.625% 01/15.04.31                         | 2,599,304.45          | 2,621,789.20          | 0.67                        |
| USD                | 1,500,000                 | Total Capital SA 2.3% Sen 10/15.03.16                      | 1,552,245.00          | 1,535,280.00          | 0.40                        |
| USD                | 1,000,000                 | Toyota Motor Credit Corp 3.3% MTN Ser B Tr 858 12/12.01.22 | 1,017,021.56          | 1,030,410.00          | 0.27                        |
| USD                | 1,000,000                 | TransCapitalInvest Ltd 8.7% Ser Reg 08/07.08.18            | 1,182,500.00          | 1,129,325.00          | 0.29                        |
| USD                | 2,330,000                 | Transocean Inc 4.95% 10/15.11.15                           | 2,475,251.15          | 2,422,116.55          | 0.62                        |
| USD                | 3,430,000                 | Union Pacific Corp 4% Sen 10/01.02.21                      | 3,744,604.16          | 3,708,516.00          | 0.95                        |
| USD                | 1,000,000                 | United Health Group Inc 4.375% Sen 12/15.03.42             | 999,213.78            | 1,005,990.00          | 0.26                        |
| USD                | 4,000,000                 | United Technologies Corp 4.5% Sen 10/15.04.20              | 4,548,829.31          | 4,428,920.00          | 1.14                        |
| USD                | 1,830,000                 | Vale Overseas Ltd 5.625% Sen 09/15.09.19                   | 2,010,521.31          | 2,059,591.80          | 0.53                        |
| USD                | 4,000,000                 | Verizon Communications Inc 2.55% Sen 14/17.06.19           | 4,069,650.00          | 4,029,020.00          | 1.04                        |
| USD                | 3,500,000                 | Verizon Communications Inc 6.4% Sen 08/15.02.38            | 4,219,890.80          | 4,260,865.00          | 1.10                        |
| USD                | 1,000,000                 | Vodafone Group Plc 6.15% 07/27.02.37                       | 1,178,724.23          | 1,154,755.00          | 0.30                        |
| USD                | 3,260,000                 | Wal-Mart Stores Inc 6.5% Sen 07/15.08.37                   | 4,287,607.35          | 4,347,389.30          | 1.12                        |
| USD                | 3,000,000                 | Wells Fargo & Co 5.625% Sen 07/11.12.17                    | 3,405,389.90          | 3,366,225.00          | 0.87                        |
| USD                | 2,600,000                 | Wells Fargo & Co 5.75% MTN Sen Tr 32 08/01.02.18           | 3,086,395.99          | 2,931,396.00          | 0.75                        |
| USD                | 1,800,000                 | Western Union Co (The) 5.93% 07/01.10.16                   | 1,992,704.16          | 1,956,816.00          | 0.50                        |
| USD                | 1,300,000                 | Weyerhaeuser Co 4.625% Sen 13/15.09.23                     | 1,359,410.00          | 1,392,794.00          | 0.36                        |
| <b>Total bonds</b> |                           |  | <b>274,146,833.30</b> | <b>273,085,450.91</b> | <b>70.30</b>                |

### Transferable securities dealt in on another regulated market

#### **Bonds**

|     |           |  |              |              |      |
|-----|-----------|--|--------------|--------------|------|
| USD | 1,500,000 | AbbVie Inc 1.75% Ser B 13/06.11.17                           | 1,510,410.00 | 1,497,285.00 | 0.39 |
| USD | 1,200,000 | Aetna Inc 2.75% Sen 12/15.11.22                              | 1,119,479.42 | 1,154,208.00 | 0.30 |
| USD | 1,030,000 | America Movil SAB de CV 5% Sen 10/16.10.19                   | 1,139,298.97 | 1,145,560.85 | 0.30 |
| USD | 1,300,000 | American Honda Finance Corp 7.625% Ser REGS Tr 8 08/01.10.18 | 1,679,312.20 | 1,577,504.50 | 0.41 |
| USD | 1,620,000 | Anheuser Bush Inbe WldWide Inc 8.2% Sen Gtd 11/15.01.39      | 2,543,105.45 | 2,452,906.80 | 0.63 |
| USD | 2,000,000 | AON Corp 3.125% Sen 11/27.05.16                              | 2,114,030.02 | 2,067,740.00 | 0.53 |
| USD | 1,750,000 | AT&T Inc 5.35% Sen 11/01.09.40                               | 1,840,215.59 | 1,864,117.50 | 0.48 |
| USD | 3,000,000 | Bank of America Funding Corp 5.65% MTN Ser L 08/01.05.18     | 3,387,278.94 | 3,346,320.00 | 0.86 |
| USD | 2,500,000 | Bank of Montreal 2.55% MTN Ser B Tr 201 12/06.11.22          | 2,385,477.59 | 2,415,162.50 | 0.62 |
| USD | 1,000,000 | Berkshire Hathaway Energy Co 6.125% Sen 06/01.04.36          | 1,211,314.00 | 1,241,160.00 | 0.32 |
| USD | 500,000   | Boston Prop Ltd Part 3.85% Sen 12/01.02.23                   | 499,285.00   | 513,722.50   | 0.13 |
| USD | 400,000   | Bristol Myers Squibb Co 3.25% Sen 12/01.08.42                | 354,406.07   | 339,010.00   | 0.09 |
| USD | 400,000   | CDP Financial Inc 5.6% Reg S Sen 09/25.11.39                 | 504,379.79   | 507,342.56   | 0.13 |
| USD | 2,000,000 | Cencosud SA 4.875% Reg-S Sen 12/20.01.23                     | 1,895,000.00 | 1,989,290.00 | 0.51 |
| USD | 1,000,000 | Chevron Corp 0.889% 13/24.06.16                              | 1,007,720.00 | 1,004,255.00 | 0.26 |
| USD | 2,330,000 | Cisco Systems Inc 4.95% Sr 09/15.02.19                       | 2,681,196.00 | 2,608,341.80 | 0.67 |
| USD | 780,000   | Comcast Corp 6.95% Sen 07/15.08.37                           | 994,771.04   | 1,053,702.00 | 0.27 |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS CORPORATES USD

### Statement of investments and other net assets (in USD) (continued)

as at 30th September 2014

| Currency                                 | Number /<br>nominal value | Description   | Cost                  | Market value          | % of<br>total net<br>assets |
|--|---------------------------|---|-----------------------|-----------------------|-----------------------------|
| USD                                      | 2,500,000                 | Commonwealth Bk of Austr NY Br 2.5% MTN Sen Tr 4<br>13/20.09.18 | 2,571,675.00          | 2,549,275.00          | 0.66                        |
| USD                                      | 2,210,000                 | Deutsche Bk AG London 6% Sen 07/01.09.17                        | 2,586,591.68          | 2,477,166.90          | 0.64                        |
| USD                                      | 1,700,000                 | Discovery Communications LLC 4.375% Sen 11/15.06.21             | 1,860,348.08          | 1,824,933.00          | 0.47                        |
| USD                                      | 1,700,000                 | Eaton Corp 2.75% Sen 13/02.11.22                                | 1,682,085.40          | 1,647,640.00          | 0.42                        |
| USD                                      | 1,700,000                 | Ecolab Inc 3% Sen 11/08.12.16                                   | 1,790,717.67          | 1,766,249.00          | 0.45                        |
| USD                                      | 1,500,000                 | Energy Treansfer Partner LP 3.6% Sen 13/01.02.23                | 1,399,564.57          | 1,457,025.00          | 0.38                        |
| USD                                      | 1,800,000                 | Express Scripts Hg Co 3.9% Sen 13/15.02.22                      | 1,882,190.98          | 1,873,971.00          | 0.48                        |
| USD                                      | 2,720,000                 | Fifth Third Bancorp 3.625% Sen 11/25.01.16                      | 2,905,839.79          | 2,819,388.80          | 0.73                        |
| USD                                      | 1,960,000                 | Florida Power & Light Co 4.05% 12/01.06.42                      | 1,944,675.77          | 1,952,218.80          | 0.50                        |
| USD                                      | 1,200,000                 | General Electric Capital Corp 6.75% 02/15.03.32                 | 1,595,112.78          | 1,586,268.00          | 0.41                        |
| USD                                      | 1,500,000                 | Gerdau Trade Inc 4.75% Reg S Sen 13/15.04.23                    | 1,353,750.00          | 1,441,282.50          | 0.37                        |
| USD                                      | 1,820,000                 | Goldman Sachs Group Inc 6.15% Sen 08/01.04.18                   | 2,072,484.70          | 2,055,753.70          | 0.53                        |
| USD                                      | 1,400,000                 | Gr Televisa SA 6.625% Sen 05/18.03.25                           | 1,741,197.67          | 1,692,033.00          | 0.44                        |
| USD                                      | 1,000,000                 | Halliburton Co 4.75% Sen 13/01.08.43                            | 996,365.00            | 1,057,945.00          | 0.27                        |
| USD                                      | 2,290,000                 | IBM Corp 4% Sen 12/20.06.42                                     | 2,356,971.59          | 2,210,033.20          | 0.57                        |
| USD                                      | 930,000                   | Intuit Inc 5.75% Sen 07/15.03.17                                | 1,061,429.88          | 1,025,543.55          | 0.26                        |
| USD                                      | 1,700,000                 | KeyCorp 3.75% Ser MTN I 10/13.08.15                             | 1,806,786.09          | 1,745,917.00          | 0.45                        |
| USD                                      | 1,000,000                 | Kraft Foods Group Inc 3.5% Ser B 13/06.06.22                    | 1,012,839.64          | 1,018,350.00          | 0.26                        |
| USD                                      | 1,500,000                 | Liberty Mutual Group Inc 4.95% Reg S Sen 12/01.05.22            | 1,579,800.00          | 1,620,315.00          | 0.42                        |
| USD                                      | 500,000                   | Marathon Oil Corp 6% Sen 07/01.10.17                            | 587,230.83            | 561,620.00            | 0.14                        |
| USD                                      | 850,000                   | Mc Donald's Corp 3.7% MTN Sen Tr 109 12/15.02.42                | 818,270.27            | 778,812.50            | 0.20                        |
| USD                                      | 1,270,000                 | Medco Health Solutions Inc 2.75% Sen 10/15.09.15                | 1,329,571.28          | 1,293,615.65          | 0.33                        |
| USD                                      | 2,500,000                 | Metlife Inc 4.368% Ser D 13/15.09.23                            | 2,660,872.08          | 2,686,337.50          | 0.69                        |
| USD                                      | 2,480,000                 | Microsoft Corp 4.2% Sen 09/01.06.19                             | 2,795,223.90          | 2,727,900.80          | 0.70                        |
| USD                                      | 500,000                   | Mylan Inc 2.6% Ser B 14/24.06.18                                | 509,305.00            | 505,750.00            | 0.13                        |
| USD                                      | 2,310,000                 | NBCUniversal Media LLC 2.875% Sen 11/01.04.16                   | 2,410,716.95          | 2,382,753.45          | 0.61                        |
| USD                                      | 1,500,000                 | Newmont Mining Corp 4.875% Sen 12/15.03.42                      | 1,215,068.75          | 1,276,597.50          | 0.33                        |
| USD                                      | 1,470,000                 | Oracle Corp 6.125% Sen 09/08.07.39                              | 1,866,991.71          | 1,833,369.30          | 0.47                        |
| USD                                      | 1,000,000                 | Pacificorp 6% 09/15.01.39                                       | 1,238,963.05          | 1,299,700.00          | 0.33                        |
| USD                                      | 1,790,000                 | Pemex Project Fding Mast Trust 5.75% Sen 09/01.03.18            | 2,032,789.26          | 1,985,459.05          | 0.51                        |
| USD                                      | 1,000,000                 | Pepsico Inc 3.6% Sen 12/13.08.42                                | 930,564.92            | 890,095.00            | 0.23                        |
| USD                                      | 750,000                   | Petroleos Mexicanos 8% Sen GI 09/03.05.19                       | 953,677.00            | 911,673.75            | 0.23                        |
| USD                                      | 2,390,000                 | PG & E Corp 6.05% 04/01.03.34                                   | 2,940,101.59          | 2,956,477.80          | 0.76                        |
| USD                                      | 1,000,000                 | Phillips 66 4.3% Sen 12/01.04.22                                | 1,099,394.40          | 1,064,435.00          | 0.27                        |
| USD                                      | 3,000,000                 | PNC Funding Corp 3.3% Sen 12/08.03.22                           | 3,012,605.00          | 3,031,845.00          | 0.78                        |
| USD                                      | 2,300,000                 | Republic Services Inc 3.8% Sen 11/15.05.18                      | 2,494,770.96          | 2,445,486.50          | 0.63                        |
| USD                                      | 730,000                   | SabMiller Holdings Inc 4.95% Reg-S Sen 12/15.01.42              | 804,037.22            | 767,832.25            | 0.20                        |
| USD                                      | 1,000,000                 | Sempra Energy 6.5% Sen 09/01.06.16                              | 1,131,090.00          | 1,092,350.00          | 0.28                        |
| USD                                      | 2,000,000                 | Simon Property Group LP 5.65% Sen 10/01.02.20                   | 2,363,301.32          | 2,302,380.00          | 0.59                        |
| USD                                      | 1,000,000                 | State Street Corp 3.1% Sen 13/15.05.23                          | 935,880.00            | 973,480.00            | 0.25                        |
| USD                                      | 1,000,000                 | Suncor Energy Inc 6.1% Sen 08/01.06.18                          | 1,207,281.67          | 1,144,025.00          | 0.29                        |
| USD                                      | 1,535,000                 | Tesco Plc 5.5% 07/15.11.17                                      | 1,741,789.97          | 1,664,377.47          | 0.43                        |
| USD                                      | 2,500,000                 | Time Warner Cable Inc 5.85% Sen 07/01.05.17                     | 2,892,220.42          | 2,775,512.50          | 0.71                        |
| USD                                      | 2,000,000                 | Transcanada Pipelines Ltd 6.2% Sen 07/15.10.37                  | 2,419,956.31          | 2,411,600.00          | 0.62                        |
| USD                                      | 1,772,000                 | UBS AG Stamford 4.875% BKNT Sen 10/04.08.20                     | 2,014,821.37          | 1,975,496.48          | 0.51                        |
| USD                                      | 500,000                   | Weatherford Intl Ltd 6.5% Sen 06/01.08.36                       | 528,505.00            | 575,880.00            | 0.15                        |
| USD                                      | 1,910,000                 | WellPoint Inc 3.125% Sen Tr1 12/15.05.22                        | 1,909,217.73          | 1,887,118.20          | 0.49                        |
| USD                                      | 1,000,000                 | Western Gas Partners LP 4% Sen                                  | 977,080.00            | 1,032,515.00          | 0.27                        |
| USD                                      | 1,300,000                 | Wyndham Worlwide Corp 4.25% Sen 12/01.03.22                     | 1,326,000.00          | 1,318,804.50          | 0.34                        |
| <b>Total bonds</b>                       |                           |   | <b>110,214,404.33</b> | <b>109,152,237.66</b> | <b>28.08</b>                |
| <b>Bonds in default of payment</b>       |                           |   |                       |                       |                             |
| USD                                      | 2,500,000                 | Lehman Brothers Hgs Inc 6.75% 07/28.12.17                       | 2,506,000.00          | 0.00                  | 0.00                        |
| <b>Total bonds in default of payment</b> |                           |   | <b>2,506,000.00</b>   | <b>0.00</b>           | <b>0.00</b>                 |
| Total investments in securities          |                           |   | 386,867,237.63        | 382,237,688.57        | 98.38                       |
| Cash at banks                            |                           |   |                       | 1,532,814.22          | 0.39                        |
| Other net assets/(liabilities)           |                           |   |                       | 4,769,200.85          | 1.23                        |
| <b>Total</b>                             |                           |   |                       | <b>388,539,703.64</b> | <b>100.00</b>               |

The accompanying notes are an integral part of these financial statements.



## **KBC BONDS EMERGING EUROPE**

### **Investment policy and outlook**

from 1st October 2013 to 30th September 2014

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#### ***Review***

The Bonds Emerging Europe sub-fund aims to invest in bonds denominated in local currencies of the Czech Republic, Poland, Turkey, Slovakia and Hungary.

Most of the currencies in the sub-fund fell in the first half of the financial year against the euro, with the exception of the Polish zloty, which benefited from the economic recovery in the euro area. The Turkish lira came under intense pressure at the end of 2013, after the US central bank decided gradually to scale back its quantitative monetary policy. This sparked fears that countries with a large current account deficit in particular would find it difficult to finance themselves. The Turkish central bank's sharp policy rate increase in January and the stabilisation of US interest rates enabled the Turkish lira to make up some of the ground it had lost. The Czech Republic, by contrast, benefited from the European recovery, but the central bank felt obliged to intervene in the currency market to ward off the threat of deflation. The Czech koruna responded by depreciating against the euro. Persistent interest-rate cuts in Hungary weighed on the performance of the Hungarian forint. In general, foreign exchange losses in the sub-fund were almost entirely offset by the positive return on the bonds during the first half of the financial year.

The second half was characterised by weaker growth figures and the fear of deflation in the euro area. As a result the ECB relaxed its monetary policy and announced purchasing programmes for ABS and covered bonds. In addition the Russian sanctions impacted on East European exports, as a result of which growth slowed still further the spectre of deflation reared its head at the end of the reporting period. Bond rates in the region tumbled. This enabled the funds to put in a strong performance in the second half of the period under review, wiping out the losses of the previous financial year.

#### ***Outlook***

We also expect the sub-fund to continue performing well next year. On the one hand, we expect the euro to weaken now that the ECB has opened the door to a quantitative monetary policy in the event that inflation should remain too low for too long. On the other hand, we expect the Central European currencies to benefit too from the economic recovery in the euro area. In addition the fundamental overvaluation of the single currency offers good prospects for the sub-fund.

Note: The information in this report represents historical data and is not an indication of future results. It has not been audited or otherwise verified by the "réviseur d'entreprises agréé".

## KBC BONDS EMERGING EUROPE

### Statement of net assets (in EUR)

as at 30th September 2014

#### Assets

|                                      |                |
|--------------------------------------|----------------|
| Securities portfolio at market value | 95,216,952.00  |
| Cash at banks                        | 8,045,579.74   |
| Other liquid assets                  | 156,603.54     |
| Receivable on issues of shares       | 562.08         |
| Income receivable on portfolio       | 1,962,467.97   |
| Interest receivable on bank accounts | 978.35         |
| Unrealised gain on futures contracts | 11,875.05      |
|                                      | <hr/>          |
| Total assets                         | 105,395,018.73 |

#### Liabilities

|   |                |
|---|----------------|
| Other liquid liabilities                              | 0.13           |
| Payable on purchases of securities                    | 1,684,827.31   |
| Payable on redemptions of shares                      | 152,413.52     |
| Interest payable on bank overdrafts                   | 2.35           |
| Unrealised loss on forward foreign exchange contracts | 423,718.42     |
| Expenses payable                                      | 172,627.38     |
|   | <hr/>          |
| Total liabilities                                     | 2,433,589.11   |
|   | <hr/>          |
| Net assets at the end of the year                     | 102,961,429.62 |

|   |              |
|---|--------------|
| Number of capitalisation shares outstanding                       | 34,260.9127  |
| Net asset value per capitalisation share                          | 898.75       |
| Number of distribution shares outstanding                         | 152,425.0744 |
| Net asset value per distribution share                            | 468.95       |
| Number of distribution shares "USD frequent dividend" outstanding | 1,538.7996   |
| Net asset value per distribution share "USD frequent dividend"    | USD 565.99   |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMERGING EUROPE

### Statement of operations and other changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

#### **Income**

|  |              |
|--|--------------|
| Interest on bonds and other debt securities, net | 5,479,398.86 |
| Interest on bank accounts                        | 1,566.15     |
| Commissions received                             | 25,276.21    |
| Other income                                     | 22,901.01    |
| Total income                                     | 5,529,142.23 |

#### **Expenses**

|   |              |
|---|--------------|
| Management fees                         | 1,231,795.44 |
| Custodian fees                          | 51,480.12    |
| Banking charges and other fees          | 4,312.63     |
| Transaction fees                        | 1,147.50     |
| Central administration costs            | 63,335.85    |
| Professional fees                       | 2,029.59     |
| Other administration costs              | 15,176.06    |
| Subscription duty ("taxe d'abonnement") | 50,893.02    |
| Other taxes                             | 61,571.22    |
| Interest paid on bank overdrafts        | 943.02       |
| Other expenses                          | 8,125.79     |
| Total expenses                          | 1,490,810.24 |

|                       |              |
|-----------------------|--------------|
| Net investment income | 4,038,331.99 |
|-----------------------|--------------|

#### **Net realised gain/(loss)**

|   |               |
|---|---------------|
| - on securities portfolio               | -193,232.41   |
| - on futures contracts                  | -182,088.02   |
| - on forward foreign exchange contracts | -1,797,236.22 |
| - on foreign exchange                   | 65,908.47     |
| Realised result                         | 1,931,683.81  |

#### **Net variation of the unrealised gain/(loss)**

|   |              |
|---|--------------|
| - on securities portfolio               | 3,394,062.82 |
| - on futures contracts                  | 11,875.05    |
| - on forward foreign exchange contracts | -484,950.57  |

|                      |              |
|----------------------|--------------|
| Result of operations | 4,852,671.11 |
|----------------------|--------------|

|                |               |
|----------------|---------------|
| Dividends paid | -3,622,107.56 |
|----------------|---------------|

|               |              |
|---------------|--------------|
| Subscriptions | 8,077,254.53 |
|---------------|--------------|

|             |                |
|-------------|----------------|
| Redemptions | -21,980,615.68 |
|-------------|----------------|

|                             |                |
|-----------------------------|----------------|
| Total changes in net assets | -12,672,797.60 |
|-----------------------------|----------------|

|   |                |
|---|----------------|
| Total net assets at the beginning of the year | 115,634,227.22 |
|---|----------------|

|   |                |
|---|----------------|
| Total net assets at the end of the year | 102,961,429.62 |
|---|----------------|

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMERGING EUROPE

### Statistical information (in EUR)

as at 30th September 2014

|   |                |
|---|----------------|
| <b>Total net assets</b>   |                |
| - as at 30.09.2014  | 102,961,429.62 |
| - as at 30.09.2013  | 115,634,227.22 |
| - as at 30.09.2012  | 256,769,864.62 |
| <b>Portfolio Turnover Rate (in %)</b>                           |                |
| - as at 30.09.2014  | 143.72         |
| <b>Number of capitalisation shares</b>                          |                |
| - outstanding at the beginning of the year                      | 36,220.9114    |
| - issued  | 8,017.7887     |
| - redeemed  | -9,977.7874    |
| - outstanding at the end of the year                            | 34,260.9127    |
| <b>Net asset value per capitalisation share</b>                 |                |
| - as at 30.09.2014  | 898.75         |
| - as at 30.09.2013  | 855.72         |
| - as at 30.09.2012  | 870.00         |
| <b>Performances of capitalisation shares (in %)</b>             |                |
| - as at 30.09.2014  | 5.03           |
| - as at 30.09.2013  | -1.64          |
| - as at 30.09.2012  | 13.69          |
| <b>TER per capitalisation share (in %)</b>                      |                |
| - as at 30.09.2014  | 1.45           |
| <b>Number of distribution shares</b>                            |                |
| - outstanding at the beginning of the year                      | 179,703.3511   |
| - issued  | 2,062.1837     |
| - redeemed  | -29,340.4604   |
| - outstanding at the end of the year                            | 152,425.0744   |
| <b>Net asset value per distribution share</b>                   |                |
| - as at 30.09.2014  | 468.95         |
| - as at 30.09.2013  | 466.39         |
| - as at 30.09.2012  | 498.13         |
| <b>Performances of distribution shares (in %)</b>               |                |
| - as at 30.09.2014  | 5.03           |
| - as at 30.09.2013  | -1.64          |
| - as at 30.09.2012  | 13.68          |
| <b>TER per distribution share (in %)</b>                        |                |
| - as at 30.09.2014  | 1.45           |
| <b>Dividends paid to distribution shares</b>                    |                |
| Ex-dividend date  | 01.10.2013     |
| Dividend per share  | 20.00          |
| Shares outstanding at dividend date                             | 179,551.7727   |
| <b>Number of capitalisation shares "Institutional B Shares"</b> |                |
| - outstanding at the beginning of the year                      | 29.0000        |
| - issued  | 0.0000         |
| - redeemed  | -29.0000       |
| - outstanding at the end of the year                            | -              |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMERGING EUROPE

### Statistical information (in EUR) (continued)

as at 30th September 2014

#### Net asset value per capitalisation share "Institutional B Shares"

|                    |        |
|--------------------|--------|
| - as at 30.09.2014 | -      |
| - as at 30.09.2013 | 857.71 |
| - as at 30.09.2012 | 870.36 |

#### Performances of capitalisation shares "Institutional B Shares" (in %)

|                    |       |
|--------------------|-------|
| - as at 30.09.2013 | -1.45 |
| - as at 30.09.2012 | -     |
| - as at 30.09.2011 | -     |

#### TER per capitalisation share "Institutional B Shares" (in %)

|                    |   |
|--------------------|---|
| - as at 30.09.2014 | - |
|--------------------|---|

#### Number of distribution shares "USD frequent dividend"

|  |            |
|--|------------|
| - outstanding at the beginning of the year | 1,804.3654 |
| - issued                                   | 24.7943    |
| - redeemed                                 | -290.3601  |
| - outstanding at the end of the year       | 1,538.7996 |

#### Net asset value per distribution share "USD frequent dividend"

|                    |            |
|--------------------|------------|
| - as at 30.09.2014 | USD 565.99 |
| - as at 30.09.2013 | USD 602.06 |
| - as at 30.09.2012 | USD 608.36 |

#### Performances of distribution shares "USD frequent dividend" (in %)

|                    |       |
|--------------------|-------|
| - as at 30.09.2014 | -1.96 |
| - as at 30.09.2013 | 3.93  |
| - as at 30.09.2012 | 9.03  |

#### TER per distribution share "USD frequent dividend" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 1.44 |
|--------------------|------|

#### Dividends paid to distribution shares "USD frequent dividend"

|                                     |            |
|-------------------------------------|------------|
| Ex-dividend date                    | 01.10.2013 |
| Dividend per share                  | USD 2.10   |
| Shares outstanding at dividend date | 1,804.3654 |
| Ex-dividend date                    | 04.11.2013 |
| Dividend per share                  | USD 2.10   |
| Shares outstanding at dividend date | 1,760.5002 |
| Ex-dividend date                    | 02.12.2013 |
| Dividend per share                  | USD 2.10   |
| Shares outstanding at dividend date | 1,762.6930 |
| Ex-dividend date                    | 02.01.2014 |
| Dividend per share                  | USD 2.10   |
| Shares outstanding at dividend date | 1,742.6180 |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMERGING EUROPE

### Statistical information (in EUR) (continued)

as at 30th September 2014

|                                     |            |
|-------------------------------------|------------|
| Ex-dividend date                    | 03.02.2014 |
| Dividend per share                  | USD 2.10   |
| Shares outstanding at dividend date | 1,743.5809 |
| Ex-dividend date                    | 03.03.2014 |
| Dividend per share                  | USD 2.10   |
| Shares outstanding at dividend date | 1,722.3727 |
| Ex-dividend date                    | 01.04.2014 |
| Dividend per share                  | USD 2.10   |
| Shares outstanding at dividend date | 1,628.4016 |
| Ex-dividend date                    | 02.05.2014 |
| Dividend per share                  | USD 2.10   |
| Shares outstanding at dividend date | 1,612.6505 |
| Ex-dividend date                    | 02.06.2014 |
| Dividend per share                  | USD 2.10   |
| Shares outstanding at dividend date | 1,599.5096 |
| Ex-dividend date                    | 01.07.2014 |
| Dividend per share                  | USD 2.10   |
| Shares outstanding at dividend date | 1,592.3203 |
| Ex-dividend date                    | 01.08.2014 |
| Dividend per share                  | USD 2.10   |
| Shares outstanding at dividend date | 1,579.7977 |
| Ex-dividend date                    | 01.09.2014 |
| Dividend per share                  | USD 2.10   |
| Shares outstanding at dividend date | 1,557.5120 |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMERGING EUROPE

### Statement of investments and other net assets (in EUR)

as at 30th September 2014

| Currency   | Number /<br>nominal value | Description  | Cost                 | Market value         | % of<br>total net<br>assets |
|--|---------------------------|--|----------------------|----------------------|-----------------------------|
| <b><u>Investments in securities</u></b>  |                           |  |                      |                      |                             |
| <b><u>Transferable securities admitted to an official stock exchange listing</u></b> |                           |  |                      |                      |                             |
| <b>Bonds</b>   |                           |  |                      |                      |                             |
| BGN  | 4,000,000                 | KBC Ifima NV 7.6% EMTN Ser 3595 08/30.07.15                  | 2,044,842.41         | 2,157,416.56         | 2.10                        |
| EUR  | 500,000                   | Gaz Capital SA 4.364% EMTN LPN Gazprom OAO Sen 13/21.03.25   | 512,500.00           | 486,890.00           | 0.47                        |
| EUR  | 24,000                    | Slovenia 4% 07/22.03.18                                      | 22,489.20            | 26,384.40            | 0.03                        |
| EUR  | 2,000,000                 | Turkey 5.875% Sen 07/02.04.19                                | 2,330,000.00         | 2,289,900.00         | 2.22                        |
| EUR  | 1,300,000                 | VEB Finance Plc 4.032% LPN Vneshecon Reg S Ser 8 13/21.02.23 | 1,286,792.00         | 1,169,428.00         | 1.14                        |
|  |                           |  | 4,151,781.20         | 3,972,602.40         | 3.86                        |
| HUF  | 1,000,000,000             | Hungary 4% Ser 18/B 14/25.04.18                              | 3,248,625.00         | 3,311,150.76         | 3.22                        |
| HUF  | 195,000,000               | Hungary 5.5% Ser B 13/24.06.25                               | 660,251.92           | 672,896.71           | 0.65                        |
| HUF  | 250,000,000               | Hungary 6% Ser 23/A 07/24.11.23                              | 840,037.55           | 894,529.18           | 0.87                        |
| HUF  | 629,210,000               | Hungary 6.5% Ser 19/A 08/24.06.19                            | 2,127,989.41         | 2,270,433.74         | 2.21                        |
| HUF  | 965,000,000               | Hungary 6.75% Ser 17/A 01/24.11.17                           | 3,524,136.83         | 3,482,715.84         | 3.38                        |
| HUF  | 63,000,000                | Hungary 6.75% Ser 17/B 06/24.02.17                           | 224,494.29           | 223,392.54           | 0.22                        |
| HUF  | 150,000,000               | Hungary 6.75% Ser 28/A 11/22.10.28                           | 550,271.30           | 579,370.87           | 0.56                        |
| HUF  | 100,000,000               | Hungary 7% Ser 22A 11/24.06.22                               | 290,346.05           | 375,845.56           | 0.37                        |
|  |                           |  | 11,466,152.35        | 11,810,335.20        | 11.48                       |
| PLN  | 40,000,000                | Poland 2.5% Ser PS0718 13/25.07.18                           | 9,132,099.97         | 9,660,468.83         | 9.38                        |
| PLN  | 10,000,000                | Poland 4% Ser DS1023 12/25.10.23                             | 2,413,172.64         | 2,587,087.05         | 2.51                        |
| PLN  | 30,000,000                | Poland 4.75% Ser 1016 11/25.10.16                            | 7,509,547.17         | 7,577,982.23         | 7.36                        |
| PLN  | 38,100,000                | Poland 5.25% Ser 1017 06/25.10.17                            | 9,702,795.48         | 9,959,391.19         | 9.67                        |
| PLN  | 3,000,000                 | Poland 5.75% Ser 0429 08/25.04.29                            | 761,029.12           | 920,810.56           | 0.89                        |
| PLN  | 17,250,000                | Poland 5.75% Ser WS0922 02/23.09.22                          | 4,301,488.25         | 4,968,492.43         | 4.83                        |
|  |                           |  | 33,820,132.63        | 35,674,232.29        | 34.64                       |
| RON  | 12,000,000                | Romania 5.85% Ser 10Y 13/26.04.23                            | 2,976,460.58         | 3,051,617.51         | 2.96                        |
| TRY  | 3,000,000                 | Akbank T.A.S. 7.5% Reg S Sen 13/05.02.18                     | 1,282,774.99         | 932,990.20           | 0.91                        |
| TRY  | 3,000,000                 | SB Capital SA 7.4% LPN Reg S Ser 15 13/04.03.18              | 1,246,289.49         | 871,307.53           | 0.85                        |
| TRY  | 22,000,000                | Turkey 10% 10/17.06.15                                       | 7,667,003.85         | 7,660,325.66         | 7.44                        |
| TRY  | 6,000,000                 | Turkey 10.4% Sen 14/20.03.24                                 | 2,268,138.36         | 2,167,513.54         | 2.11                        |
| TRY  | 26,000,000                | Turkey 7.1% 13/08.03.23                                      | 9,365,626.74         | 7,673,659.07         | 7.45                        |
| TRY  | 10,500,000                | Turkey 9.5% 12/12.01.22                                      | 3,634,488.38         | 3,604,293.36         | 3.50                        |
| TRY  | 3,000,000                 | Turkiye Garanti Bankasi AS 7.375% Reg S Sen 13/07.03.18      | 1,269,873.28         | 930,875.61           | 0.90                        |
|  |                           |  | 26,734,195.09        | 23,840,964.97        | 23.16                       |
| USD  | 1,000,000                 | CEZ AS 4.25% Reg S 12/03.04.22                               | 748,179.86           | 833,281.87           | 0.81                        |
| USD  | 6,000,000                 | Hungary 5.375% Sen 14/25.03.24                               | 4,530,266.42         | 5,023,868.90         | 4.88                        |
| USD  | 2,500,000                 | Turkey 5.75% 14/22.03.24                                     | 1,972,153.55         | 2,104,658.98         | 2.04                        |
| USD  | 1,200,000                 | Turkiye Is Bankasi AS 5.1% Reg-S Sen 11/01.02.16             | 902,867.45           | 980,520.12           | 0.95                        |
|  |                           |  | 8,153,467.28         | 8,942,329.87         | 8.68                        |
| <b>Total bonds</b>   |                           |  | <b>89,347,031.54</b> | <b>89,449,498.80</b> | <b>86.88</b>                |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMERGING EUROPE

### Statement of investments and other net assets (in EUR) (continued)

as at 30th September 2014

| Currency   | Number /<br>nominal value | Description                                     | Cost                 | Market value                 | % of<br>total net<br>assets |
|--|---------------------------|---|----------------------|------------------------------|-----------------------------|
| <b><u>Transferable securities dealt in on another regulated market</u></b> |                           |   |                      |                              |                             |
| <b>Bonds</b>   |                           |   |                      |                              |                             |
| TRY  | 2,000,000                 | BNP Paribas Fortis Funding 10% EMTN 06/07.04.16 | 938,777.00           | 698,221.52                   | 0.68                        |
| USD  | 6,000,000                 | Slovakia 4.375% Reg-S Sen 12/21.05.22           | 4,724,063.43         | 5,069,231.68                 | 4.92                        |
| <b>Total bonds</b>   |                           |   | <u>5,662,840.43</u>  | <u>5,767,453.20</u>          | <u>5.60</u>                 |
| Total investments in securities  |                           |   | <u>95,009,871.97</u> | <u>95,216,952.00</u>         | <u>92.48</u>                |
| Cash at banks  |                           |   |                      | 8,045,579.74                 | 7.81                        |
| Other net assets/(liabilities)   |                           |   |                      | -301,102.12                  | -0.29                       |
| Total  |                           |   |                      | <u><u>102,961,429.62</u></u> | <u><u>100.00</u></u>        |

The accompanying notes are an integral part of these financial statements.



## **KBC BONDS GLOBAL EMERGING OPPORTUNITIES**

### **Investment policy and outlook**

from 1st October 2013 to 30th September 2014

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#### ***Review***

The goal of the Bonds Global Emerging Opportunities sub-fund is to invest in bonds denominated in higher-yield emerging-market currencies.

The positions maintained in the past financial half-year were primarily in bonds denominated in Asian (KRW, MYR, THB, CNY, INR) and Latin American (MXN, BRL) currencies. These currencies are characterised by higher rates than those offered on German government bonds and mostly come from countries with better growth prospects than the euro area.

The sub-fund had to contend in the first half of the financial year with a persistently strong euro. This picture changed, however, in the second half of the year after the ECB relaxed its monetary policy. The persistently disappointing economic growth in the euro area and the extremely low inflation figures continued to kindle the risk of deflation. In consequence the ECB felt obliged to cut interest rates still further and to pump additional liquidity into the banking system, either in the form of TLTROs or purchasing covered bonds and ABS. Monetary policy and the economic environment in the euro area are in sharp contrast to the United States, where the central bank, in response to the economic recovery, is making preparations for an initial interest rate hike. As a result, the US dollar clearly appreciated against the euro during the financial year. The appreciation of the US dollar also supported other dollar-related currencies such as the Korean won, Indian rupee, Hong Kong dollar, Chinese yuan, Malaysian ringgit and the Mexican peso - this in contrast to currencies with a large current account deficit, such as the Brazilian real and the South African rand. These currencies were unable to make good all of the losses in the first half of the year and depreciated on balance against the euro. Apart from the strong appreciation of the dollar the lower interest rates also supported the performance of the sub-fund.

#### ***Outlook***

We are also expecting the sub-fund to continue performing well next year. On the other hand, we expect the euro to weaken because of the widening rate spreads, e.g. with the United States, especially now that the ECB has opened the door to quantitative easing in the event that inflation should remain too low for too long. On the other hand, we expect the dollar to benefit from the economic recovery in the United States, and the associated higher interest rates. Furthermore, the interest rate spreads adjusted for the currency volatility remain attractive for a great many high-yielding currencies. This, combined with a fundamental overvaluation of the euro, offers good prospects for the sub-fund.

Note: The information in this report represents historical data and is not an indication of future results. It has not been audited or otherwise verified by the "réviseur d'entreprises agréé".

## KBC BONDS GLOBAL EMERGING OPPORTUNITIES

### Statement of net assets (in EUR)

as at 30th September 2014

#### Assets

|                                      |                |
|--------------------------------------|----------------|
| Securities portfolio at market value | 207,268,327.85 |
| Cash at banks                        | 1,865,829.26   |
| Income receivable on portfolio       | 2,946,869.70   |
| Total assets                         | 212,081,026.81 |

#### Liabilities

|                                   |                |
|-----------------------------------|----------------|
| Expenses payable                  | 361,427.50     |
| Total liabilities                 | 361,427.50     |
| Net assets at the end of the year | 211,719,599.31 |

|   |            |
|---|------------|
| Number of capitalisation shares outstanding | 3,017.0000 |
| Net asset value per capitalisation share    | 687.41     |

|  |              |
|--|--------------|
| Number of capitalisation shares "Institutional B Shares" outstanding | 304,587.0000 |
| Net asset value per capitalisation share "Institutional B Shares"    | 688.29       |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS GLOBAL EMERGING OPPORTUNITIES

### Statement of operations and other changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

#### **Income**

|  |              |
|--|--------------|
| Interest on bonds and other debt securities, net | 8,268,204.14 |
| Interest on bank accounts                        | 690.14       |
| Commissions received                             | 29,756.19    |
| Other income                                     | 23,158.00    |
| Total income                                     | 8,321,808.47 |

#### **Expenses**

|   |              |
|---|--------------|
| Management fees                         | 2,350,242.62 |
| Custodian fees                          | 96,544.25    |
| Transaction fees                        | 26,229.24    |
| Central administration costs            | 118,554.18   |
| Professional fees                       | 2,831.46     |
| Other administration costs              | 12,973.22    |
| Subscription duty ("taxe d'abonnement") | 20,412.74    |
| Other taxes                             | 182,542.19   |
| Interest paid on bank overdrafts        | 1,329.81     |
| Other expenses                          | 5,218.91     |
| Total expenses                          | 2,816,878.62 |

|                       |              |
|-----------------------|--------------|
| Net investment income | 5,504,929.85 |
|-----------------------|--------------|

#### **Net realised gain/(loss)**

|   |               |
|---|---------------|
| - on securities portfolio               | -4,527,175.98 |
| - on forward foreign exchange contracts | -54,178.18    |
| - on foreign exchange                   | -85,944.34    |
| Realised result                         | 837,631.35    |

#### **Net variation of the unrealised gain/(loss)**

|                           |               |
|---------------------------|---------------|
| - on securities portfolio | 14,847,473.40 |
| Result of operations      | 15,685,104.75 |

|                |   |
|----------------|---|
| Dividends paid | - |
|----------------|---|

|               |              |
|---------------|--------------|
| Subscriptions | 4,619,021.82 |
|---------------|--------------|

|             |               |
|-------------|---------------|
| Redemptions | -7,199,413.53 |
|-------------|---------------|

|                             |               |
|-----------------------------|---------------|
| Total changes in net assets | 13,104,713.04 |
|-----------------------------|---------------|

|   |                |
|---|----------------|
| Total net assets at the beginning of the year | 198,614,886.27 |
|---|----------------|

|   |                |
|---|----------------|
| Total net assets at the end of the year | 211,719,599.31 |
|---|----------------|

The accompanying notes are an integral part of these financial statements.

## KBC BONDS GLOBAL EMERGING OPPORTUNITIES

### Statistical information (in EUR)

as at 30th September 2014

|  |                |
|--|----------------|
| <b>Total net assets</b>  |                |
| - as at 30.09.2014   | 211,719,599.31 |
| - as at 30.09.2013   | 198,614,886.27 |
| - as at 30.09.2012   | 195,006,676.88 |
| <b>Portfolio Turnover Rate (in %)</b>  |                |
| - as at 30.09.2014   | 72.38          |
| <b>Number of capitalisation shares</b>                                       |                |
| - outstanding at the beginning of the year                                   | 3,276.2646     |
| - issued   | 23.0000        |
| - redeemed   | -282.2646      |
| - outstanding at the end of the year   | 3,017.0000     |
| <b>Net asset value per capitalisation share</b>                              |                |
| - as at 30.09.2014   | 687.41         |
| - as at 30.09.2013   | 635.91         |
| - as at 30.09.2012   | 664.96         |
| <b>Performances of capitalisation shares (in %)</b>                          |                |
| - as at 30.09.2014   | 8.10           |
| - as at 30.09.2013   | -4.37          |
| - as at 30.09.2012   | 13.58          |
| <b>TER per capitalisation share (in %)</b>                                   |                |
| - as at 30.09.2014   | 1.46           |
| <b>Number of capitalisation shares "Institutional B Shares"</b>              |                |
| - outstanding at the beginning of the year                                   | 308,780.0000   |
| - issued   | 6,942.0000     |
| - redeemed   | -11,135.0000   |
| - outstanding at the end of the year   | 304,587.0000   |
| <b>Net asset value per capitalisation share "Institutional B Shares"</b>     |                |
| - as at 30.09.2014   | 688.29         |
| - as at 30.09.2013   | 636.48         |
| - as at 30.09.2012   | 665.29         |
| <b>Performances of capitalisation shares "Institutional B Shares" (in %)</b> |                |
| - as at 30.09.2014   | 8.14           |
| - as at 30.09.2013   | -4.33          |
| - as at 30.09.2012   | -              |
| <b>TER per capitalisation share "Institutional B Shares" (in %)</b>          |                |
| - as at 30.09.2014   | 1.42           |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

# KBC BONDS GLOBAL EMERGING OPPORTUNITIES

## Statement of investments and other net assets (in EUR) as at 30th September 2014

| Currency   | Number /<br>nominal value | Description   | Cost                  | Market value          | % of<br>total net<br>assets |
|--|---------------------------|---|-----------------------|-----------------------|-----------------------------|
| <b><u>Investments in securities</u></b>  |                           |   |                       |                       |                             |
| <b><u>Transferable securities admitted to an official stock exchange listing</u></b> |                           |   |                       |                       |                             |
| <b>Bonds</b>   |                           |   |                       |                       |                             |
| CNY  | 12,000,000                | America Movil SAB de CV 3.5% Sen 12/08.02.15              | 1,524,201.58          | 1,548,663.66          | 0.73                        |
| CNY  | 11,500,000                | Asian Development Bank 2.85% EMTN Ser HK 10/21.10.20      | 1,348,063.17          | 1,442,459.92          | 0.68                        |
| CNY  | 16,000,000                | China 1.8% Sen 10/01.12.15                                | 1,978,485.26          | 2,047,953.93          | 0.97                        |
| CNY  | 50,000,000                | China 1.85% Reg S Sen 12/29.06.15                         | 6,081,806.84          | 6,414,977.56          | 3.03                        |
| CNY  | 15,000,000                | China 2.56% Reg S Sen 12/29.06.17                         | 1,899,542.95          | 1,920,498.47          | 0.91                        |
| CNY  | 200,000,000               | Intl Finance Corp 2% GMTN Ser 1303 14/18.01.17            | 24,185,114.97         | 25,596,973.74         | 12.09                       |
| CNY  | 40,000,000                | Swedish Export Credit 2.375% Sen 12/01.06.15              | 5,074,909.91          | 5,156,099.11          | 2.44                        |
|  |                           |   | <u>42,092,124.68</u>  | <u>44,127,626.39</u>  | <u>20.85</u>                |
| COP  | 2,600,000,000             | Colombia 12% 05/22.10.15                                  | 1,422,175.71          | 1,090,477.33          | 0.51                        |
| COP  | 19,000,000,000            | Colombia 9.85% 07/28.06.27                                | 11,749,973.25         | 9,534,333.38          | 4.50                        |
|  |                           |   | <u>13,172,148.96</u>  | <u>10,624,810.71</u>  | <u>5.01</u>                 |
| INR  | 250,000,000               | EBRD 5% Dual Currency 13/28.05.15                         | 2,852,112.68          | 3,161,924.66          | 1.49                        |
| INR  | 738,000,000               | EBRD 7.65% EMTN 14/18.02.15                               | 8,713,734.94          | 9,464,003.46          | 4.47                        |
| INR  | 300,000,000               | Intl Finance Corp 7.75% EMTN Ser 1279 Tr 4 13/03.12.16    | 3,555,649.89          | 3,940,135.42          | 1.86                        |
|  |                           |   | <u>15,121,497.51</u>  | <u>16,566,063.54</u>  | <u>7.82</u>                 |
| KRW  | 18,600,000,000            | Korea 3.25% Ser 0325-1412 11/10.12.14                     | 12,833,143.08         | 14,007,659.82         | 6.62                        |
| KRW  | 13,000,000,000            | Korea 3.25% Ser 0325-1506(12-2) 12/10.06.15               | 9,215,450.23          | 9,816,981.60          | 4.64                        |
|  |                           |   | <u>22,048,593.31</u>  | <u>23,824,641.42</u>  | <u>11.26</u>                |
| MXN  | 620,000                   | Mexico 10% Bonos M30 06/20.11.36                          | 4,422,000.98          | 4,954,132.00          | 2.34                        |
| MXN  | 1,700,000                 | Mexico 8% T-Bills Ser M 09/11.06.20                       | 10,818,701.46         | 11,288,401.67         | 5.33                        |
| MXN  | 1,800,000                 | Mexico 8.5% Ser M 10 09/13.12.18                          | 12,150,467.24         | 12,007,347.62         | 5.67                        |
| MXN  | 140,000                   | Mexico 9.5% Ser MI10 05/18.12.14                          | 909,801.41            | 836,913.70            | 0.39                        |
|  |                           |   | <u>28,300,971.09</u>  | <u>29,086,794.99</u>  | <u>13.73</u>                |
| THB  | 200,000,000               | Ministry of Finance 2.8% Sen 10/10.10.17                  | 4,889,419.96          | 4,904,970.78          | 2.32                        |
| ZAR  | 26,000,000                | EBRD 0% EMTN Reg S Sen 98/31.12.29                        | 517,704.16            | 515,706.80            | 0.24                        |
| ZAR  | 49,000,000                | EBRD 0% EMTN Sen 97/17.06.27                              | 1,217,571.85          | 1,249,906.20          | 0.59                        |
| ZAR  | 55,000,000                | EIB 7.5% EMTN 13/15.01.20                                 | 3,831,923.96          | 3,798,128.63          | 1.79                        |
| ZAR  | 30,000,000                | IBRD 0% Sen 97/01.04.22                                   | 1,130,009.89          | 1,164,776.64          | 0.55                        |
| ZAR  | 25,000,000                | Intl Finance Corp 0% EMTN Ser 10 97/21.10.22              | 895,291.29            | 906,901.87            | 0.43                        |
| ZAR  | 21,000,000                | Landwirtschaftliche Rentenbk 8.25% EMTN Reg S 14/23.05.22 | 1,453,437.20          | 1,452,923.73          | 0.69                        |
| ZAR  | 10,000,000                | South Africa 8% Ser R204 04/21.12.18                      | 857,261.92            | 712,728.64            | 0.34                        |
|  |                           |   | <u>9,903,200.27</u>   | <u>9,801,072.51</u>   | <u>4.63</u>                 |
| <b>Total bonds</b>   |                           |   | <u>135,527,955.78</u> | <u>138,935,980.34</u> | <u>65.62</u>                |
| <b><u>Transferable securities dealt in on another regulated market</u></b>           |                           |   |                       |                       |                             |
| <b>Bonds</b>   |                           |   |                       |                       |                             |
| MYR  | 49,000,000                | Malaysia 3.197% Ser 0312 12/15.10.15                      | 10,841,246.31         | 11,812,609.40         | 5.58                        |
| MYR  | 72,000,000                | Malaysia 3.314% Ser 12/0005 12/31.10.17                   | 17,794,496.11         | 17,267,892.99         | 8.16                        |
| MYR  | 21,500,000                | Malaysia 3.58% Ser 11/0005 11/28.09.18                    | 5,678,229.11          | 5,188,843.85          | 2.45                        |
| MYR  | 7,500,000                 | Malaysia 3.835% Ser 0110 10/12.08.15                      | 1,763,979.14          | 1,818,216.87          | 0.86                        |
| MYR  | 52,000,000                | Malaysia 4.262% Ser 06/0001 06/15.09.16                   | 12,666,659.61         | 12,768,649.42         | 6.03                        |
| MYR  | 42,000,000                | Malaysia 4.378% Ser 0902 09/29.11.19                      | 9,788,007.37          | 10,450,347.70         | 4.94                        |
|  |                           |   | <u>58,532,617.65</u>  | <u>59,306,560.23</u>  | <u>28.02</u>                |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS GLOBAL EMERGING OPPORTUNITIES

### Statement of investments and other net assets (in EUR) (continued)

as at 30th September 2014

| Currency                        | Number /<br>nominal value | Description                           | Cost                  | Market value          | % of<br>total net<br>assets |
|---------------------------------|---------------------------|---------------------------------------|-----------------------|-----------------------|-----------------------------|
| PHP                             | 50,000,000                | Philippines 4.95% 10/15.01.21         | 922,872.35            | 941,629.42            | 0.44                        |
| THB                             | 325,000,000               | Ministry of Finance 3.25% 11/16.06.17 | 8,235,102.47          | 8,084,157.86          | 3.82                        |
| <b>Total bonds</b>              |                           |                                       | <u>67,690,592.47</u>  | <u>68,332,347.51</u>  | <u>32.28</u>                |
| Total investments in securities |                           |                                       | <u>203,218,548.25</u> | <u>207,268,327.85</u> | <u>97.90</u>                |
| Cash at banks                   |                           |                                       |                       | 1,865,829.26          | 0.88                        |
| Other net assets/(liabilities)  |                           |                                       |                       | 2,585,442.20          | 1.22                        |
| Total                           |                           |                                       |                       | <u>211,719,599.31</u> | <u>100.00</u>               |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMU SHORT

### Statement of net assets (in EUR)

as at 30th September 2014

#### Assets

|                                      |                |
|--------------------------------------|----------------|
| Securities portfolio at market value | 757,523,642.50 |
| Cash at banks                        | 7,369,749.61   |
| Receivable on issues of shares       | 3,626,026.61   |
| Income receivable on portfolio       | 10,044,172.86  |
|                                      | <hr/>          |
| Total assets                         | 778,563,591.58 |

#### Liabilities

|                                  |            |
|----------------------------------|------------|
| Other liquid liabilities         | 1.87       |
| Payable on redemptions of shares | 2,137.55   |
| Expenses payable                 | 476,702.46 |
|                                  | <hr/>      |
| Total liabilities                | 478,841.88 |

|                                   |                |
|-----------------------------------|----------------|
| Net assets at the end of the year | 778,084,749.70 |
|-----------------------------------|----------------|

|  |              |
|--|--------------|
| Number of capitalisation shares "Institutional B Shares" outstanding | 727,414.3500 |
| Net asset value per capitalisation share "Institutional B Shares"    | 1,069.66     |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMU SHORT

### Statement of operations and other changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

#### **Income**

|  |               |
|--|---------------|
| Interest on bonds and other debt securities, net | 9,857,575.85  |
| Interest on bank accounts                        | 566.96        |
| Commissions received                             | 1,165,761.00  |
| Total income                                     | 11,023,903.81 |

#### **Expenses**

|   |              |
|---|--------------|
| Management fees                         | 2,435,393.94 |
| Custodian fees                          | 134,331.50   |
| Banking charges and other fees          | 600.00       |
| Transaction fees                        | 599.10       |
| Central administration costs            | 164,798.73   |
| Professional fees                       | 3,947.34     |
| Other administration costs              | 11,186.08    |
| Subscription duty ("taxe d'abonnement") | 43,748.74    |
| Interest paid on bank overdrafts        | 848.28       |
| Other expenses                          | 4,918.11     |
| Total expenses                          | 2,800,371.82 |

|                       |              |
|-----------------------|--------------|
| Net investment income | 8,223,531.99 |
|-----------------------|--------------|

#### **Net realised gain/(loss)**

|                           |               |
|---------------------------|---------------|
| - on securities portfolio | -1,360,974.95 |
| - on futures contracts    | 11,905.00     |
| Realised result           | 6,874,462.04  |

#### **Net variation of the unrealised gain/(loss)**

|                           |              |
|---------------------------|--------------|
| - on securities portfolio | -801,430.75  |
| Result of operations      | 6,073,031.29 |

|                |   |
|----------------|---|
| Dividends paid | - |
|----------------|---|

|               |                  |
|---------------|------------------|
| Subscriptions | 1,163,453,598.63 |
|---------------|------------------|

|             |                 |
|-------------|-----------------|
| Redemptions | -525,010,208.83 |
|-------------|-----------------|

|                             |                |
|-----------------------------|----------------|
| Total changes in net assets | 644,516,421.09 |
|-----------------------------|----------------|

|   |                |
|---|----------------|
| Total net assets at the beginning of the year | 133,568,328.61 |
|---|----------------|

|   |                |
|---|----------------|
| Total net assets at the end of the year | 778,084,749.70 |
|---|----------------|

The accompanying notes are an integral part of these financial statements.



## KBC BONDS EMU SHORT

### Statistical information (in EUR)

as at 30th September 2014

#### Total net assets

|                    |                |
|--------------------|----------------|
| - as at 30.09.2014 | 778,084,749.70 |
| - as at 30.09.2013 | 133,568,328.61 |
| - as at 30.09.2012 | 97,669,014.35  |

#### Portfolio Turnover Rate (in %)

|                    |       |
|--------------------|-------|
| - as at 30.09.2014 | 91.25 |
|--------------------|-------|

#### Number of capitalisation shares "Institutional B Shares"

|  |                |
|--|----------------|
| - outstanding at the beginning of the year | 127,779.8752   |
| - issued                                   | 1,093,467.0000 |
| - redeemed                                 | -493,832.5252  |
| - outstanding at the end of the year       | 727,414.3500   |

#### Net asset value per capitalisation share "Institutional B Shares"

|                    |          |
|--------------------|----------|
| - as at 30.09.2014 | 1,069.66 |
| - as at 30.09.2013 | 1,045.30 |
| - as at 30.09.2012 | 1,030.11 |

#### Performances of capitalisation shares "Institutional B Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 2.33 |
| - as at 30.09.2013 | 1.47 |
| - as at 30.09.2012 | -    |

#### TER per capitalisation share "Institutional B Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 0.81 |
|--------------------|------|

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMU SHORT

### Statement of investments and other net assets (in EUR)

as at 30th September 2014

| Currency   | Number /<br>nominal value | Description                           | Cost           | Market value   | % of<br>total net<br>assets |
|--|---------------------------|---------------------------------------|----------------|----------------|-----------------------------|
| <b><u>Investments in securities</u></b>  |                           |                                       |                |                |                             |
| <b><u>Transferable securities admitted to an official stock exchange listing</u></b> |                           |                                       |                |                |                             |
| <b>Bonds</b>   |                           |                                       |                |                |                             |
| EUR  | 11,000,000                | Belgium 2.75% OLO Ser 59 10/28.03.16  | 11,500,542.83  | 11,453,750.00  | 1.47                        |
| EUR  | 2,500,000                 | Belgium 3.25% OLO Ser 47 06/28.09.16  | 2,671,828.42   | 2,663,125.00   | 0.34                        |
| EUR  | 13,000,000                | Belgium 3.5% Ser 63 11/28.06.17       | 14,254,438.00  | 14,252,550.00  | 1.83                        |
| EUR  | 24,800,000                | Deutschland 0.5% Ser 163 12/07.04.17  | 25,113,238.25  | 25,149,680.00  | 3.23                        |
| EUR  | 30,000,000                | Deutschland 1.25% Ser 161 11/14.10.16 | 30,799,380.00  | 30,809,250.00  | 3.96                        |
| EUR  | 33,000,000                | Deutschland 2% Ser 159 11/26.02.16    | 33,995,280.00  | 33,959,475.00  | 4.37                        |
| EUR  | 28,500,000                | Deutschland 3.5% Ser 05 05/04.01.16   | 30,126,616.76  | 29,780,362.50  | 3.83                        |
| EUR  | 35,000,000                | Deutschland 6% Ser 2 86/20.06.16      | 38,978,281.85  | 38,644,375.00  | 4.97                        |
| EUR  | 25,000,000                | Espana 2.1% 13/30.04.17               | 26,089,250.00  | 26,053,750.00  | 3.35                        |
| EUR  | 13,200,000                | Espana 3.15% 05/31.01.16              | 13,713,146.41  | 13,706,880.00  | 1.76                        |
| EUR  | 26,000,000                | Espana 3.25% 10/30.04.16              | 27,260,234.48  | 27,215,500.00  | 3.50                        |
| EUR  | 10,600,000                | Espana 3.3% Sen 13/30.07.16           | 11,188,151.85  | 11,179,290.00  | 1.44                        |
| EUR  | 26,100,000                | Espana 3.8% 06/31.01.17               | 28,009,691.43  | 28,184,085.00  | 3.62                        |
| EUR  | 26,400,000                | Espana 4.25% 11/31.10.16              | 28,536,807.50  | 28,542,360.00  | 3.67                        |
| EUR  | 4,000,000                 | Finland 1.75% Sen 10/15.04.16         | 4,123,505.74   | 4,110,200.00   | 0.53                        |
| EUR  | 3,500,000                 | Finland 1.875% 11/15.04.17            | 3,666,390.00   | 3,668,000.00   | 0.47                        |
| EUR  | 8,000,000                 | France 0.25% OAT 13/25.11.15          | 8,015,063.70   | 8,026,200.00   | 1.03                        |
| EUR  | 50,000,000                | France 1.75% BTAN 12/25.02.17         | 52,108,267.50  | 52,113,750.00  | 6.70                        |
| EUR  | 39,600,000                | France 2.25% 11/25.02.16              | 40,993,245.64  | 40,865,220.00  | 5.25                        |
| EUR  | 28,800,000                | France 2.5% 10/25.07.16               | 30,196,613.00  | 30,119,760.00  | 3.87                        |
| EUR  | 10,800,000                | France 3.25% OAT 06/25.04.16          | 11,493,429.31  | 11,352,960.00  | 1.46                        |
| EUR  | 30,600,000                | France 5% OAT 01/25.10.16             | 34,159,511.00  | 33,780,105.00  | 4.34                        |
| EUR  | 37,600,000                | Italia 1.5% BTP Sen 14/15.12.16       | 38,209,014.00  | 38,444,120.00  | 4.94                        |
| EUR  | 23,880,000                | Italia 2.25% BTP Sen 13/15.05.16      | 24,511,779.48  | 24,607,743.00  | 3.16                        |
| EUR  | 9,960,000                 | Italia 2.75% BTP 12/01.12.15          | 10,259,655.87  | 10,242,117.00  | 1.32                        |
| EUR  | 9,000,000                 | Italia 3.75% BTP 06/01.08.16          | 9,567,303.36   | 9,552,150.00   | 1.23                        |
| EUR  | 34,000,000                | Italia 4% BTP 07/01.02.17             | 36,661,624.91  | 36,750,600.00  | 4.72                        |
| EUR  | 21,800,000                | Italia 4.75% BTP 11/15.09.16          | 23,698,214.00  | 23,630,110.00  | 3.04                        |
| EUR  | 38,000,000                | Italia 4.75% BTP 12/01.05.17          | 42,189,120.00  | 42,079,300.00  | 5.41                        |
| EUR  | 2,400,000                 | Netherlands 0% 13/15.04.16            | 2,394,782.00   | 2,401,200.00   | 0.31                        |
| EUR  | 9,600,000                 | Netherlands 0.5% CTr 14/15.04.17      | 9,702,672.00   | 9,724,560.00   | 1.25                        |
| EUR  | 20,400,000                | Netherlands 2.5% 11/15.01.17          | 21,615,231.09  | 21,576,570.00  | 2.77                        |
| EUR  | 16,000,000                | Netherlands 4% 06/15.07.16            | 17,239,548.33  | 17,151,600.00  | 2.20                        |
| EUR  | 7,400,000                 | Oesterreich 3.2% Sen 10/20.02.17      | 7,982,656.00   | 7,967,025.00   | 1.02                        |
| EUR  | 7,200,000                 | Oesterreich 4% 06/15.09.16            | 7,824,116.00   | 7,765,920.00   | 1.00                        |
| Total investments in securities  |                           |                                       | 758,848,630.71 | 757,523,642.50 | 97.36                       |
| Cash at banks  |                           |                                       |                | 7,369,749.61   | 0.95                        |
| Other net assets/(liabilities)   |                           |                                       |                | 13,191,357.59  | 1.69                        |
| Total  |                           |                                       |                | 778,084,749.70 | 100.00                      |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMU SHORT MEDIUM

### Statement of net assets (in EUR)

as at 30th September 2014

#### **Assets**

|                                      |               |
|--------------------------------------|---------------|
| Securities portfolio at market value | 18,775,164.75 |
| Cash at banks                        | 114,476.84    |
| Other liquid assets                  | 9,024.05      |
| Receivable on issues of shares       | 155,867.44    |
| Income receivable on portfolio       | 231,936.22    |
| Total assets                         | 19,286,469.30 |

#### **Liabilities**

|                                   |               |
|-----------------------------------|---------------|
| Expenses payable                  | 12,393.63     |
| Total liabilities                 | 12,393.63     |
| Net assets at the end of the year | 19,274,075.67 |

|  |             |
|--|-------------|
| Number of capitalisation shares "Institutional B Shares" outstanding | 16,444.6153 |
| Net asset value per capitalisation share "Institutional B Shares"    | 1,172.06    |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMU SHORT MEDIUM

### Statement of operations and other changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

#### **Income**

|  |              |
|--|--------------|
| Interest on bonds and other debt securities, net | 2,325,102.33 |
| Interest on bank accounts                        | 193.73       |
| Commissions received                             | 132,515.45   |
| Total income                                     | 2,457,811.51 |

#### **Expenses**

|   |            |
|---|------------|
| Management fees                         | 561,407.44 |
| Custodian fees                          | 43,468.98  |
| Banking charges and other fees          | 740.00     |
| Transaction fees                        | 241.19     |
| Central administration costs            | 53,866.36  |
| Professional fees                       | 1,784.72   |
| Other administration costs              | 5,667.52   |
| Subscription duty ("taxe d'abonnement") | 6,937.08   |
| Interest paid on bank overdrafts        | 127.83     |
| Other expenses                          | 1,411.99   |
| Total expenses                          | 675,653.11 |

|                       |              |
|-----------------------|--------------|
| Net investment income | 1,782,158.40 |
|-----------------------|--------------|

#### **Net realised gain/(loss)**

|                           |              |
|---------------------------|--------------|
| - on securities portfolio | 2,309,523.64 |
| - on futures contracts    | 133,340.00   |
| Realised result           | 4,225,022.04 |

#### **Net variation of the unrealised gain/(loss)**

|                           |              |
|---------------------------|--------------|
| - on securities portfolio | 517,680.04   |
| - on futures contracts    | -18,480.00   |
| Result of operations      | 4,724,222.08 |

|                |   |
|----------------|---|
| Dividends paid | - |
|----------------|---|

|               |               |
|---------------|---------------|
| Subscriptions | 49,335,248.11 |
|---------------|---------------|

|             |                 |
|-------------|-----------------|
| Redemptions | -134,669,729.52 |
|-------------|-----------------|

|                             |                |
|-----------------------------|----------------|
| Total changes in net assets | -80,610,259.33 |
|-----------------------------|----------------|

|   |               |
|---|---------------|
| Total net assets at the beginning of the year | 99,884,335.00 |
|---|---------------|

|   |               |
|---|---------------|
| Total net assets at the end of the year | 19,274,075.67 |
|---|---------------|

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMU SHORT MEDIUM

### Statistical information (in EUR)

as at 30th September 2014

#### Total net assets

|                    |               |
|--------------------|---------------|
| - as at 30.09.2014 | 19,274,075.67 |
| - as at 30.09.2013 | 99,884,335.00 |
| - as at 30.09.2012 | 57,650,581.92 |

#### Portfolio Turnover Rate (in %)

|                    |       |
|--------------------|-------|
| - as at 30.09.2014 | 89.82 |
|--------------------|-------|

#### Number of capitalisation shares "Institutional B Shares"

|  |               |
|--|---------------|
| - outstanding at the beginning of the year | 90,465.6139   |
| - issued                                   | 43,571.1360   |
| - redeemed                                 | -117,592.1346 |
| - outstanding at the end of the year       | 16,444.6153   |

#### Net asset value per capitalisation share "Institutional B Shares"

|                    |          |
|--------------------|----------|
| - as at 30.09.2014 | 1,172.06 |
| - as at 30.09.2013 | 1,104.11 |
| - as at 30.09.2012 | 1,076.30 |

#### Performances of capitalisation shares "Institutional B Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 6.15 |
| - as at 30.09.2013 | 2.58 |
| - as at 30.09.2012 | -    |

#### TER per capitalisation share "Institutional B Shares" (in %)

|                    |      |
|--------------------|------|
| - as at 30.09.2014 | 0.84 |
|--------------------|------|

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMU SHORT MEDIUM

### Statement of investments and other net assets (in EUR)

as at 30th September 2014

| Currency   | Number /<br>nominal value | Description                             | Cost          | Market value  | % of<br>total net<br>assets |
|--|---------------------------|---|---------------|---------------|-----------------------------|
| <b><u>Investments in securities</u></b>  |                           |   |               |               |                             |
| <b><u>Transferable securities admitted to an official stock exchange listing</u></b> |                           |   |               |               |                             |
| <b>Bonds</b>   |                           |   |               |               |                             |
| EUR  | 200,000                   | Belgium 1.25% Ser 69 13/22.06.18        | 199,866.00    | 208,595.00    | 1.08                        |
| EUR  | 400,000                   | Belgium 4% OLO Ser 52 08/28.03.18       | 461,062.73    | 454,740.00    | 2.36                        |
| EUR  | 140,000                   | Belgium 4% Ser 55 09/28.03.19           | 162,142.60    | 163,842.00    | 0.85                        |
| EUR  | 700,000                   | Deutschland 0.25% Ser 166 13/13.04.18   | 688,824.24    | 706,667.50    | 3.67                        |
| EUR  | 1,220,000                 | Deutschland 1% Ser 168 14/22.02.19      | 1,253,611.57  | 1,269,745.50  | 6.59                        |
| EUR  | 600,000                   | Deutschland 3.5% Ser 09 09/04.07.19     | 696,972.00    | 696,975.00    | 3.62                        |
| EUR  | 240,000                   | Deutschland 3.75% 08/04.01.19           | 273,427.20    | 277,950.00    | 1.44                        |
| EUR  | 550,000                   | Deutschland 4% Ser 07 07/04.01.18       | 631,555.90    | 622,751.25    | 3.23                        |
| EUR  | 200,000                   | Deutschland 4.25% Ser 08 08/04.07.18    | 233,831.20    | 232,075.00    | 1.20                        |
| EUR  | 820,000                   | Espana 2.75% Sen 14/30.04.19            | 878,018.10    | 890,684.00    | 4.62                        |
| EUR  | 400,000                   | Espana 3.75% 13/31.10.18                | 431,798.30    | 448,480.00    | 2.33                        |
| EUR  | 900,000                   | Espana 4.1% Sen 08/30.07.18             | 954,609.25    | 1,015,695.00  | 5.27                        |
| EUR  | 280,000                   | Espana 4.5% 12/31.01.18                 | 293,450.01    | 315,770.00    | 1.64                        |
| EUR  | 180,000                   | Finland 1.125% 13/15.09.18              | 184,213.20    | 187,276.50    | 0.97                        |
| EUR  | 100,000                   | Finland 3.875% 06/15.09.17              | 114,917.34    | 111,440.00    | 0.58                        |
| EUR  | 750,000                   | France 1% OAT 13/25.05.18               | 750,246.43    | 774,600.00    | 4.02                        |
| EUR  | 950,000                   | France 1% OAT 13/25.11.18               | 939,199.26    | 982,680.00    | 5.10                        |
| EUR  | 540,000                   | France 4.25% 08/25.10.18                | 627,913.20    | 630,072.00    | 3.27                        |
| EUR  | 710,000                   | France 4.25% OAT 03/25.04.19            | 835,444.88    | 840,160.75    | 4.36                        |
| EUR  | 330,000                   | France 4.25% OAT 07/25.10.17            | 375,881.63    | 372,842.25    | 1.93                        |
| EUR  | 260,000                   | Ireland 4.5% T-Bonds 07/18.10.18        | 298,705.40    | 303,641.00    | 1.58                        |
| EUR  | 660,000                   | Italia 2.5% BTP Sen 14/01.05.19         | 689,384.80    | 704,583.00    | 3.66                        |
| EUR  | 1,100,000                 | Italia 3.5% 13/01.06.18                 | 1,122,695.36  | 1,207,250.00  | 6.26                        |
| EUR  | 500,000                   | Italia 3.5% BTP Sen 13/01.12.18         | 531,347.05    | 553,950.00    | 2.87                        |
| EUR  | 500,000                   | Italia 4.25% BTP 03/01.02.19            | 549,327.73    | 571,537.50    | 2.96                        |
| EUR  | 360,000                   | Italia 4.25% BTP 09/01.09.19            | 414,392.40    | 415,854.00    | 2.16                        |
| EUR  | 500,000                   | Italia 4.5% BTP 07/01.02.18             | 554,958.98    | 562,325.00    | 2.92                        |
| EUR  | 50,000                    | Italia 4.5% BTP 08/01.03.19             | 56,502.50     | 57,810.00     | 0.30                        |
| EUR  | 850,000                   | Italia 4.5% BTP 08/01.08.18             | 913,070.00    | 968,341.25    | 5.02                        |
| EUR  | 200,000                   | Netherlands 1.25% 12/15.01.18           | 204,779.33    | 208,080.00    | 1.08                        |
| EUR  | 750,000                   | Netherlands 1.25% Ser 144A 13/15.01.19  | 776,418.96    | 785,381.25    | 4.07                        |
| EUR  | 250,000                   | Netherlands 4% 08/15.07.18              | 284,512.50    | 287,225.00    | 1.49                        |
| EUR  | 400,000                   | Oesterreich 4.35% 08/15.03.19           | 470,718.20    | 474,030.00    | 2.46                        |
| EUR  | 410,000                   | Oesterreich 4.65% Sen Ser 2 03/15.01.18 | 480,238.33    | 472,115.00    | 2.45                        |
| Total investments in securities  |                           |   | 18,334,036.58 | 18,775,164.75 | 97.41                       |
| Cash at banks  |                           |   |               | 114,476.84    | 0.59                        |
| Other net assets/(liabilities)   |                           |   |               | 384,434.08    | 2.00                        |
| Total  |                           |   |               | 19,274,075.67 | 100.00                      |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS STRATEGIC EMERGING MARKETS

### Statement of net assets (in EUR)

as at 30th September 2014

#### Assets

|                                      |                |
|--------------------------------------|----------------|
| Securities portfolio at market value | 169,279,719.69 |
| Cash at banks                        | 16,803,275.55  |
| Receivable on sales of securities    | 17,430,471.94  |
| Income receivable on portfolio       | 2,206,199.34   |
| Total assets                         | 205,719,666.52 |

#### Liabilities

|   |              |
|---|--------------|
| Payable on purchases of securities                    | 6,595,916.43 |
| Unrealised loss on forward foreign exchange contracts | 31,083.27    |
| Expenses payable                                      | 202,720.69   |
| Total liabilities                                     | 6,829,720.39 |

|                                   |                |
|-----------------------------------|----------------|
| Net assets at the end of the year | 198,889,946.13 |
|-----------------------------------|----------------|

|  |              |
|--|--------------|
| Number of capitalisation shares "Institutional B Shares" outstanding | 201,987.0000 |
| Net asset value per capitalisation share "Institutional B Shares"    | 984.67       |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS STRATEGIC EMERGING MARKETS

### Statement of operations and other changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

#### **Income**

|  |               |
|--|---------------|
| Interest on bonds and other debt securities, net | 11,358,939.43 |
| Interest on bank accounts                        | 15,009.69     |
| Commissions received                             | 43,302.09     |
| Total income                                     | 11,417,251.21 |

#### **Expenses**

|   |              |
|---|--------------|
| Management fees                         | 2,257,537.11 |
| Custodian fees                          | 93,292.25    |
| Central administration costs            | 114,590.96   |
| Professional fees                       | 2,850.12     |
| Other administration costs              | 8,288.62     |
| Subscription duty ("taxe d'abonnement") | 18,760.20    |
| Other expenses                          | 2,859.92     |
| Total expenses                          | 2,498,179.18 |

|                       |              |
|-----------------------|--------------|
| Net investment income | 8,919,072.03 |
|-----------------------|--------------|

#### **Net realised gain/(loss)**

|   |                |
|---|----------------|
| - on securities portfolio               | -12,484,399.98 |
| - on forward foreign exchange contracts | 28,087.86      |
| - on foreign exchange                   | 28,448.71      |
| Realised result                         | -3,508,791.38  |

#### **Net variation of the unrealised gain/(loss)**

|   |               |
|---|---------------|
| - on securities portfolio               | 11,756,591.47 |
| - on forward foreign exchange contracts | -31,083.27    |

|                      |              |
|----------------------|--------------|
| Result of operations | 8,216,716.82 |
|----------------------|--------------|

|                |   |
|----------------|---|
| Dividends paid | - |
|----------------|---|

|               |              |
|---------------|--------------|
| Subscriptions | 3,868,749.50 |
|---------------|--------------|

|             |                |
|-------------|----------------|
| Redemptions | -13,452,088.58 |
|-------------|----------------|

|                             |               |
|-----------------------------|---------------|
| Total changes in net assets | -1,366,622.26 |
|-----------------------------|---------------|

|   |                |
|---|----------------|
| Total net assets at the beginning of the year | 200,256,568.39 |
|---|----------------|

|   |                |
|---|----------------|
| Total net assets at the end of the year | 198,889,946.13 |
|---|----------------|

The accompanying notes are an integral part of these financial statements.



## KBC BONDS STRATEGIC EMERGING MARKETS

### Statistical information (in EUR)

as at 30th September 2014

|  |                |
|--|----------------|
| <b>Total net assets</b>  |                |
| - as at 30.09.2014   | 198,889,946.13 |
| - as at 30.09.2013   | 200,256,568.39 |
| <b>Portfolio Turnover Rate (in %)</b>  |                |
| - as at 30.09.2014   | 145.46         |
| <b>Number of capitalisation shares "Institutional B Shares"</b>              |                |
| - outstanding at the beginning of the year                                   | 212,336.0000   |
| - issued   | 4,025.0000     |
| - redeemed   | -14,374.0000   |
| - outstanding at the end of the year   | 201,987.0000   |
| <b>Net asset value per capitalisation share "Institutional B Shares"</b>     |                |
| - as at 30.09.2014   | 984.67         |
| - as at 30.09.2013   | 943.11         |
| <b>Performances of capitalisation shares "Institutional B Shares" (in %)</b> |                |
| - as at 30.09.2014   | 4.41           |
| - as at 30.09.2013   | -              |
| - as at 30.09.2012   | -              |
| <b>TER per capitalisation share "Institutional B Shares" (in %)</b>          |                |
| - as at 30.09.2014   | 1.33           |

Annual performances were calculated for the last 3 consecutive financial years. For sub-funds / share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the SICAV.

The accompanying notes are an integral part of these financial statements.

## KBC BONDS STRATEGIC EMERGING MARKETS

### Statement of investments and other net assets (in EUR)

as at 30th September 2014

| Currency   | Number /<br>nominal value | Description   | Cost           | Market value   | % of<br>total net<br>assets |
|--|---------------------------|---|----------------|----------------|-----------------------------|
| <b><u>Investments in securities</u></b>  |                           |   |                |                |                             |
| <b><u>Transferable securities admitted to an official stock exchange listing</u></b> |                           |   |                |                |                             |
| <b>Bonds</b>   |                           |   |                |                |                             |
| BRL  | 10,668,000                | Asian Development Bank 5.25% EMTN 12/25.09.15             | 3,647,966.61   | 3,293,191.36   | 1.66                        |
| BRL  | 12,000,000                | EBRD 5.5% EMTN Sen 12/16.10.15                            | 3,780,028.52   | 3,709,595.03   | 1.87                        |
| BRL  | 11,830,000                | EIB 5.5% EMTN Sen 12/25.09.15                             | 3,725,434.12   | 3,663,983.79   | 1.84                        |
| BRL  | 4,500,000                 | Intl Finance Corp 5% GMTN Dual Currency Sen 12/21.12.15   | 1,348,380.92   | 1,371,182.29   | 0.69                        |
| BRL  | 10,000,000                | Swedish Export Credit 7% EMTN Sen 12/10.05.16             | 3,508,237.91   | 3,060,504.15   | 1.54                        |
|  |                           |   | 16,010,048.08  | 15,098,456.62  | 7.60                        |
| COP  | 6,000,000,000             | IBRD 3% Ser 10923 13/26.02.15                             | 2,377,116.39   | 2,343,214.47   | 1.18                        |
| COP  | 6,000,000,000             | IBRD 3.875% Ser 10814 GDIF 12/10.09.15                    | 2,400,270.13   | 2,346,426.26   | 1.18                        |
|  |                           |   | 4,777,386.52   | 4,689,640.73   | 2.36                        |
| INR  | 85,600,000                | EBRD 7.65% EMTN 14/18.02.15                               | 1,096,739.77   | 1,097,721.81   | 0.55                        |
| INR  | 310,000,000               | EIB 5.75% EMTN Reg S Sen 14/09.10.17                      | 3,965,019.65   | 3,944,563.57   | 1.98                        |
| INR  | 200,000,000               | IADB 6% EMTN Ser 481 14/05.09.17                          | 2,573,254.92   | 2,563,722.35   | 1.29                        |
|  |                           |   | 7,635,014.34   | 7,606,007.73   | 3.82                        |
| KRW  | 9,000,000,000             | Korea 2.75% Ser 02750-1606 13/10.06.16                    | 6,781,247.77   | 6,790,559.63   | 3.41                        |
| KRW  | 10,000,000,000            | Korea 2.75% Ser 1709 12/10.09.17                          | 7,529,680.35   | 7,594,587.36   | 3.82                        |
| KRW  | 10,000,000,000            | Korea 2.75% Ser 1803 13/10.03.18                          | 7,518,447.77   | 7,597,138.84   | 3.82                        |
| KRW  | 10,000,000,000            | Korea 2.75% Ser KTB02750-1706 14/10.06.17                 | 7,509,918.59   | 7,583,969.14   | 3.81                        |
|  |                           |   | 29,339,294.48  | 29,566,254.97  | 14.86                       |
| MXN  | 870,000                   | Mexico 6% Bonos Ser M 10/18.06.15                         | 5,363,857.43   | 5,235,086.67   | 2.63                        |
| MXN  | 2,920,000                 | Mexico 6.5% Bonos Ser M 11/09.06.22                       | 18,929,501.47  | 17,848,943.09  | 8.97                        |
| MXN  | 2,150,000                 | Mexico 8.5% Bonos Ser 11 30 09/18.11.38                   | 16,155,586.31  | 15,013,591.87  | 7.55                        |
| MXN  | 2,930,000                 | Mexico 9.5% Ser M110 05/18.12.14                          | 18,862,386.01  | 17,515,408.01  | 8.81                        |
|  |                           |   | 59,311,331.22  | 55,613,029.64  | 27.96                       |
| PHP  | 250,000,000               | EIB 5% EMTN Sen 10/03.08.15                               | 4,558,155.01   | 4,520,468.62   | 2.27                        |
| ZAR  | 80,000,000                | Landwirtschaftliche Rentenbk 8.25% EMTN Reg S 14/23.05.22 | 5,533,004.75   | 5,534,947.56   | 2.78                        |
|  |                           |   | 127,164,234.40 | 122,628,805.87 | 61.65                       |
| <b><u>Total bonds</u></b>  |                           |   |                |                |                             |
| <b><u>Transferable securities dealt in on another regulated market</u></b>           |                           |   |                |                |                             |
| <b>Bonds</b>   |                           |   |                |                |                             |
| MYR  | 12,000,000                | Malaysia 3.197% Ser 0312 12/15.10.15                      | 2,723,594.88   | 2,892,883.94   | 1.46                        |
| MYR  | 12,000,000                | Malaysia 3.394% Ser 0214 14/15.03.17                      | 2,812,230.65   | 2,891,580.58   | 1.45                        |
| MYR  | 15,000,000                | Malaysia 3.835% Ser 0110 10/12.08.15                      | 3,352,624.49   | 3,636,433.74   | 1.83                        |
| MYR  | 35,000,000                | Malaysia 4.262% Ser 06/0001 06/15.09.16                   | 8,077,878.19   | 8,594,283.26   | 4.32                        |
| MYR  | 15,000,000                | Malaysia 4.378% Ser 0902 09/29.11.19                      | 3,404,636.55   | 3,732,267.04   | 1.88                        |
|  |                           |   | 20,370,964.76  | 21,747,448.56  | 10.94                       |
| PEN  | 25,750,000                | Peru 7.84% Reg-S Sen 05/12.08.20                          | 8,620,061.53   | 8,035,801.09   | 4.04                        |
| USD  | 21,300,000                | US 0.5% T-Notes Ser BC-2016 14/31.07.16                   | 16,065,397.09  | 16,867,664.17  | 8.48                        |
|  |                           |   | 45,056,423.38  | 46,650,913.82  | 23.46                       |
| <b>Total investments in securities</b>   |                           |   | 172,220,657.78 | 169,279,719.69 | 85.11                       |
| <b>Cash at banks</b>   |                           |   |                | 16,803,275.55  | 8.45                        |
| <b>Other net assets/(liabilities)</b>  |                           |   |                | 12,806,950.89  | 6.44                        |
| <b>Total</b>   |                           |   |                | 198,889,946.13 | 100.00                      |

The accompanying notes are an integral part of these financial statements.

## KBC BONDS

### Notes to the financial statements

as at 30th September 2014

#### Note 1 - Significant accounting policies

##### a) Presentation of the financial statements

The financial statements of the SICAV are established in accordance with the Luxembourg legal and regulatory requirements concerning Undertakings for Collective Investment.

##### b) Valuation of assets

- 1) The value of cash in hand or on deposit, of bills and demand notes, of accounts receivable, of pre-paid expenses and of dividends and interest announced or payable and not yet received is formed by the nominal value of such assets, unless it appears unlikely that the full value can be received in which case the value will be determined by making such deduction as the Board of Directors considers appropriate to reflect the fair value thereof.
- 2) The value of all transferable securities and money market instruments traded or listed on a stock exchange is determined on the basis of the last available price unless this price is not representative.
- 3) The value of all transferable securities and money market instruments traded on another regulated market is determined according to the last available price.
- 4) If transferable securities and money market instruments in portfolio on the Valuation Day are not traded or listed on a stock exchange or other regulated market or, if for securities and instruments traded or listed on a stock exchange or other regulated market, the price determined in accordance with the two paragraphs above is not representative of the fair value of such transferable securities and money market instruments, these will be determined on the basis of the foreseeable sale price, as estimated by the Board of Directors prudently and in good faith.
- 5) UCITS and other UCIs are valued on the basis of the last available net asset value for the UCITS and other underlying UCIs.
- 6) If, as a result of special circumstances or features, valuation on the basis of the rules set out above becomes impracticable or inaccurate, other generally accepted, verifiable valuation criteria will be applied to obtain a fair value. These criteria shall be determined prudently by the Board of Directors, based on information or other market data. In such circumstances, these assets will be valued according to mathematical or financial models or other alternative valuation methods in order that their fair value on the valuation day may be recorded in the financial statements.

##### c) Acquisition cost of securities in the portfolio

The acquisition cost of the securities held by each sub-fund that are denominated in currencies other than the reference currency of the sub-fund is converted into this currency at the exchange rate prevailing on the date of purchase.

##### d) Net realised gain (loss) on sales of securities

The realised gains and losses on sales of securities are determined on the basis of the average acquisition cost.

## KBC BONDS

### Notes to the financial statements (continued)

as at 30th September 2014

#### e) Investment income

Dividend income is recorded at the ex-date, net of any withholding tax.

Interest income accrued and payable are recorded, net of any withholding tax.

#### f) Return on sukuk

Sukuk are certificates of investment or securities representing the rights and obligations of its holders on underlying asset. Their remuneration is based on performance of assets, however, are capped. The remuneration of sukuk is variable depending on the profits earned on its assets or income of the issuer or the borrower.

The return on sukuk accrued and payable are recorded, net of any withholding tax.

#### g) Valuation of forward foreign exchange contracts

Forward foreign exchange contracts are valued at forward market rates for the remaining period from valuation date to the maturity of the contracts. Unrealised gains or losses are recorded in the statement of net assets. Net variation of unrealised gains and losses and net realised gains and losses are recorded in the statement of operations and other changes in net assets.

#### h) Valuation of futures contracts

Futures contracts are posted off-balance sheet and valued at the last settlement or close price on the stock exchanges or regulated markets. Unrealised gains or losses are recorded in the statement of net assets. Net variation of unrealised gains and losses and net realised gains and losses are recorded in the statement of operations and other changes in net assets.

#### i) Formation expenses

Formation expenses were amortised on a straight line basis over a period of five years.

#### j) Conversion of foreign currencies

Cash at banks, other net assets and the valuation of the securities in portfolio expressed in currencies other than the currency of the sub-fund are converted into this currency at the exchange rate prevailing on the date of the report. Income and expenses expressed in currencies other than the currency of the sub-fund are converted into this currency at the exchange rate prevailing on the date of the transaction. Exchange gains and losses are recorded in the statement of operations and other changes in net assets.

#### k) Combined financial statements

The combined financial statements of the SICAV are expressed in EUR and are equal to the sum of the corresponding captions in the financial statements of each sub-fund converted into this currency at the exchange rate prevailing at the date of the report.

At the date of the report, the combination exchange rate is the following:

1 EUR = 1.2631500 USD US Dollar

## KBC BONDS

### Notes to the financial statements (continued)

as at 30th September 2014

#### l) Revaluation difference

The caption "Revaluation difference" in the combined statement of operations and other changes in net assets represents the valuation difference of the net asset of the sub-funds at the beginning of the year with the exchange rate applicable at the date of the report.

#### m) Receivable / Payable on treasury transactions

The caption "Receivable on treasury transactions" comprises maturities of time deposits, new loans or foreign exchange transactions not yet recorded under the caption "Cash at banks".

The caption "Payable on treasury transactions" comprises new time deposits, maturities of loans or foreign exchange transactions not yet recorded under the caption "Cash at banks".

At a sub-fund level, "Receivable and payable on treasury transactions" are disclosed net in the statement of net assets.

#### n) Transaction costs

Transaction costs disclosed under the caption "Transaction fees" in the expenses of the statement of operations and other changes in net assets are mainly composed of transaction fees incurred by the SICAV relating to purchases or sales of securities and of transaction fees on financial and on derivatives instruments.

#### o) Standard & Poor's fees

Only the sub-funds KBC BONDS HIGH INTEREST and KBC BONDS EMERGING MARKETS pay fees to S&P (Standard & Poor's, a Division of the McGraw-Hill Companies) due to the attribution of a rating. These fees are recorded in the caption "Standard & Poor's fees" in the statement of operations and other changes in net assets.

### Note 2 - Commission for management, distribution and risk management

The Board of Directors of the SICAV is responsible for the general investment policy.

On the basis of the contract which entered into force on 1st May 2006, the SICAV has appointed KBC ASSET MANAGEMENT S.A. as Management Company within the meaning of Section 15 of the amended Law of 17th December 2010 concerning Undertakings for Collective Investment.

With regard to services provided concerning management, distribution and risk management, the Management Company receives an annual fee payable monthly on the average net assets of the sub-funds to the effective rates of:

| <b>Sub-funds</b>                     | <b>Effective rates</b>                              |
|--------------------------------------|---|
| - KBC BONDS INCOME FUND              | 0.70%   |
| - KBC BONDS CAPITAL FUND             | 0.70%   |
| - KBC BONDS HIGH INTEREST            | 1.10%   |
| - KBC BONDS EMERGING MARKETS         | 0.50% for the sub-categories "Institutional Shares" |
| - KBC BONDS CORPORATES EURO          | 1.20%   |
| - KBC BONDS EUROPE EX-EMU            | 0.85%   |
| - KBC BONDS CONVERTIBLES             | 0.60% for the sub-category "Institutional Shares"   |
| - KBC BONDS INFLATION - LINKED BONDS | 0.75 %  |
|                                      | 1.10%   |
|                                      | 0.50%   |
|                                      | 0.50% for the sub-categories "Institutional Shares" |

## KBC BONDS

### Notes to the financial statements (continued)

as at 30th September 2014

| <b>Sub-funds</b>                          | <b>Effective rates</b> |
|---|------------------------|
| - KBC BONDS EUROPE                        | 0.70%                  |
| - KBC BONDS CORPORATES USD                | 0.75%                  |
| - KBC BONDS EMERGING EUROPE               | 1.20%                  |
| - KBC BONDS GLOBAL EMERGING OPPORTUNITIES | 1.20%                  |
| - KBC BONDS EMU SHORT                     | 0.70%                  |
| - KBC BONDS EMU SHORT MEDIUM              | 0.70%                  |
| - KBC BONDS STRATEGIC EMERGING MARKETS    | 1.20%                  |

#### Note 3 - Subscription, redemption and conversion fees

##### a) Subscription fee in favour of the financial intermediaries

At the end of the initial subscription period, the shares, except the ones of the sub-category "Institutional B Shares", will be issued at a price corresponding to the net asset value per share, plus a subscription fee up to 2.50% payable by the subscriber in favour of the financial intermediaries.

##### b) Redemption, conversion fee in favour of the sub-funds of the SICAV

All shares submitted to redemption, except the ones of the sub-category "Institutional B Shares", will be redeemed at the net asset value per share at the date of the redemption order receipt subject to deduction of a fee up to 1.00% payable by the seller in favour of the SICAV.

Conversion of shares between the sub-funds of the SICAV undertakes at a price equal to the respective net asset values of the shares of the different sub-funds, less a conversion fee, fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund in favour of the respective sub-funds.

##### c) Amount intended to cover the acquisition/realisation costs of assets paid by the shareholders of "Institutional B Shares" in favour of the sub-funds of the SICAV

The sub-category "Institutional B Shares" is dedicated to investment vehicles, promoted by the KBC group (in this case, the funds of funds). Given the frequency of the transactions operated by these funds, acquisition/realisation costs of the specific assets in favour of the sub-fund of the SICAV were created (as described in the table below):

| <b>Sub-funds</b>                          | <b>Maximum fees<br/>(in % of net assets per share)</b> |
|---|--|
| - KBC BONDS HIGH INTEREST                 | 0.750  |
| - KBC BONDS EMERGING MARKETS              | 1.500  |
| - KBC BONDS CORPORATES EURO               | 1.125  |
| - KBC BONDS EUROPE EX-EMU                 | 0.500  |
| - KBC BONDS CONVERTIBLES                  | 1.125  |
| - KBC BONDS INFLATION - LINKED BONDS      | 1.125  |
| - KBC BONDS EUROPE                        | 0.500  |
| - KBC BONDS CORPORATES USD                | 1.125  |
| - KBC BONDS EMERGING EUROPE               | 0.750  |
| - KBC BONDS GLOBAL EMERGING OPPORTUNITIES | 0.750  |
| - KBC BONDS EMU SHORT                     | 0.500  |
| - KBC BONDS EMU SHORT MEDIUM              | 0.500  |
| - KBC BONDS STRATEGIC EMERGING MARKETS    | 0.750  |

These costs are recorded in the caption "Commissions received" in the statement of operations and other changes in net assets.

## KBC BONDS

### Notes to the financial statements (continued)

as at 30th September 2014

#### Note 4 - Subscription duty "*Taxe d'abonnement*"

The SICAV is governed by Luxembourg law.

Pursuant to the legislation and regulations in force, the SICAV is subject to an annual subscription duty ("*taxe d'abonnement*") of 0.05% which is payable quarterly and calculated on the basis of the net assets of each sub-fund on the last day of each quarter.

Pursuant to Article 175 (a) of the amended law of 17th December 2010 the net assets invested in undertakings for collective investment already subject to the "*taxe d'abonnement*" are exempt from this tax.

The sub-categories "Institutional Shares" and "Institutional B Shares" benefit from the reduced tax of 0.01% in conformity with Article 174 (2) of the amended Law of 17th December 2010.

#### Note 5 - Belgian annual tax

The Belgian regulation (the inheritance tax code, tome II bis) imposes to Undertakings for Collective Investment which were authorised to market their shares publicly in Belgium, the payment of an annual tax. This tax amounts to 0.0925% on the total of the net sums invested in Belgium at 31st December of the previous year, starting from their registration with the "Financial Services and Markets Authority" ("FSMA").

The SICAV is required to pay this tax on 31st March of each year.

This tax is recorded in the caption "Other taxes" of the statement of operations and other changes in net assets.

#### Note 6 - Total Expense Ratio ("TER") and Portfolio Turnover rate ("PTR")

The TER and the PTR disclosed under "Statistical information" of this report are calculated in accordance with the "Guidelines on the calculation and disclosure of the TER and PTR of collective investment schemes" issued by the Swiss Funds & Asset Management Association "SFAMA" on 16th May 2008.

The TER and the PTR are calculated for the last 12 months preceding the date of this report.

Transaction fees are not taken into account in the calculation of the TER.

The PTR has been calculated according to the following formula  $(Total\ 1 - Total\ 2)/M \times 100$

with  $Total\ 1 = Total\ securities\ transactions = X + Y$   
 $X = Securities\ purchases$   
 $Y = Securities\ sales$

$Total\ 2 = Total\ subscriptions\ and\ redemptions = S + T$   
 $S = subscriptions$   
 $T = redemptions$

S+T: subscriptions and redemptions are netted per NAV calculation day.

M = average net assets

## KBC BONDS

### Notes to the financial statements (continued)

as at 30th September 2014

If a performance-related fee is foreseen and has been calculated, the TER is disclosed including this fee. Moreover the performance fee ratio is calculated in percentage of the average net assets for the last 12 months preceding indicated reference date.

#### Note 7 - Other income

The caption "Other income" in the statement of operations and other changes in net assets primarily represents prescribed coupon redemption.

#### Note 8 - Risk management

As required by Circular CSSF 11/512, the Board of Directors needs to determine the global risk exposure of the SICAV either by applying the commitment approach or the VaR approach. In terms of risk management, the Board of Directors of the SICAV decided to adopt the commitment approach as a method of determining the global risk exposure for each sub-fund.

#### Note 9 - Statement of changes in investments

The statement of changes in investments for the period in reference to the report is available free of charge at the registered office of the SICAV, from the institutions responsible for providing financial services, from the paying agents and from the legal representatives.

#### Note 10 - Securities lending

In exchange of securities lent in the form of "Securities Lending", the SICAV has a guarantee from *KBL European Private Bankers S.A.*, in the form of bonds issued by high-quality issuers, whose market value is at least equal to 100% of the global market value of securities lent to *KBL European Private Bankers S.A.*.

In remuneration, the SICAV receives income determined in accordance with the Master Securities Lending Agreement and representing 50% of the income received. During the financial year, the Management Company receives from *KBL European Private Bankers S.A.*, commissions in relation to the securities lending operations. These commissions cover the charges incurred by the Management Company for the set up and monitoring of the securities lending operations as well as the monitoring of the guarantee received by the SICAV.

The table below shows the following information for the different Sub-Funds at 30th September 2014;

- The global market value of the securities lent ("Securities Lending")
- The market value of securities received as collateral ("Collateral")
- Net income of the SICAV (commission on securities lending received by *KBL European Private Bankers S.A.* during the financial year in relation to the securities lending operations)

| Sub-funds                  | Currency | Global market value of the securities lending | Market value of the collateral received | Net income of the SICAV |
|----------------------------|----------|---|---|-------------------------|
| KBC BONDS INCOME FUND      | EUR      |   |   | 2,649.93                |
| KBC BONDS CAPITAL FUND     | EUR      |   |   | 2,636.31                |
| KBC BONDS HIGH INTEREST    | EUR      | 22,009,134.46                                 | 27,424,475.44                           | 59,678.93               |
| KBC BONDS EMERGING MARKETS | USD      | 40,524,794.15                                 | 56,990,163.81                           | 92,252.80               |
| KBC BONDS CORPORATES EURO  | EUR      | 36,485,020.27                                 | 47,494,125.18                           | 96,773.45               |
| KBC BONDS EUROPE EX-EMU    | EUR      | 3,347,941.11                                  | 4,730,993.46                            | 2,981.16                |



## KBC BONDS

### Notes to the financial statements (continued)

as at 30th September 2014

| Sub-funds                               | Currency | Global market value of the securities lending | Market value of the collateral received | Net income of the SICAV |
|---|----------|---|---|-------------------------|
| KBC BONDS CONVERTIBLES                  | EUR      | 17,823,543.62                                 | 22,751,909.34                           | 71,470.70               |
| KBC BONDS INFLATION - LINKED BONDS      | EUR      |   |   | 3,656.47                |
| KBC BONDS EUROPE                        | EUR      |   |   | 2,402.27                |
| KBC BONDS CORPORATES USD                | USD      | 2,667,466.57                                  | 6,379,990.83                            | 15,342.96               |
| KBC BONDS EMERGING EUROPE               | EUR      | 6,212,521.21                                  | 8,500,188.88                            | 25,134.74               |
| KBC BONDS GLOBAL EMERGING OPPORTUNITIES | EUR      | 765,248.69                                    | 2,150,679.45                            | 702.47                  |
| KBC BONDS EMU SHORT                     | EUR      |   |   | 2,783.15                |
| KBC BONDS EMU SHORT MEDIUM              | EUR      |   |   | 1,852.25                |

The net income of the SICAV on securities lending are recorded under the caption "Commissions received" in the statement of operations and other changes in net assets.

#### Note 11 - Forward foreign exchange contracts

As at 30th September 2014, the sub-funds below are committed in the following forward foreign exchange contracts with KBC BANK S.A.:

##### KBC BONDS HIGH INTEREST

| Currency | Purchases     | Currency | Sales         | Maturity   | Unrealised result (in EUR) |
|----------|---------------|----------|---------------|------------|----------------------------|
| CAD      | 15,000,000.00 | EUR      | 10,609,021.49 | 21.10.2014 | 6,583.77                   |
| EUR      | 6,932,668.54  | AUD      | 10,000,000.00 | 21.10.2014 | 15,784.54                  |
|          |               |          |               |            | <u>22,368.31</u>           |

##### KBC BONDS EUROPE EX-EMU

| Currency | Purchases | Currency | Sales     | Maturity   | Unrealised result (in EUR) |
|----------|-----------|----------|-----------|------------|----------------------------|
| EUR      | 41,442.39 | CHF      | 50,000.00 | 03.10.2014 | 17.11                      |
| EUR      | 25,677.47 | GBP      | 20,000.00 | 03.10.2014 | -0.21                      |
|          |           |          |           |            | <u>16.90</u>               |

##### KBC BONDS EMERGING EUROPE

| Currency | Purchases      | Currency | Sales          | Maturity   | Unrealised result (in EUR) |
|----------|----------------|----------|----------------|------------|----------------------------|
| CZK      | 400,000,000.00 | EUR      | 14,421,497.84  | 03.10.2014 | 117,490.39                 |
| EUR      | 14,552,217.36  | CZK      | 400,000,000.00 | 03.10.2014 | 13,227.02                  |
| EUR      | 13,701,351.64  | USD      | 18,000,000.00  | 03.10.2014 | -548,813.35                |
| USD      | 4,000,000.00   | EUR      | 3,145,811.51   | 03.10.2014 | 20,892.38                  |
| USD      | 14,000,000.00  | EUR      | 11,092,561.88  | 03.10.2014 | -9,097.81                  |
| PLN      | 6,566,604.13   | RON      | 7,000,000.00   | 10.10.2014 | -15,459.67                 |
| CZK      | 400,000,000.00 | EUR      | 14,554,531.28  | 05.11.2014 | -13,805.80                 |
| EUR      | 14,258,792.33  | USD      | 18,000,000.00  | 05.11.2014 | 11,848.42                  |
|          |                |          |                |            | <u>-423,718.42</u>         |

##### KBC BONDS STRATEGIC EMERGING MARKETS

| Currency | Purchases      | Currency | Sales          | Maturity   | Unrealised result (in EUR) |
|----------|----------------|----------|----------------|------------|----------------------------|
| HKD      | 258,000,000.00 | USD      | 33,286,847.86  | 21.10.2014 | -48,571.00                 |
| USD      | 24,490,478.81  | HKD      | 190,000,000.00 | 21.10.2014 | 17,487.73                  |
|          |                |          |                |            | <u>-31,083.27</u>          |

## KBC BONDS

### Notes to the financial statements (continued)

as at 30th September 2014

#### Note 12 - Futures contracts

As at 30th September 2014, the sub-funds below are committed in the following futures contracts with Deutsche Bank London:

##### KBC BONDS HIGH INTEREST

|      | Number of contracts | Denomination                            | Currency | Commitments (in EUR) | Unrealised result (in EUR) |
|------|---------------------|---|----------|----------------------|----------------------------|
| Sale | 500                 | Euro Bund 10 Years FUT 12/14 EUX        | EUR      | -74,850,000.00       | -335,000.00                |
| Sale | 2,000               | US Treasury Note 5 Years FUT 12/14 CBOT | USD      | -187,242,706.73      | 365,579.54                 |
|      |                     |   |          |                      | <u>30,579.54</u>           |

##### KBC BONDS CORPORATES EURO

|      | Number of contracts | Denomination                     | Currency | Commitments (in EUR) | Unrealised result (in EUR) |
|------|---------------------|----------------------------------|----------|----------------------|----------------------------|
| Sale | 50                  | Euro BUXL 30 Years FUT 12/14 EUX | EUR      | -7,120,000.00        | -29,000.00                 |
| Sale | 370                 | Euro Bund 10 Years FUT 12/14 EUX | EUR      | -55,389,000.00       | -329,300.00                |
| Sale | 120                 | Euro-BOBL 5 Years FUT 12/14 EUX  | EUR      | -15,350,400.00       | -58,800.00                 |
|      |                     |                                  |          |                      | <u>-417,100.00</u>         |

##### KBC BONDS CONVERTIBLES

|          | Number of contracts | Denomination                      | Currency | Commitments (in EUR) | Unrealised result (in EUR) |
|----------|---------------------|-----------------------------------|----------|----------------------|----------------------------|
| Purchase | 3                   | AEX Index FUT 10/14 EOE           | EUR      | 252,840.00           | 2,490.00                   |
| Purchase | 3                   | FTSE 100 Index FUT 12/14 LIFFE    | GBP      | 254,422.74           | -6,124.17                  |
| Purchase | 1                   | TOPIX INDEX (TOKYO) FUT 12/14 OSE | JPY      | 95,751.30            | 2,793.50                   |
| Purchase | 2                   | S&P 500 Index FUT 12/14 CME       | USD      | 778,015.28           | -11,182.36                 |
|          |                     |                                   |          |                      | <u>-12,023.03</u>          |

##### KBC BONDS CORPORATES USD

|          | Number of contracts | Denomination                             | Currency | Commitments (in USD) | Unrealised result (in USD) |
|----------|---------------------|--|----------|----------------------|----------------------------|
| Purchase | 40                  | US Treasury Note 10 Years FUT 12/14 CBOT | USD      | 4,985,625.00         | -27,500.00                 |
|          |                     |  |          |                      | <u>-27,500.00</u>          |

##### KBC BONDS EMERGING EUROPE

|      | Number of contracts | Denomination                            | Currency | Commitments (in EUR) | Unrealised result (in EUR) |
|------|---------------------|---|----------|----------------------|----------------------------|
| Sale | 60                  | US Treasury Note 5 Years FUT 12/14 CBOT | USD      | -5,617,281.20        | 11,875.05                  |
|      |                     |   |          |                      | <u>11,875.05</u>           |

The caption "Other liquid assets" in the statement of net assets contains principally margin calls and guarantee deposits serving to guarantee operations on futures contracts.

When the SICAV concludes futures contracts, it deposits and maintains, as collateral, a guarantee deposit with the custodian in accordance with the requirements set by the stock exchange on which the transaction is made. In accordance with the contract, the SICAV agrees to receive from, or pay to,

## **KBC BONDS**

### **Notes to the financial statements (continued)**

as at 30th September 2014

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the custodian an amount equal to the daily fluctuation in the value of the contract. The net amount payable to or receivable from the custodian as at 30th September 2014 in addition to or deducted from the collateral originally deposited is recorded under the caption "Other liquid liabilities"/"Other liquid assets" in the statement of net assets.