



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

# **KBC INTEREST FUND (formerly KBC MONEY)**

Investment Company with Variable Capital

Luxembourg

R.C.S. Luxembourg B 30 382

---

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 accompanied by the subscription form, the latest annual report and the most recent semi-annual report, if published thereafter.

---

# KBC INTEREST FUND (formerly KBC MONEY)

## Contents

<b>Organisation</b> .....	<b>3</b>
<b>General information</b> .....	<b>6</b>
<b>Financial climate</b> .....	<b>8</b>
<b>Report of the réviseur d'entreprises agréé</b> .....	<b>14</b>
<b>Combined statement of net assets</b> .....	<b>16</b>
<b>Combined statement of operations</b> .....	<b>17</b>
<b>Combined statement of changes in net assets</b> .....	<b>18</b>
<b>KBC INTEREST FUND CASH EURO (formerly KBC MONEY EURO)</b> .....	<b>19</b>
Investment policy and outlook .....	19
Statement of net assets.....	20
Statement of operations .....	21
Statement of changes in net assets.....	22
Statistical information .....	23
Statement of investments and other net assets.....	24
<b>KBC INTEREST FUND EURO MEDIUM (formerly KBC MONEY EURO MEDIUM)</b> .....	<b>26</b>
Investment policy and outlook .....	26
Statement of net assets.....	27
Statement of operations .....	28
Statement of changes in net assets.....	29
Statistical information .....	30
Statement of investments and other net assets.....	31
<b>KBC INTEREST FUND CASH USD (formerly KBC MONEY USD)</b> .....	<b>32</b>
Investment policy and outlook .....	32
Statement of net assets.....	33
Statement of operations .....	34
Statement of changes in net assets.....	35
Statistical information .....	36
Statement of investments and other net assets.....	37
<b>KBC INTEREST FUND CZK Alpha (formerly KBC MONEY CZK Alpha)</b> .....	<b>39</b>
Investment policy and outlook .....	39
Statement of net assets.....	40
Statement of operations .....	41
Statement of changes in net assets.....	42
Statistical information .....	43
Statement of investments and other net assets.....	45
<b>KBC INTEREST FUND CZK Omega (formerly KBC MONEY CZK Omega)</b> .....	<b>47</b>
Investment policy and outlook .....	47
Statement of net assets.....	48
Statement of operations .....	49
Statement of changes in net assets.....	50
Statistical information .....	51
Statement of investments and other net assets.....	52
<b>KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4 (formerly KBC MONEY CSOB EXCLUSIVE BUFFER JUMPER 4)</b> .....	<b>54</b>
Statement of net assets.....	54
Statement of operations .....	55
Statement of changes in net assets.....	56
Statistical information .....	57
Statement of investments and other net assets.....	58
<b>KBC MONEY CSOB EXCLUSIVE BUFFER JUMPER 2</b> .....	<b>59</b>
Statement of operations .....	59
Statement of changes in net assets.....	60
Statistical information .....	61

**KBC INTEREST FUND (formerly KBC MONEY)**

**Contents (continued)**

**KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 3 (formerly KBC MONEY CSOB EXCLUSIVE BUFFER JUMPER 3)..... 62**  
Statement of operations ..... 62  
Statement of changes in net assets..... 63  
Statistical information ..... 64

**KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER EUR 2 (formerly KBC MONEY CSOB EXCLUSIVE BUFFER JUMPER EUR 2) ..... 65**  
Statement of operations ..... 65  
Statement of changes in net assets..... 66  
Statistical information ..... 67

**Notes to the financial statements ..... 68**

**Additional Information (unaudited) ..... 76**

# KBC INTEREST FUND (formerly KBC MONEY)

## Organisation

---

### Registered Office

11, rue Aldringen  
L-1118 LUXEMBOURG

### Board of Directors

#### *Chairman*

Wouter VANDEN EYNDE

Head of  
KBC FUNDS  
2, avenue du Port  
B-1080 BRUSSELS

#### *Directors*

Lazlo BELGRADO

Head of Specialized Investment Management  
KBC ASSET MANAGEMENT S.A.  
5, place de la Gare  
L-1616 LUXEMBOURG

Karel DE CUYPER

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

Rafik FISCHER

Head of Global Investor Services  
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

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

#### *Directors*

Ivo BAUWENS

General Manager  
KBC GROUP RE S.A.  
5, place de la Gare  
L-1616 LUXEMBOURG

## **KBC INTEREST FUND (formerly KBC MONEY)**

### **Organisation (continued)**

---

Jürgen VERSCHAEVE	Managing Director KBC ASSET MANAGEMENT S.A. 2, avenue du Port B-1080 BRUSSELS (since 15th April 2014)
Christiaan STERCKX	Managing Director KBC ASSET MANAGEMENT S.A. 2, avenue du Port B-1080 BRUSSELS (until 21st February 2014)
Wouter VANDEN EYNDE	Managing Director KBC ASSET MANAGEMENT S.A. 2, avenue du Port B-1080 BRUSSELS (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

#### **Investments Managers for the following sub-funds:**

KBC INTEREST FUND CZK Alpha (formerly KBC MONEY CZK Alpha)  
KBC INTEREST FUND CZK Omega (formerly KBC MONEY CZK Omega)

CSOB ASSET MANAGEMENT A.S.  
Praha 5, Radlická 333/150  
CZ-15057 PRAGUE 5

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

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

#### **Cabinet de révision agréé**

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

## **KBC INTEREST FUND (formerly KBC MONEY)**

### **Organisation (continued)**

---

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

##### **in Belgium**

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

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

##### **in Luxembourg**

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

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

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

##### **in Slovakia**

ČESKOSLOVENSKÁ OBCHODNÍ BANKA, A.S.  
Michalska 18  
SK-81563 Bratislava  
SLOVAK REPUBLIC

# KBC INTEREST FUND (formerly KBC MONEY)

## General information

KBC INTEREST FUND (the "SICAV") is a "Société d'Investissement à *Capital Variable*" under Luxembourg law, established at Luxembourg on 24th April 1989 for an unlimited period, in accordance with the provisions of the law of 30th March 1988 relating to Undertakings for Collective Investment and of the amended law of 19th August 1915 on commercial companies. The SICAV is governed by Part II of the modified law of 17th December 2010 relating to Undertakings for Collective Investment and qualifies as an alternative investment fund ("AIF") in accordance with the law of 12th July 2013.

The SICAV has designated KBC ASSET MANAGEMENT S.A. to act as its authorized Alternative Investment Fund Manager.

At the Extraordinary General Meeting of 7th May 2014, it was decided to change the denomination of the SICAV from "KBC MONEY" into "KBC INTEREST FUND" and the denomination of the sub-funds as follows:

Former denomination	New denomination
KBC MONEY EURO	KBC INTEREST FUND CASH EURO
KBC MONEY EURO MEDIUM	KBC INTEREST FUND EURO MEDIUM
KBC MONEY USD	KBC INTEREST FUND CASH USD
KBC MONEY CZK Alpha	KBC INTEREST FUND CZK Alpha
KBC MONEY CZK Omega	KBC INTEREST FUND CZK Omega
KBC MONEY CSOB EXCLUSIVE BUFFER JUMPER 3	KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 3
KBC MONEY CSOB EXCLUSIVE BUFFER JUMPER EUR 2	KBC INTEREST FUND CSOB EXCLUSIVE BUFFER EUR 2
KBC MONEY CSOB EXCLUSIVE BUFFER JUMPER 4	KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4

At the date of the report, the following sub-funds are active:

- KBC INTEREST FUND CASH EURO in EUR
- KBC INTEREST FUND EURO MEDIUM in EUR
- KBC INTEREST FUND CASH USD in USD
- KBC INTEREST FUND CZK Alpha in CZK
- KBC INTEREST FUND CZK Omega in CZK
- KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4  
(Initial subscription NAV date : 11th October 2013) In CZK

The Board of Directors has decided to liquidate prematurely the following sub-funds:

- KBC MONEY CSOB EXCLUSIVE BUFFER JUMPER 2  
(last NAV at 31st October 2013) In CZK
- KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 3  
(last NAV at 30th June 2014) In CZK
- KBC INTEREST FUND CSOB EXCLUSIVE BUFFER EUR 2  
(last NAV at 29th August 2014) In EUR

The SICAV issues 2 categories of shares, the DIV shares which entitle their holder to a dividend, whereas the results attributable to CAP shares is not paid out but is accumulated, i.e. added to that percentage of the net assets of the sub-fund attributable to the shares of the CAP category.

The sub-category of shares "Institutional B Shares", capitalisation shares which is dedicated to investment vehicles, promoted by the KBC group within the sub-fund KBC INTEREST FUND EURO MEDIUM.

The statutes give the Board of Directors the power to determine, for each sub-fund, the investment policy of the assets of the SICAV.

The goal of the KBC INTEREST FUND EURO MEDIUM sub-fund is to invest at least 20% of the net assets in money market instruments that are traded regularly and issued by prime issuers, and in liquid assets. Investments in liquid assets and money market instruments from one and the same issuer or with one and the same counterparty may exceed 20% of the net assets. The remainder will be invested in bonds, certificates of deposit and other transferable equity or debt instruments.

The goal of the KBC INTEREST FUND CZK Alpha and KBC INTEREST FUND CZK Omega sub-funds is to invest at least 20% of the net assets in liquid assets and in money market instruments that are traded regularly and issued by prime issuers. Investments in liquid assets and money market instruments from one and the same issuer or with one and the same counterparty may exceed 20% of the net assets. The remainder will be invested in bonds, certificates of deposit and other transferable equity or debt instruments.

## **KBC INTEREST FUND (formerly KBC MONEY)**

### **General information (continued)**

More than 20% of the net asset value of the sub-fund can be invested in securities other than transferable securities and/or other readily negotiable financial assets as referred to in Article 41(1) of the Act of 17 December 2010, such as transferable securities and money market instruments that are unlisted or not traded on a regulated market and deposits with credit institutions with a term to maturity of more than 12 months.

The average duration of the portfolio will never exceed 18 months for KBC INTEREST FUND CZK Alpha and 24 months for KBC INTEREST FUND CZK Omega.

KBC INTEREST FUND CASH EURO and KBC INTEREST FUND CASH USD are money market funds. The investment policies of the sub-funds are designed to limit capital risk as much as possible and provide a return in line with the interest rates on money market instruments by investing directly or indirectly in money market instruments, in deposits and in transferable securities. These sub-funds do not offer a guaranteed return or capital protection.

The investment objective of the KBC MONEY CSOB EXCLUSIVE BUFFER JUMPER 2 (last NAV at 31st October 2013), KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 3 (last NAV at 30th June 2014), KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER EUR 2 (last NAV at 29th August 2014) and KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4 sub-funds, all of which incorporate an "Index Jumper" structure, is to generate a capital gain on final maturity that is contingent on the performance of an index.

The "Index Jumper" structure entails early termination if one of the Observation Values is not lower than the Initial Value. Should this be the case, the capital gain paid in addition to the initial subscription value will correspond to a given percentage multiplied by the order number of the Observation Value which led to the early termination. There are a fixed number of Observation Values.

If the sub-fund is not terminated early by any of the Observation Values, there are the following three possibilities at Maturity:

#### Scenario 1

If the Final Value is not lower than the Initial Value, the net asset value at Maturity takes into account both the initial net asset value and a fixed capital gain.

#### Scenario 2

If the Final Value is lower than the Initial Value but not lower than a given percentage of that value, there is no capital gain or loss when that net asset value is calculated at Maturity.

#### Scenario 3

If the Final Value is less than a given percentage of the Initial Value, the net asset value at Maturity will be determined by deducting a given percentage of the decrease in the index from the initial net asset value.

This sub-fund does not provide a guaranteed return or any capital protection either during the period concerned or at Maturity.

The annual and semi-annual reports, the complete prospectus and the Articles of Incorporation of the SICAV may be obtained free of charge from the SICAV's registered office, from the institutions responsible for providing financial services in the countries where the distribution of the shares is authorised.

# **KBC INTEREST FUND (formerly KBC MONEY)**

## **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 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

## **KBC INTEREST FUND (formerly KBC MONEY)**

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

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 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

## **KBC INTEREST FUND (formerly KBC MONEY)**

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

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.

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.

#### **Stockmarket 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 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.

## KBC INTEREST FUND (formerly KBC MONEY)

### Financial climate (continued)

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 23 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.

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.

## KBC INTEREST FUND (formerly KBC MONEY)

### Financial climate (continued)

#### 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.

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

## KBC INTEREST FUND (formerly KBC MONEY)

### Financial climate (continued)

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 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 INTEREST FUND (formerly KBC MONEY)**

Following our appointment by the general meeting of the shareholders, we have audited the accompanying financial statements of KBC INTEREST FUND (formerly KBC MONEY) 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 the statement of 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 INTEREST FUND (formerly KBC MONEY) 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

1st December 2014  
560, rue de Neudorf  
L-2220 LUXEMBOURG

## KBC INTEREST FUND (formerly KBC MONEY)

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

as at 30th September 2014

#### Assets

##### Investments

Securities portfolio at market value	1,159,175,712.34
	<hr/>
	1,159,175,712.34

##### Cash and cash equivalents

Cash at banks	70,731,041.41
	<hr/>
	70,731,041.41

##### Receivables

Receivable on sales of securities	3,500,000.00
Receivable on treasury transactions	399,680.96
Receivable on issues of shares	4,172,134.11
Income receivable on portfolio	11,847,093.03
Interest receivable on swap contracts	92,330.13
Interest receivable on bank accounts	129,441.48
Unrealised gain on swap contracts	2,183,954.57
Unrealised gain on forward foreign exchange contracts	105,869.04
Prepaid expenses	1,171.42
	<hr/>
	22,431,674.74

##### Total assets

1,252,338,428.49

#### Liabilities

##### Payables

Other liquid liabilities	2.89
Payable on purchases of securities	1,998,736.91
Payable on treasury transactions	400,322.25
Payable on redemptions of shares	29,768.91
Unrealised loss on forward foreign exchange contracts	180,913.42
Expenses payable	969,039.77
	<hr/>
	3,578,784.15

##### Total liabilities

3,578,784.15

##### Total net assets at the end of the year

1,248,759,644.34

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

## KBC INTEREST FUND (formerly KBC MONEY)

### Combined statement of operations (in EUR)

from 1st October 2013 to 30th September 2014

#### Income

##### Investment income

Interest on bonds and other debt securities, net	24,581,761.20
Interest on bank accounts	233,639.88
Interest on swap contracts	614,086.53
	<hr/>
	25,429,487.61

##### Realised gains on investments

- on securities portfolio	6,951,213.71
- on futures contracts	397,999.98
- on swap contracts	5,959,364.40
- on forward foreign exchange contracts	115,778.93
- on foreign exchange	1,305,218.95
	<hr/>
	14,729,575.97

##### Unrealised gains on investments

- on securities portfolio	4,330,721.18
- on swap contracts	2,189,455.79
- on forward foreign exchange contracts	159,975.47
	<hr/>
	6,680,152.44

##### Other income

2,182,901.59

##### Total income

---

49,022,117.61

---

#### Expenses

##### Investment advisory or management fees

Management fees	4,524,144.82
	<hr/>
	4,524,144.82

##### Other expenses

Custodian fees	434,358.13
Banking charges and other fees	1,078.78
Transaction fees	4,837.22
Central administration costs	537,197.69
Professional fees	17,420.28
Other administration costs	109,360.69
Subscription duty ("taxe d'abonnement")	158,032.74
Other taxes	910,885.05
Interest paid on bank overdrafts	7,004.35
Interest paid on swap contracts	1,392.09
Other fees	11,129.86
	<hr/>
	2,192,696.88

##### Realised loss on investments

- on securities portfolio	8,035,091.43
- on futures contracts	26,050.00
- on swap contracts	18,755.01
- on forward foreign exchange contracts	1,165,166.88
- on foreign exchange	1,344,716.11
	<hr/>
	10,589,779.43

##### Unrealised loss on investments

- on securities portfolio	4,040,762.98
- on futures contracts	117,800.00
- on swap contracts	2,984,330.49
- on forward foreign exchange contracts	259,189.75
	<hr/>
	7,402,083.22

##### Total expenses

---

24,708,704.35

---

##### Net income

---

24,313,413.26

---

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

## KBC INTEREST FUND (formerly KBC MONEY)

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

from 1st October 2013 to 30th September 2014

Net income	24,313,413.26
Dividends paid	-175,728.92
Subscriptions	2,049,669,956.67
Redemptions	-1,397,218,977.09
Total changes in net assets	676,588,663.92
Total net assets at the beginning of the year	573,736,671.20
Revaluation difference	-1,565,690.78
<b>Total net assets at the end of the year</b>	<b>1,248,759,644.34</b>

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

## KBC INTEREST FUND CASH EURO

### Investment policy and outlook

from 1st October 2013 to 30th September 2014

---

The recession in the euro area caused by the euro crisis and which had persisted since the fourth quarter of 2011, came to an end. The European economy has been bottoming out since the beginning of 2013. Positive growth figures were again finally recorded from the second quarter of 2013 and the overall unemployment rate ceased to rise. But the growth figures remained disappointingly feeble and there were frequent warnings of deflation.

The ECB no longer focused on the inflation risks when M Draghi took over as President of the ECB on 1 November 2011. In 2014 the official rate of interest was cut in two steps of 10 basis points. Since 4th September the rate has been 0.05%. The deposit rate - the rate at which banks place money with the ECB - amounts however to -0.20%. ECB President M. Draghi has emphasised that this must be the end of the line.

The last official rate cut was in May 2013, when inflation had fallen to 0.3% in the euro area, well below the 2.0% ceiling. The ECB continued to stress its willingness to intervene if necessary in order to hold short-term interest rates low, and the fact that it is prepared to use all instruments, including TLTRO (long-term loans to the banks) and purchases of securities loans (in the form of Asset Backed Securities and Covered Bonds). In August the ECB launched its first TLTRO and in early October it began buying securities loans. For the time being Bundesbank resistance means that there will be no purchases of government bonds.

Money-market rates fell sharply during the second half of the period under review. Three-month Euribor fell from 0.23% at the end of September 2013 to 0.08% at the end of March 2014. The duration of the portfolio was in the 70-100 day range throughout. More was invested than previously in non-financial businesses. Because of the attractive rate spread, more was also invested in floaters (bonds with a variable coupon).

The European money-market curve flattened out further in the past year. The spread between the one-month and one-year rate has narrowed from 41 to 33 basis points. Given the expectation that short rates in Europe will remain this low for some time yet, a portfolio duration around 90 days has been opted f

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 INTEREST FUND CASH EURO

### Statement of net assets (in EUR)

as at 30th September 2014

#### **Assets**

##### **Investments**

Securities portfolio at market value	120,027,014.28
	<hr/>
	120,027,014.28

##### **Cash and cash equivalents**

Cash at banks	33,614,114.52
	<hr/>
	33,614,114.52

##### **Receivables**

Receivable on sales of securities	3,500,000.00
Income receivable on portfolio	92,831.67
Interest receivable on bank accounts	81,895.96
	<hr/>
	3,674,727.63
	<hr/>

##### **Total assets**

157,315,856.43

#### **Liabilities**

##### **Payables**

Payable on purchases of securities	1,998,736.91
Payable on redemptions of shares	17,993.19
Expenses payable	112,602.68
	<hr/>
	2,129,332.78
	<hr/>

##### **Total liabilities**

2,129,332.78

##### **Total net assets at the end of the year**

155,186,523.65

Number of CAP shares outstanding	25,478.6237
Net asset value per CAP share	5,997.78
Number of DIV shares outstanding	963.3075
Net asset value per DIV share	2,461.77

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

# KBC INTEREST FUND CASH EURO

## Statement of operations (in EUR)

from 1st October 2013 to 30th September 2014

### Income

#### Investment income

Interest on bonds and other debt securities, net	565,830.36
Interest on bank accounts	129,184.46
	<hr/>
	695,014.82

#### Realised gains on investments

- on securities portfolio	321,550.13
	<hr/>
	321,550.13

#### Unrealised gains on investments

- on securities portfolio	100,040.14
	<hr/>
	100,040.14

#### Other income

876.25

#### Total income

---

---

1,117,481.34

### Expenses

#### Investment advisory or management fees

Management fees	436,020.87
	<hr/>
	436,020.87

#### Other expenses

Custodian fees	64,976.66
Banking charges and other fees	58.95
Central administration costs	78,489.19
Professional fees	2,095.88
Other administration costs	13,724.30
Subscription duty ("taxe d'abonnement")	13,414.91
Other taxes	99,623.08
Interest paid on bank overdrafts	1,258.29
Other fees	1,637.20
	<hr/>
	275,278.46

#### Realised loss on investments

- on securities portfolio	12,743.53
	<hr/>
	12,743.53

#### Unrealised loss on investments

- on securities portfolio	335,717.50
	<hr/>
	335,717.50

#### Total expenses

---

---

1,059,760.36

#### Net income

---

---

57,720.98

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

## KBC INTEREST FUND CASH EURO

### Statement of changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

Net income	57,720.98
Dividends paid	-48,089.33
Subscriptions	113,253,794.92
Redemptions	-90,012,239.04
Total changes in net assets	<u>23,251,187.53</u>
Total net assets at the beginning of the year	<u>131,935,336.12</u>
<b>Total net assets at the end of the year</b>	<b><u><u>155,186,523.65</u></u></b>

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

## KBC INTEREST FUND CASH EURO

### Statistical information (in EUR)

as at 30th September 2014

<b>Total net assets</b>	
- as at 30.09.2014	155,186,523.65
- as at 30.09.2013	131,935,336.12
- as at 30.09.2012	171,659,751.88
<b>Number of CAP shares</b>	
- outstanding at the beginning of the year	17,056.0894
- issued	18,760.3033
- redeemed	-10,337.7690
- outstanding at the end of the year	25,478.6237
<b>Net asset value per CAP share</b>	
- as at 30.09.2014	5,997.78
- as at 30.09.2013	5,996.88
- as at 30.09.2012	6,006.05
<b>Performances of CAP shares (in %)</b>	
- as at 30.09.2014	0.02
- as at 30.09.2013	-0.15
- as at 30.09.2012	1.17
<b>Number of DIV shares</b>	
- outstanding at the beginning of the year	12,027.3326
- issued	333.9532
- redeemed	-11,397.9783
- outstanding at the end of the year	963.3075
<b>Net asset value per DIV share</b>	
- as at 30.09.2014	2,461.77
- as at 30.09.2013	2,465.39
- as at 30.09.2012	2,505.20
<b>Performances of DIV shares (in %)</b>	
- as at 30.09.2014	0.02
- as at 30.09.2013	-0.15
- as at 30.09.2012	1.17
<b>Dividend paid</b>	
Ex-dividend date	01.10.2013
Dividend per share	4.00
Shares outstanding at dividend date	12,022.3326

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

# KBC INTEREST FUND CASH EURO

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

as at 30th September 2014

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Investments in securities</b>					
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Bonds</b>					
EUR	3,200,000	ABN AMRO Bank NV FRN EMTN Reg S Ser 202 14/15.04.16	3,199,723.00	3,209,056.00	2.07
EUR	2,000,000	Barclays Bank Plc FRN EMTN Sen 14/02.06.16	2,000,000.00	2,004,010.00	1.29
EUR	3,200,000	BNP Paribas SA FRN Sen 13/13.11.15	3,200,368.00	3,206,672.00	2.07
EUR	3,200,000	BPCE SA FRN EMTN Sen 13/18.01.16	3,214,055.92	3,220,624.00	2.08
EUR	3,200,000	Bq Fédérative du Crédit Mutuel FRN EMTN Ser 346 13/22.03.16	3,212,702.00	3,218,848.00	2.07
EUR	2,500,000	Cred Agricole SA London FRN EMTN Reg S Ser 428 13/28.08.15	2,502,500.00	2,506,387.50	1.62
EUR	700,000	Cred Agricole SA London FRN EMTN Sen 14/28.01.16	701,190.00	702,023.00	0.45
EUR	2,000,000	CS London FRN EMTN Sen 14/19.02.16	2,002,140.00	2,005,380.00	1.29
EUR	2,500,000	Deutsche Bank AG FRN 13/28.05.15	2,498,180.00	2,501,275.00	1.61
EUR	700,000	Deutsche Bank AG FRN EMTN 14/11.03.16	699,405.00	700,143.50	0.45
EUR	3,000,000	GE Capital European Funding FRN EMTN 06/22.02.16	2,997,540.00	3,003,765.00	1.94
EUR	1,500,000	HSBC France FRN Sen 14/27.01.16	1,501,105.00	1,503,097.50	0.97
EUR	2,500,000	ING Groep NV FRN EMTN Sen 13/27.02.15	2,506,250.00	2,504,112.50	1.61
EUR	700,000	ING Groep NV FRN Sen 06/11.04.16	697,956.00	700,185.50	0.45
EUR	1,296,000	JP Morgan Chase & Co FRN EMTN Sen 13/03.05.16	1,297,655.00	1,300,412.88	0.84
EUR	500,000	JPMorgan Chase & Co FRN EMTN 05/02.03.15	500,765.00	500,550.00	0.32
EUR	3,400,000	Lloyds Bank Plc FRN EMTN Sen 13/14.10.15	3,406,218.32	3,408,755.00	2.20
EUR	3,200,000	Macquarie Bank Ltd FRN EMTN Sen 14/24.04.16	3,199,320.00	3,210,528.00	2.07
EUR	1,500,000	Rabobank Nederland NV FRN EMTN Reg S Ser 2684A 13/01.02.16	1,502,700.00	1,505,212.50	0.97
EUR	4,000,000	Rabobank Nederland NV FRN EMTN Sen 14/15.01.16	3,997,560.00	4,007,760.00	2.58
EUR	800,000	Société Générale FRN EMTN Sen 13/27.05.15	799,640.00	800,912.00	0.52
EUR	2,400,000	Société Générale FRN EMTN Sen 14/28.03.16	2,400,006.00	2,405,652.00	1.55
EUR	2,000,000	Volkswagen Bank GmbH FRN EMTN 14/11.04.16	2,000,480.00	2,002,810.00	1.29
<b>Total bonds</b>			<b>50,037,459.24</b>	<b>50,128,171.88</b>	<b>32.31</b>
<b>Money market instruments</b>					
<b>Money market instruments</b>					
EUR	3,000,000	Aquafin SA 0.24% CP 13/15.12.14	2,997,502.08	2,997,502.08	1.93
EUR	5,500,000	Bank of China Ltd (Sydney Br) 1% ECP 14/28.01.15	5,472,031.84	5,472,031.84	3.53
EUR	500,000	Bank of China Ltd (Sydney Br) 1.23% ECP 14/05.12.14	499,780.10	499,780.10	0.32
EUR	3,500,000	Befimmo SICAFI SA 0.16% CP 14/28.11.14	3,499,071.00	3,499,071.00	2.25
EUR	3,500,000	Belfius Financing Co SA 0.34% ECP 14/09.02.15	3,493,862.45	3,493,862.45	2.25
EUR	4,000,000	Brussels Municipal Regional Fd 0% CTr 14/15.10.14	3,999,476.74	3,999,476.74	2.58
EUR	2,000,000	Brussels Municipal Regional Fd 0.161% CTr 14/29.10.14	1,999,686.99	1,999,686.99	1.29
EUR	4,000,000	China Construction Bank Corp 0.95% ECP 14/28.11.14	3,980,462.56	3,980,462.56	2.56
EUR	6,000,000	Emirates Bk Intl Ltd 0.35% ECP 14/06.10.14	5,996,327.25	5,996,327.25	3.86
EUR	5,000,000	GDF Suez SA 0% BTr 14/21.10.14	4,997,899.49	4,997,899.49	3.22
EUR	3,000,000	Hewlett-Packard Co 0.24% ECP 14/29.10.14	2,998,280.99	2,998,280.99	1.93
EUR	2,000,000	Ind & Cial Bk of China Ltd Lux 1.22% CD 14/31.10.14	1,987,606.17	1,987,606.17	1.28
EUR	4,500,000	Ind & Cial Bk of China Ltd/Syd 0.3% ECP 14/19.03.15	4,493,222.72	4,493,222.72	2.90
EUR	2,000,000	Johnson Controls Inc 0.25% ECP 14/31.12.14	1,998,736.91	1,998,736.91	1.29
EUR	3,000,000	KA Finanz AG 0.19% ECP 14/04.12.14	2,998,559.86	2,998,559.86	1.93
EUR	5,000,000	KBC Group NV 0.08% CD 14/29.12.14	4,998,989.09	4,998,989.09	3.22
EUR	1,000,000	Koninklijke DSM NV 0.2% ECP 14/09.10.14	999,500.25	999,500.25	0.64
EUR	2,000,000	Nykredit Bank A/S 0.06% ECP 14/12.11.14	1,999,796.69	1,999,796.69	1.29
EUR	2,500,000	Région Wallonne 0.113% CTr 14/23.12.14	2,499,286.11	2,499,286.11	1.61
EUR	4,000,000	Ste Wallonne du Credit Social 0.47% CTr 14/28.11.14	3,990,518.09	3,990,518.09	2.57
EUR	1,000,000	Tesco Corp Treasury Serv plc 0.08% ECP 14/30.12.14	999,786.71	999,786.71	0.64
EUR	1,500,000	Volkswagen Bank GmbH 0.18% ECP 14/12.11.14	1,499,332.80	1,499,332.80	0.97
EUR	1,500,000	Volvo Treasury AB 0.25% ECP 14/03.10.14	1,499,125.51	1,499,125.51	0.97
<b>Total money market instruments</b>			<b>69,898,842.40</b>	<b>69,898,842.40</b>	<b>45.03</b>
Total investments in securities			119,936,301.64	120,027,014.28	77.34

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

## KBC INTEREST FUND CASH EURO

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

as at 30th September 2014

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Cash at banks</b>					
<b>Term deposits</b>					
EUR	5,000,000.00	KBC Bank SA 0.5800% 24.04.2015	5,000,000.00	5,000,000.00	3.22
EUR	2,000,000.00	KBC Bank SA 0.4800% 20.11.2014	2,000,000.00	2,000,000.00	1.29
EUR	1,000,000.00	KBC Bank SA 0.4500% 14.08.2015	1,000,000.00	1,000,000.00	0.65
EUR	1,700,000.00	KBC Bank SA 0.5200% 19.02.2015	1,700,000.00	1,700,000.00	1.10
EUR	2,000,000.00	KBC Bank SA 0.5100% 16.12.2014	2,000,000.00	2,000,000.00	1.29
EUR	7,000,000.00	KBC Bank SA 0.5600% 20.05.2015	7,000,000.00	7,000,000.00	4.51
EUR	3,000,000.00	KBC Bank SA 0.5400% 20.01.2015	3,000,000.00	3,000,000.00	1.93
EUR	2,000,000.00	KBC Bank SA 0.5700% 27.03.2015	2,000,000.00	2,000,000.00	1.29
EUR	2,500,000.00	KBC Bank SA 0.1700% 08.10.2014	2,500,000.00	2,500,000.00	1.61
EUR	3,000,000.00	KBC Bank SA 0.5100% 22.10.2014	3,000,000.00	3,000,000.00	1.93
<b>Total term deposits</b>			<b>29,200,000.00</b>	<b>29,200,000.00</b>	<b>18.82</b>
<b>Current accounts at bank</b>			<b>4,414,114.52</b>	<b>4,414,114.52</b>	<b>2.84</b>
Total cash at banks			<b>33,614,114.52</b>	<b>33,614,114.52</b>	<b>21.66</b>
Other net assets/(liabilities)				<b>1,545,394.85</b>	<b>1.00</b>
Total				<b>155,186,523.65</b>	<b>100.00</b>

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

## KBC INTEREST FUND EURO MEDIUM

### Investment policy and outlook

from 1st October 2013 to 30th September 2014

Euro area bond yields were already extremely low at the start of the period under review at the beginning of October 2013. Bonds with maturities up to three years barely managed a positive return in Germany and the other core countries. A little extra was only available in the periphery, Spain and Italy.

The situation did not improve when, in November, the European Central Bank cut its policy rate by a further 0.25% to reach 0.25%. Although the euro area economy seemed to be improving in the third quarter, the ECB deemed that the risks for economic activity were still too great. The favourable pattern of inflation made it easy for the ECB to reduce interest rates virtually to nothing. The ECB trimmed interest rates once more in June and also announced a programme of qualitative easing in the form of planned purchases of Asset Backed Securities (ABS) and covered bonds.

Bond market sentiment also remained excellent in 2014, but unfortunately this was primarily driven by the weaker than expected growth. Following a good first quarter, aided by the mild winter, growth faltered, particularly on account of an abrupt slowdown of the German export machine. Lower than expected inflation figures placed further downward pressure on interest rates, the main driving forces being falling food prices to begin with and subsequently the dwindling oil price.

The peripheral markets performed strongly, especially Spain and to a lesser extent Italy. Ireland was included in the portfolio again as from Q2 in 2014, as it is no longer classified as junk.

The investment policy continued to be based around the theme 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. In addition to this, the policy regarding duration or interest-rate sensitivity was adapted. Instead of pursuing a duration equal to that of the benchmark, a higher duration was opted for in the first half of the financial year, namely 110-115% of the benchmark, especially in the peripheral markets. This allowed higher-yielding bonds to be picked to the maximum extent. These positions were not rolled on so that the portfolio gradually became shorter; at the end of the financial year the portfolio duration was somewhat lower than that of the market.

#### **Outlook**

The economic outlook for the euro area looks gloomy in the short term. The risk of deflation - i.e. negative inflation - remains present, but we consider it less likely than a modest economic upturn in 2015.

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. The likelihood of an increase in short-term bond rates is regarded as low, as the main driving force in this regard is the policy of the ECB. There is little prospect of any increase in interest rates; this is probably still years away.

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 INTEREST FUND EURO MEDIUM

### Statement of net assets (in EUR)

as at 30th September 2014

#### **Assets**

##### **Investments**

Securities portfolio at market value

883,803,487.25

883,803,487.25

##### **Cash and cash equivalents**

Cash at banks

7,996,761.61

7,996,761.61

##### **Receivables**

Receivable on issues of shares

4,068,285.18

Income receivable on portfolio

11,279,708.81

15,347,993.99

##### **Total assets**

907,148,242.85

#### **Liabilities**

##### **Payables**

Other liquid liabilities

2.89

Payable on redemptions of shares

11,775.72

Expenses payable

793,220.55

804,999.16

##### **Total liabilities**

804,999.16

##### **Total net assets at the end of the year**

906,343,243.69

Number of CAP shares outstanding

622.7068

Net asset value per CAP share

4,161.81

Number of DIV shares outstanding

7,738.0000

Net asset value per DIV share

2,402.50

Number of Institutional B Shares outstanding

212,420.2142

Net asset value per Institutional B Share

4,167.03

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

## KBC INTEREST FUND EURO MEDIUM

### Statement of operations (in EUR)

from 1st October 2013 to 30th September 2014

#### Income

##### Investment income

Interest on bonds and other debt securities, net	22,634,759.08
Interest on bank accounts	470.08
	<hr/>
	22,635,229.16

##### Realised gains on investments

- on securities portfolio	5,793,429.54
- on futures contracts	397,999.98
	<hr/>
	6,191,429.52

##### Unrealised gains on investments

- on securities portfolio	3,422,361.40
	<hr/>
	3,422,361.40

##### Other income

2,118,070.23

##### Total income

---

---

34,367,090.31

#### Expenses

##### Investment advisory or management fees

Management fees	3,016,406.96
	<hr/>
	3,016,406.96

##### Other expenses

Custodian fees	284,795.24
Banking charges and other fees	798.60
Transaction fees	4,837.22
Central administration costs	353,981.66
Professional fees	8,848.38
Other administration costs	68,229.88
Subscription duty ("taxe d'abonnement")	93,352.99
Other taxes	790,734.42
Interest paid on bank overdrafts	463.38
Other fees	6,162.54
	<hr/>
	1,612,204.31

##### Realised loss on investments

- on securities portfolio	7,720,243.24
- on futures contracts	26,050.00
	<hr/>
	7,746,293.24

##### Unrealised loss on investments

- on securities portfolio	3,310,356.40
- on futures contracts	117,800.00
	<hr/>
	3,428,156.40

##### Total expenses

---

---

15,803,060.91

##### Net income

---

---

18,564,029.40

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

## KBC INTEREST FUND EURO MEDIUM

### Statement of changes in net assets (in EUR)

from 1st October 2013 to 30th September 2014

Net income	18,564,029.40
Dividends paid	-15,170.00
Subscriptions	1,806,846,713.71
Redemptions	-1,183,457,111.84
Total changes in net assets	<u>641,938,461.27</u>
Total net assets at the beginning of the year	<u>264,404,782.42</u>
<b>Total net assets at the end of the year</b>	<b><u><u>906,343,243.69</u></u></b>

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

## KBC INTEREST FUND EURO MEDIUM

### Statistical information (in EUR)

as at 30th September 2014

<b>Total net assets</b>	
- as at 30.09.2014	906,343,243.69
- as at 30.09.2013	264,404,782.42
- as at 30.09.2012	211,820,227.60
<b>Number of CAP shares</b>	
- outstanding at the beginning of the year	2,702.5394
- issued	3,315.3984
- redeemed	-5,395.2310
- outstanding at the end of the year	622.7068
<b>Net asset value per CAP share</b>	
- as at 30.09.2014	4,161.81
- as at 30.09.2013	4,052.48
- as at 30.09.2012	3,960.14
<b>Performances of CAP shares (in %)</b>	
- as at 30.09.2014	2.70
- as at 30.09.2013	2.33
- as at 30.09.2012	2.22
<b>Number of DIV shares</b>	
- outstanding at the beginning of the year	410.0000
- issued	23,912.0000
- redeemed	-16,584.0000
- outstanding at the end of the year	7,738.0000
<b>Net asset value per DIV share</b>	
- as at 30.09.2014	2,402.50
- as at 30.09.2013	2,375.70
- as at 30.09.2012	2,371.48
<b>Performances of DIV shares (in %)</b>	
- as at 30.09.2014	2.73
- as at 30.09.2013	2.33
- as at 30.09.2012	2.21
<b>Dividend paid</b>	
Ex-dividend date	01.10.2013
Dividend per share	37.00
Shares outstanding at dividend date	410.0000
<b>Number of Institutional B Shares</b>	
- outstanding at the beginning of the year	62,250.0000
- issued	421,725.7524
- redeemed	-271,555.5382
- outstanding at the end of the year	212,420.2142
<b>Net asset value per Institutional B Share</b>	
- as at 30.09.2014	4,167.03
- as at 30.09.2013	4,055.88
- as at 30.09.2012	3,961.90
<b>Performances of Institutional B Shares (in %)</b>	
- as at 30.09.2014	2.74
- as at 30.09.2013	2.37
- as at 30.09.2012	-

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

## KBC INTEREST FUND EURO MEDIUM

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

as at 30th September 2014

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Investments in securities</b>					
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Bonds</b>					
EUR	3,000,000	Belgium 3.25% OLO Ser 47 06/28.09.16	3,222,871.51	3,195,750.00	0.35
EUR	5,500,000	Belgium 3.5% Ser 56 09/28.03.15	5,675,612.38	5,594,600.00	0.62
EUR	16,000,000	Belgium 3.5% Ser 63 11/28.06.17	17,548,838.10	17,541,600.00	1.94
EUR	4,000,000	Belgium 4% OLO Ser 49 07/28.03.17	4,421,480.00	4,400,400.00	0.49
EUR	18,000,000	Deutschland 0.25% 13/13.03.15	18,016,740.00	18,026,100.00	1.99
EUR	60,000,000	Deutschland 0.5% Ser 163 12/07.04.17	60,753,750.00	60,846,000.00	6.71
EUR	30,000,000	Deutschland 0.75% Ser 162 12/24.02.17	30,507,352.50	30,585,750.00	3.37
EUR	40,000,000	Deutschland 2.25% Ser 157 10/10.04.15	40,646,770.00	40,481,000.00	4.47
EUR	16,000,000	Deutschland 3.75% Ser 06 06/04.01.17	17,568,254.95	17,381,200.00	1.92
EUR	17,500,000	Deutschland 4.25% 07/04.07.17	19,635,465.00	19,582,500.00	2.16
EUR	20,000,000	Espana 2.75% Sen 13/31.03.15	20,367,520.00	20,254,000.00	2.23
EUR	52,000,000	Espana 3.8% 06/31.01.17	55,925,995.43	56,152,200.00	6.20
EUR	39,000,000	Espana 4.25% 11/31.10.16	41,931,838.09	42,164,850.00	4.65
EUR	7,000,000	Espana 4.4% T Bond 04/31.01.15	7,257,460.00	7,099,050.00	0.78
EUR	27,500,000	Espana 5.5% 02/30.07.17	31,395,330.00	31,348,625.00	3.46
EUR	5,250,000	Finland 1.75% Sen 10/15.04.16	5,423,422.78	5,394,637.50	0.60
EUR	4,000,000	Finland 1.875% 11/15.04.17	4,190,240.00	4,192,000.00	0.46
EUR	400,000	Flemish Community 3.875% EMTN 09/20.07.16	430,600.00	427,156.00	0.05
EUR	52,000,000	France 1.75% BTAN 12/25.02.17	54,096,549.41	54,198,300.00	5.98
EUR	5,000,000	France 3.25% OAT 06/25.04.16	5,360,160.53	5,256,000.00	0.58
EUR	60,000,000	France 3.5% OAT 05/25.04.15	61,665,120.00	61,189,500.00	6.75
EUR	60,000,000	France 3.75% OAT 07/25.04.17	65,950,776.15	65,775,000.00	7.26
EUR	17,000,000	France 5% OAT 01/25.10.16	19,218,440.97	18,766,725.00	2.07
EUR	28,500,000	Italia 2.5% BTP 12/01.03.15	28,918,156.61	28,769,325.00	3.17
EUR	51,750,000	Italia 2.75 BTP Senior 13/15.11.16	53,810,795.00	54,228,825.00	5.98
EUR	61,500,000	Italia 4% BTP 07/01.02.17	66,231,896.56	66,475,350.00	7.33
EUR	51,250,000	Italia 4.75% BOT 12/01.06.17	56,928,010.00	56,904,156.25	6.28
EUR	9,000,000	Italia 4.75% BTP 11/15.09.16	9,764,862.39	9,755,550.00	1.08
EUR	7,000,000	Netherlands 0% 13/15.04.16	6,989,025.10	7,003,500.00	0.77
EUR	3,000,000	Netherlands 3.25% 05/15.07.15	3,091,350.00	3,077,475.00	0.34
EUR	11,500,000	Netherlands 4% 06/15.07.16	12,522,840.00	12,327,712.50	1.36
EUR	33,000,000	Netherlands 4.5% 07/15.07.17	37,226,328.33	37,143,150.00	4.10
EUR	10,000,000	Oesterreich 3.2% Sen 10/20.02.17	10,793,396.25	10,766,250.00	1.19
EUR	1,000,000	Oesterreich 3.5% EMTN 05/15.07.15	1,039,059.17	1,027,650.00	0.11
EUR	6,000,000	Oesterreich 4% 06/15.09.16	6,682,281.52	6,471,600.00	0.71
Total investments in securities			885,208,588.73	883,803,487.25	97.51
Cash at banks				7,996,761.61	0.88
Other net assets/(liabilities)				14,542,994.83	1.61
Total				906,343,243.69	100.00

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

## KBC INTEREST FUND CASH USD

### Investment policy and outlook

from 1st October 2013 to 30th September 2014

---

More jobs were created than lost in the US in 2010 and 2011, but the rate of employment growth remained on the low side. There was some improvement for a while at the beginning of 2013. Employment growth accelerated, but this was barely enough to absorb the natural increase in the working-age population. Pay rises have barely outstripped inflation. Taken together, these two factors ensured that household purchasing power in the US only grew to a limited extent and so contributed very modestly to economic growth.

However, the US economy was much stronger than the stark growth figures might suggest. Growth gradually picked up, which was translated into better labour figures. In the first 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 US central bank (the Fed) had already cut its key rate very early on in the crisis. It began this process in September 2007, when the key rate still stood at 5.25%. The rate had fallen to a symbolic 0.25% by December 2008 and has remained there ever since.

Under the leadership of former Chairman Ben Bernanke, the Fed also turned to other measures. Up until the end of 2013, the Fed repurchased government bonds and mortgage loans to the value of 85 billion US dollars a month. The programme has been scaled back since the beginning of January 2014 by around 10 billion dollars a month.

This introduced a new trend known as tapering, whereby the tap of excessive liquidity provision was gradually turned off. Under its chair Janet Yellen the FED will continue to reduce its purchasing programme with a view to terminating the scheme by the end of the year provided economic circumstances permit.

Money-market rates in the US fell slightly further in recent months. Three-month Libor fell by two further basis points to 0.23%. The duration of the portfolio moved in the 70-90 day range throughout the period under review. The cautious debtor policy adopted during the financial crisis was relaxed a little, allowing the inclusion of more A2 short-dated paper than previously. Investment continued to focus on prime companies and financial institutions. Floaters were included too, where possible.

The US money-market curve flattened out further in the past year. The spread between the one-month and one-year rate has narrowed from 45 to 42 basis points. Given the expectation that short rates will remain low throughout 2014, a portfolio duration around 80 days has been opted for. An increase in US short-term rates is expected some time from the second quarter of 2015 onwards.

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 INTEREST FUND CASH USD

### Statement of net assets (in USD)

as at 30th September 2014

#### **Assets**

##### **Investments**

Securities portfolio at market value	94,273,139.84
	<hr/>
	94,273,139.84

##### **Cash and cash equivalents**

Cash at banks	27,607,894.06
	<hr/>
	27,607,894.06

##### **Receivables**

Receivable on issues of shares	131,176.77
Income receivable on portfolio	67,652.04
Interest receivable on bank accounts	60,057.12
	<hr/>
	258,885.93
	<hr/>

##### **Total assets**

122,139,919.83

#### **Liabilities**

##### **Payables**

Expenses payable	43,213.99
	<hr/>
	43,213.99
	<hr/>

##### **Total liabilities**

43,213.99

##### **Total net assets at the end of the year**

122,096,705.84

Number of CAP shares outstanding	67,464.9228
Net asset value per CAP share	1,776.24
Number of DIV shares outstanding	2,339.8334
Net asset value per DIV share	967.19

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

## KBC INTEREST FUND CASH USD

### Statement of operations (in USD)

from 1st October 2013 to 30th September 2014

#### Income

##### Investment income

Interest on bonds and other debt securities, net	309,640.57
Interest on bank accounts	106,055.11
	<hr/>
	415,695.68

##### Realised gains on investments

- on securities portfolio	2,280.23
- on foreign exchange	762.89
	<hr/>
	3,043.12

##### Unrealised gains on investments

- on securities portfolio	22,667.54
	<hr/>
	22,667.54

##### Other income

84.83

##### Total income

441,491.17

#### Expenses

##### Investment advisory or management fees

Management fees	190,779.02
	<hr/>
	190,779.02

##### Other expenses

Custodian fees	44,954.32
Banking charges and other fees	42.96
Central administration costs	54,593.99
Professional fees	1,298.76
Other administration costs	11,717.35
Subscription duty ("taxe d'abonnement")	10,028.97
Other taxes	25,929.37
Other fees	1,295.88
	<hr/>
	149,861.60

##### Realised loss on investments

- on securities portfolio	51,306.32
- on foreign exchange	1,167.12
	<hr/>
	52,473.44

##### Unrealised loss on investments

- on securities portfolio	30,844.37
	<hr/>
	30,844.37

##### Total expenses

423,958.43

##### Net income

17,532.74

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

## KBC INTEREST FUND CASH USD

### Statement of changes in net assets (in USD)

from 1st October 2013 to 30th September 2014

Net income	17,532.74
Dividends paid	-8,247.41
Subscriptions	80,977,268.80
Redemptions	-45,548,002.90
Total changes in net assets	<u>35,438,551.23</u>
Total net assets at the beginning of the year	<u>86,658,154.61</u>
<b>Total net assets at the end of the year</b>	<b><u><u>122,096,705.84</u></u></b>

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

## KBC INTEREST FUND CASH USD

### Statistical information (in USD)

as at 30th September 2014

<b>Total net assets</b>	
- as at 30.09.2014	122,096,705.84
- as at 30.09.2013	86,658,154.61
- as at 30.09.2012	40,741,394.65
<b>Number of CAP shares</b>	
- outstanding at the beginning of the year	46,993.9834
- issued	45,463.7933
- redeemed	-24,992.8539
- outstanding at the end of the year	67,464.9228
<b>Net asset value per CAP share</b>	
- as at 30.09.2014	1,776.24
- as at 30.09.2013	1,775.96
- as at 30.09.2012	1,774.95
<b>Performances of CAP shares (in %)</b>	
- as at 30.09.2014	0.02
- as at 30.09.2013	0.06
- as at 30.09.2012	0.36
<b>Number of DIV shares</b>	
- outstanding at the beginning of the year	3,298.9639
- issued	241.8612
- redeemed	-1,200.9917
- outstanding at the end of the year	2,339.8334
<b>Net asset value per DIV share</b>	
- as at 30.09.2014	967.19
- as at 30.09.2013	969.55
- as at 30.09.2012	975.76
<b>Performances of DIV shares (in %)</b>	
- as at 30.09.2014	0.01
- as at 30.09.2013	0.06
- as at 30.09.2012	0.36
<b>Dividend paid</b>	
Ex-dividend date	01.10.2013
Dividend per share	2.50
Shares outstanding at dividend date	3,298.9639

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

## KBC INTEREST FUND CASH USD

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

as at 30th September 2014

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Investments in securities</b>					
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Bonds</b>					
USD	500,000	ANZ Banking Group Ltd FRN MTN Reg S Sen 12/06.10.15	503,595.00	502,665.00	0.41
USD	500,000	Commonwealth Bank of Australia FRN Tr 165 Reg S 13/20.09.16	503,420.00	503,110.00	0.41
USD	1,400,000	Erste Abwicklungsanstalt FRN EMTN 12/15.10.14	1,400,000.00	1,400,126.00	1.15
USD	1,000,000	Export Import Bank Korea (The) FRN Sen 13/17.09.16	1,007,500.00	1,006,950.00	0.82
USD	2,000,000	ING Bank NV FRN Reg S Sen 12/25.09.15	2,040,500.00	2,028,880.00	1.66
USD	2,200,000	Macquarie Bank Ltd FRN Reg S Sen Tr 9 14/15.06.16	2,204,467.50	2,203,201.00	1.80
USD	1,325,000	Nordea Bank AB FRN Reg S Tr 6 Sub 13/13.05.16	1,331,571.50	1,330,969.13	1.09
USD	2,000,000	Royal Bank Canada FRN Ser F 13/09.09.16	2,013,220.00	2,011,090.00	1.65
<b>Total bonds</b>			<b>11,004,274.00</b>	<b>10,986,991.13</b>	<b>8.99</b>
<b>Transferable securities dealt in on another regulated market</b>					
<b>Bonds</b>					
USD	1,500,000	General Electric Capital Corp FRN Tr 889 Sen 13/12.07.16	1,514,765.00	1,513,575.00	1.24
USD	1,000,000	JPMorgan Chase & Co FRN Ser H Tr 209 12/15.10.15	1,005,300.00	1,004,110.00	0.82
USD	600,000	Kommunalbanken A/S FRN Reg S 13/26.01.15	599,998.00	600,078.00	0.49
USD	1,250,000	Svenska Handelsbanken AB FRN Sen 13/23.09.16	1,258,525.00	1,256,887.50	1.03
USD	1,000,000	Svenska Handelsbanken AB FRN Sen Tr 4 13/21.03.16	1,005,300.00	1,004,230.00	0.82
<b>Total bonds</b>			<b>5,383,888.00</b>	<b>5,378,880.50</b>	<b>4.40</b>
<b>Money market instruments</b>					
<b>Money market instruments</b>					
USD	4,000,000	Abu Dhabi Commercial Bank 0.2% ECP 14/17.10.14	3,998,733.73	3,998,733.73	3.27
USD	4,500,000	Agence Centr Org Secu Sociale 0.2% ECP 14/15.12.14	4,498,100.80	4,498,100.80	3.68
USD	4,000,000	Bank of China Ltd Singapore 1.25% ECP 14/28.11.14	3,974,469.55	3,974,469.55	3.25
USD	3,000,000	Bank Tokyo-Mits UFJ Ltd Sydney 0.25% CD 14/03.10.14	2,998,313.45	2,998,313.45	2.46
USD	2,500,000	Belfius Banque SA 0.36% CD 14/22.10.14	2,497,702.11	2,497,702.11	2.05
USD	2,500,000	BPCE SA 0.31% CD 14/18.11.14	2,496,710.58	2,496,710.58	2.04
USD	1,500,000	Caisse Centrale Desjardins 0.17% ECP 14/14.10.14	1,499,716.72	1,499,716.72	1.23
USD	4,000,000	China Construction Bank Corp 0.8% ECP 14/27.10.14	3,986,446.08	3,986,446.08	3.26
USD	2,000,000	Credit Agricole SA 0.21% CD 14/03.10.14	1,998,927.24	1,998,927.24	1.64
USD	3,000,000	DZ Bank AG Dt Zent Genosbk 0.22% ECP 14/25.11.14	2,998,698.35	2,998,698.35	2.46
USD	3,500,000	Electricité de France 0.32% CP 14/05.01.15	3,494,439.96	3,494,439.96	2.86
USD	2,500,000	Eni Fin Intl SA 0.28% ECP 14/25.11.14	2,498,212.39	2,498,212.39	2.05
USD	1,000,000	Hewlett-Packard Co 0.34% ECP 14/29.10.14	999,650.68	999,650.68	0.82
USD	2,000,000	Hewlett-Packard Co 0.34% ECP 14/29.10.14	1,998,772.98	1,998,772.98	1.64
USD	4,000,000	Ind & Cial Bk of China Ltd Lux 0.48% CD 14/17.02.15	3,990,051.47	3,990,051.47	3.27
USD	2,000,000	ING Bank NV (Sydney) 0.21% ECP 14/10.12.14	1,999,043.79	1,999,043.79	1.64
USD	1,000,000	KA Finanz AG 0.18% ECP 14/22.10.14	999,780.05	999,780.05	0.82
USD	2,500,000	Mitsubishi UFJ Trust Bank Corp 0.22% CD 14/18.11.14	2,498,656.28	2,498,656.28	2.05
USD	4,500,000	Mizuho Bk Ltd (Sydney Branch) 0.24% CD 14/24.10.14	4,497,241.69	4,497,241.69	3.68
USD	3,500,000	National Bank of Abu Dhabi 0.18% ECP 14/03.10.14	3,498,827.89	3,498,827.89	2.87
USD	3,000,000	Natixis 0.24% CD 14/12.12.14	2,998,101.20	2,998,101.20	2.45
USD	2,500,000	Nykredit Bank A/S 0.32% ECP 14/05.12.14	2,497,779.75	2,497,779.75	2.05
USD	4,500,000	Pohjola Bank Plc 0.285% ECP 14/07.11.14	4,494,769.21	4,494,769.21	3.68
USD	3,000,000	Shinhan Bank London 0% CD 14/30.12.14	2,996,617.15	2,996,617.15	2.45
USD	2,000,000	Shinhan Bank London 0.25% CD /22.10.14	1,999,583.42	1,999,583.42	1.64
USD	2,500,000	Standard Chartered Bank 0.23% ECP 14/19.11.14	2,498,754.79	2,498,754.79	2.05
USD	3,000,000	Swedbank AB 0.2% CD 14/14.11.14	2,999,166.90	2,999,166.90	2.46
<b>Total money market instruments</b>			<b>77,907,268.21</b>	<b>77,907,268.21</b>	<b>63.82</b>
Total investments in securities			94,295,430.21	94,273,139.84	77.21
<b>Cash at banks</b>					
<b>Term deposits</b>					
USD	2,500,000.00	KBC Bank SA 0.4900% 24.03.2015	2,500,000.00	2,500,000.00	2.05
USD	1,000,000.00	KBC Bank SA 0.5000% 13.04.2015	1,000,000.00	1,000,000.00	0.82

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

## KBC INTEREST FUND CASH USD

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

as at 30th September 2014

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
USD	1,000,000.00	KBC Bank SA 0.6400% 29.09.2015	1,000,000.00	1,000,000.00	0.82
USD	1,000,000.00	KBC Bank SA 0.5000% 23.12.2014	1,000,000.00	1,000,000.00	0.82
USD	2,500,000.00	KBC Bank SA 0.5800% 21.10.2014	2,500,000.00	2,500,000.00	2.05
USD	2,000,000.00	KBC Bank SA 0.4800% 26.01.2015	2,000,000.00	2,000,000.00	1.64
USD	800,000.00	KBC Bank SA 0.2700% 31.12.2014	800,000.00	800,000.00	0.65
USD	1,000,000.00	KBC Bank SA 0.6300% 11.09.2015	1,000,000.00	1,000,000.00	0.82
USD	1,000,000.00	KBC Bank SA 0.5000% 23.12.2014	1,000,000.00	1,000,000.00	0.82
USD	2,500,000.00	KBC Bank SA 0.5100% 24.04.2015	2,500,000.00	2,500,000.00	2.05
USD	1,000,000.00	KBC Bank SA 0.5400% 25.06.2015	1,000,000.00	1,000,000.00	0.82
USD	3,000,000.00	KBC Bank SA 0.5800% 25.08.2015	3,000,000.00	3,000,000.00	2.46
USD	2,000,000.00	KBC Bank SA 0.5800% 15.07.2015	2,000,000.00	2,000,000.00	1.64
USD	800,000.00	KBC Bank SA 0.5100% 25.11.2014	800,000.00	800,000.00	0.65
USD	2,000,000.00	KBC Bank SA 0.5100% 20.02.2015	2,000,000.00	2,000,000.00	1.64
USD	2,300,000.00	KBC Bank SA 0.6300% 22.09.2015	2,300,000.00	2,300,000.00	1.88
USD	800,000.00	KBC Bank SA 0.4100% 25.11.2014	800,000.00	800,000.00	0.65
<b>Total term deposits</b>			<b>27,200,000.00</b>	<b>27,200,000.00</b>	<b>22.28</b>
<b>Current accounts at bank</b>			<b>407,894.06</b>	<b>407,894.06</b>	<b>0.33</b>
Total cash at banks			27,607,894.06	27,607,894.06	22.61
Other net assets/(liabilities)				215,671.94	0.18
Total				<b>122,096,705.84</b>	<b>100.00</b>

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

## KBC INTEREST FUND CZK Alpha

### Investment policy and outlook

from 1st October 2013 to 30th September 2014

---

#### *Macroeconomic and fixed-income development*

During the last twelve months, the Czech economy managed to accelerate its economic growth and perform above earlier expectations. In the second quarter of 2014, GDP growth reached 2.5% y-o-y. In the course of last twelve months, consumer price inflation slowed further from 1.0% y-o-y in September 2013 to 0.7% y-o-y in September 2014. Consumer price inflation fell further below the target of the Czech National Bank (the 'CNB') throughout 2014 and the CNB decided to intervene against the Czech koruna in November 2013, weakening the currency by approximately 6% versus euro. The aim of the move was primarily to bring inflation closer to the target of 2%. The official CNB rate remained at 0.05% during the last twelve months and is lower than the official rate of ECB. The yields at the short end of the local yield curve continued decreasing during the last twelve months as the 6 month inter-bank rate fell from 0.57% to 0.41%. In the course of the last twelve months, the Czech yield curve has flattened significantly as the long-term yields plunged by approximately 110 bps compared to a 15 bps decrease of the short-term yields.

#### *Investment strategy and asset allocation*

The Fund invests mainly in CZK and EUR-denominated Eurobonds, Czech government bonds with short maturity and term deposits. These instruments offer good accessibility and liquidity. The currency risk originating from investments in EUR-denominated securities is fully hedged. During the last six months, the Fund's modified duration oscillated between 115 and 180 days, ie. above the benchmark duration of 90 days.

#### *Expected development*

We expect the economy to sustain its present growth rate for the rest of 2014. We expect consumer price inflation to start accelerating slowly but do not expect it to reach the Czech National Bank's target of 2.0% for the next six months. The Czech National Bank is anticipated to keep its official interest rate at the present level of 0.05% until the end of 2015. As for the long-term yields, we expect a gradual rise in yields for the rest 2014 in response to the rebound of the Czech economy. We intend to keep the modified duration above or at the benchmark-neutral level during the next six months with the option of it should the Czech economy rebound more strongly than expected.

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 INTEREST FUND CZK Alpha

### Statement of net assets (in CZK)

as at 30th September 2014

#### **Assets**

##### **Investments**

Securities portfolio at market value	321,095,557.93
	<hr/>
	321,095,557.93

##### **Cash and cash equivalents**

Cash at banks	33,999,357.78
	<hr/>
	33,999,357.78

##### **Receivables**

Receivable on treasury transactions	10,996,290.57
Income receivable on portfolio	2,351,502.05
Unrealised gain on forward foreign exchange contracts	742,616.44
Prepaid expenses	20,004.46
	<hr/>
	14,110,413.52

##### **Total assets**

369,205,329.23

#### **Liabilities**

##### **Payables**

Payable on treasury transactions	11,013,934.07
Unrealised loss on forward foreign exchange contracts	353,603.28
Expenses payable	108,978.88
	<hr/>
	11,476,516.23

##### **Total liabilities**

11,476,516.23

##### **Total net assets at the end of the year**

357,728,813.00

Number of DIV shares outstanding	35,177.8920
Net asset value per DIV share	10,169.14

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

## KBC INTEREST FUND CZK Alpha

### Statement of operations (in CZK)

from 1st October 2013 to 30th September 2014

#### Income

##### Investment income

Interest on bonds and other debt securities, net	3,897,847.41
Interest on bank accounts	913.30
	<hr/>
	3,898,760.71

##### Realised gains on investments

- on securities portfolio	5,950,268.92
- on forward foreign exchange contracts	359,701.25
- on foreign exchange	7,854,621.91
	<hr/>
	14,164,592.08

##### Unrealised gains on investments

- on securities portfolio	4,107,999.02
- on forward foreign exchange contracts	860,681.29
	<hr/>
	4,968,680.31

##### Other income

1,054.70

##### Total income

---

---

23,033,087.80

#### Expenses

##### Investment advisory or management fees

Management fees	749,918.56
	<hr/>
	749,918.56

##### Other expenses

Custodian fees	113,911.95
Banking charges and other fees	4,072.48
Central administration costs	136,770.29
Professional fees	3,299.26
Other administration costs	107,392.70
Subscription duty ("taxe d'abonnement")	28,402.09
Interest paid on bank overdrafts	34,762.92
Other fees	6,990.69
	<hr/>
	435,602.38

##### Realised loss on investments

- on securities portfolio	1,108,387.85
- on forward foreign exchange contracts	7,014,107.02
- on foreign exchange	8,184,390.59
	<hr/>
	16,306,885.46

##### Unrealised loss on investments

- on securities portfolio	1,501,250.40
- on forward foreign exchange contracts	785,433.10
	<hr/>
	2,286,683.50

##### Total expenses

---

---

19,779,089.90

##### Net income

---

---

3,253,997.90

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

## KBC INTEREST FUND CZK Alpha

### Statement of changes in net assets (in CZK) from 1st October 2013 to 30th September 2014

Net income	3,253,997.90
Dividends paid	-1,836,315.72
Subscriptions	199,794,920.51
Redemptions	-27,778,456.58
Total changes in net assets	173,434,146.11
Total net assets at the beginning of the year	184,294,666.89
<b>Total net assets at the end of the year</b>	<b>357,728,813.00</b>

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

## KBC INTEREST FUND CZK Alpha

### Statistical information (in CZK)

as at 30th September 2014

<b>Total net assets</b>	
- as at 30.09.2014	357,728,813.00
- as at 30.09.2013	184,294,666.89
- as at 30.09.2012	99,629,642.95
<b>Number of DIV shares</b>	
- outstanding at the beginning of the year	18,210.6930
- issued	19,705.7839
- redeemed	-2,738.5849
- outstanding at the end of the year	35,177.8920
<b>Net asset value per DIV share</b>	
- as at 30.09.2014	10,169.14
- as at 30.09.2013	10,120.13
- as at 30.09.2012	10,094.87
<b>Performances of DIV shares (in %)</b>	
- as at 30.09.2014	1.26
- as at 30.09.2013	1.13
- as at 30.09.2012	2.38
<b>Dividend paid</b>	
Ex-dividend date	01.10.2013
Dividend per share	6.88
Shares outstanding at dividend date	18,210.6930
Ex-dividend date	04.11.2013
Dividend per share	6.88
Shares outstanding at dividend date	18,565.8799
Ex-dividend date	02.12.2013
Dividend per share	6.44
Shares outstanding at dividend date	18,703.8263
Ex-dividend date	02.01.2014
Dividend per share	7.11
Shares outstanding at dividend date	19,739.5036
Ex-dividend date	03.02.2014
Dividend per share	6.88
Shares outstanding at dividend date	20,005.9367
Ex-dividend date	03.03.2014
Dividend per share	6.22
Shares outstanding at dividend date	20,055.2844
Ex-dividend date	01.04.2014
Dividend per share	6.88
Shares outstanding at dividend date	24,144.2661
Ex-dividend date	02.05.2014
Dividend per share	6.66
Shares outstanding at dividend date	23,946.2661
Ex-dividend date	02.06.2014
Dividend per share	5.83
Shares outstanding at dividend date	24,933.8940
Ex-dividend date	01.07.2014
Dividend per share	6.03
Shares outstanding at dividend date	32,123.5066
Ex-dividend date	01.08.2014
Dividend per share	6.03
Shares outstanding at dividend date	33,651.6206

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

## KBC INTEREST FUND CZK Alpha

### Statistical information (in CZK) (continued)

as at 30th September 2014

---

Ex-dividend date	01.09.2014
Dividend per share	5.64
Shares outstanding at dividend date	34,135.5304

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

## KBC INTEREST FUND CZK Alpha

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

as at 30th September 2014

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Investments in securities</b>					
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Bonds</b>					
CZK	5,000,000	Credit Agricole Corp Inv Bk FRN EMTN Sen 13/01.02.18	5,000,562.50	5,090,000.00	1.42
CZK	65,000,000	Czech Republic FRN Ser 91 14/09.12.20	64,096,500.00	64,619,425.00	18.06
CZK	1,000,000	Erste Group Bank AG FRN 14/28.01.19	1,000,000.00	1,000,000.00	0.28
CZK	4,000,000	Erste Group Bank AG FRN EMTN 13/20.09.16	4,000,000.00	4,000,000.00	1.12
CZK	4,000,000	Export-Import Bank Korea (The) FRN EMTN 13/17.06.18	4,000,000.00	4,000,000.00	1.12
CZK	5,000,000	Government of Slovakia FRN Ser 220 12/02.09.15	5,081,300.00	5,077,500.00	1.42
CZK	4,000,000	HYPO NOE Gruppe Bank AG FRN Ser 8 13/22.05.18	4,000,000.00	4,005,780.00	1.12
CZK	6,000,000	ING Bank NV FRN EMTN Ser 5310 12/30.11.17	6,048,000.00	6,004,622.40	1.68
CZK	3,000,000	Société Générale FRN EMTN 13/02.05.18	3,000,000.00	3,059,100.00	0.85
CZK	4,000,000	Turkiye Garanti Bankasi AS FRN EMTN 13/06.10.16	4,000,000.00	3,964,120.00	1.11
CZK	3,000,000	VTB Eurasia Ltd FRN EMTN 13/28.10.16	3,000,000.00	2,820,000.00	0.79
			103,226,362.50	103,640,547.40	28.97
EUR	300,000	Abbey Natl T Serv Plc FRN EMTN Reg S Sen 14/22.05.19	8,258,441.68	8,274,311.80	2.31
EUR	300,000	ABN AMRO Bank NV FRN EMTN Sen 14/06.03.19	8,314,435.12	8,425,438.90	2.36
EUR	250,000	Alstom 4.125% Sen 10/01.02.17	7,320,907.35	7,439,941.92	2.08
EUR	400,000	ANZ New Zealand (Intl) Ltd FRN EMTN Sen 13/05.12.16	10,957,529.10	11,063,780.17	3.09
EUR	300,000	BNP Paribas SA FRN EMTN 14/20.05.19	8,246,406.74	8,313,434.81	2.32
EUR	100,000	BPCE SA FRN EMTN Sen 13/18.01.16	2,582,265.43	2,768,998.94	0.77
EUR	300,000	Bq Fédérative du Crédit Mutuel FRN EMTN Ser 382 14/20.03.19	8,233,786.70	8,370,509.85	2.34
EUR	300,000	Bucarest (City of) 4.125% Reg S Sen 05/22.06.15	8,468,898.62	8,431,010.21	2.36
EUR	300,000	Carinthia (State of) FRN Ser P 14/12.09.19	8,327,407.32	8,261,229.52	2.31
EUR	150,000	Ceska Exportni Banka AS FRN EMTN 13/06.06.16	3,888,686.61	4,139,239.98	1.16
EUR	200,000	Ceska Exportni Banka AS FRN EMTN Sen 14/02.07.21	5,486,596.71	5,521,792.94	1.54
EUR	200,000	Ceske Drahy as 4.5% EMTN Reg S Sen 11/24.06.16	5,865,270.19	5,834,419.41	1.63
EUR	200,000	Delta Lloyd NV 4.25% EMTN 10/17.11.17	6,017,322.59	6,065,855.99	1.70
EUR	250,000	ENI SpA FRN Sen 11/11.10.17	7,016,586.71	7,405,791.82	2.07
EUR	200,000	F Van Lanschot Bankiers NV 2.875% EMTN Sen 12/17.10.16	5,655,208.44	5,717,655.64	1.60
EUR	300,000	Gaz Capital SA 8.125% Reg-S Ser 22 09/04.02.15	8,532,962.75	8,407,734.49	2.35
EUR	300,000	Goldman Sachs Group Inc FRN EMTN 07/30.01.17	8,143,264.90	8,262,137.44	2.31
EUR	300,000	Intesa Sanpaolo SpA FRN EMTN Ser 336 07/18.05.17	8,066,771.10	8,175,142.38	2.29
EUR	300,000	JPMorgan Chase & Co FRN EMTN 14/07.05.19	8,249,953.69	8,343,396.11	2.33
EUR	300,000	mFinance France SA 2.75% EMTN Sen 12/12.10.15	8,027,434.50	8,434,270.46	2.36
EUR	50,000	NYSE EURnext Hgs LLC 5.375% EMTN Reg S 08/30.06.15	1,401,592.36	1,426,965.28	0.40
EUR	300,000	PKO Finance AB 3.733% Sen 10/21.10.15	8,383,661.14	8,523,617.86	2.38
EUR	550,000	Rabobank Nederland NV FRN EMTN Ser 28354 14/20.03.19	15,150,288.43	15,281,775.17	4.27
EUR	150,000	Royal Bank of Scotland Plc FRN EMTN 10/25.07.17	4,287,112.76	4,278,007.01	1.20
EUR	150,000	Royal Bank of Scotland Plc FRN EMTN Ser 2427 Tr1 05/16.11.15	3,855,222.18	4,093,469.36	1.14
EUR	300,000	State Bank of India London 4.5% EMTN Sen 10/30.11.15	8,549,015.21	8,551,061.74	2.39
EUR	300,000	Unicredit SpA FRN EMTN Sen 14/10.04.17	8,238,810.47	8,337,577.18	2.33
EUR	400,000	Westpac Securities NZ Ltd FRN EMTN 14/10.03.17	10,927,974.84	11,052,169.83	3.09
			206,453,813.64	209,200,736.21	58.48
<b>Total bonds</b>			<b>309,680,176.14</b>	<b>312,841,283.61</b>	<b>87.45</b>
<b>Other transferable securities</b>					
<b>Bonds</b>					
EUR	200,000	Bank of East Asia Ltd FRN EMTN Sen 14/18.02.15	5,499,007.14	5,503,007.29	1.54
<b>Total bonds</b>			<b>5,499,007.14</b>	<b>5,503,007.29</b>	<b>1.54</b>

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

## KBC INTEREST FUND CZK Alpha

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

as at 30th September 2014

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Money market instruments</u></b>					
<b>Money market instruments</b>					
EUR	100,000	China Development Bank Corp FRN CD Ser FRCD 14/21.01.15	2,746,416.99	2,751,267.03	0.77
<b>Total money market instruments</b>			<u>2,746,416.99</u>	<u>2,751,267.03</u>	<u>0.77</u>
Total investments in securities			317,925,600.27	321,095,557.93	89.76
Cash at banks				33,999,357.78	9.50
Other net assets/(liabilities)				2,633,897.29	0.74
Total				<u>357,728,813.00</u>	<u>100.00</u>

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

## KBC INTEREST FUND CZK Omega

### Investment policy and outlook

from 1st October 2013 to 30th September 2014

---

#### *Macroeconomic and fixed-income development*

During the last twelve months, the Czech economy managed to accelerate its economic growth and perform above earlier expectations. In the second quarter of 2014, GDP growth reached 2.5% y-o-y. In the course of last twelve months, consumer price inflation slowed further from 1.0% y-o-y in September 2013 to 0.7% y-o-y in September 2014. Consumer price inflation fell further below the target of the Czech National Bank (the 'CNB') throughout 2014 and the CNB decided to intervene against the Czech koruna in November 2013, weakening the currency by approximately 6% versus euro. The aim of the move was primarily to bring inflation closer to the target of 2%. The official CNB rate remained at 0.05% during the last twelve months and is lower than the official rate of the ECB. The yields at the short end of the local yield curve continued decreasing during the last twelve months as the 6 month inter-bank rate fell from 0.57% to 0.41%. In the course of the last twelve months, the Czech yield curve has flattened significantly as the long-term yields plunged by approximately 110 bps compared to a 15 bps decrease in short-term yields.

#### *Investment strategy and asset allocation*

The Fund was inceptioned on 31st October 2007 and invests mainly in CZK and EUR-denominated Eurobonds, Czech government bonds with short maturity and term deposits. These instruments offer good accessibility and liquidity. The currency risk originating from investments in EUR-denominated securities is fully hedged. During the last six months, the Fund's modified duration oscillated between 200 and 270 days, ie. above the benchmark duration of 180 days.

#### *Expected development*

We expect the economy to sustain its present growth rate for the rest of 2014. We expect consumer price inflation to start accelerating slowly but do not expect it to reach the Czech National Bank's target of 2.0% for the next six months. The Czech National Bank is expected to keep its official interest rate at the present level of 0.05% until the end of 2015. As for the long-term yields, we expect a gradual rise in yields during the rest 2014 in response to the rebound of the Czech economy. We intend to keep the modified duration above or at the benchmark-neutral level during the next six months with the option of it should the Czech economy rebound more strongly than expected.

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 INTEREST FUND CZK Omega

### Statement of net assets (in CZK)

as at 30th September 2014

#### **Assets**

##### **Investments**

Securities portfolio at market value

871,528,662.48

871,528,662.48

##### **Cash and cash equivalents**

Cash at banks

155,726,582.87

155,726,582.87

##### **Receivables**

Income receivable on portfolio

8,852,926.63

Unrealised gain on forward foreign exchange contracts

2,170,123.52

Prepaid expenses

12,224.43

11,035,274.58

##### **Total assets**

1,038,290,519.93

#### **Liabilities**

##### **Payables**

Unrealised loss on forward foreign exchange contracts

4,623,808.10

Expenses payable

302,507.31

4,926,315.41

##### **Total liabilities**

4,926,315.41

##### **Total net assets at the end of the year**

1,033,364,204.52

Number of CAP shares outstanding

76,185.5609

Net asset value per CAP share

11,039.70

Number of DIV shares outstanding

18,832.8223

Net asset value per DIV share

10,210.81

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

## KBC INTEREST FUND CZK Omega

### Statement of operations (in CZK)

from 1st October 2013 to 30th September 2014

#### **Income**

##### **Investment income**

Interest on bonds and other debt securities, net	19,240,261.36
Interest on bank accounts	2,950.27
	<hr/>
	19,243,211.63

##### **Realised gains on investments**

- on securities portfolio	11,740,112.07
- on forward foreign exchange contracts	2,825,686.34
- on foreign exchange	28,036,201.30
	<hr/>
	42,601,999.71

##### **Unrealised gains on investments**

- on securities portfolio	16,494,705.42
- on forward foreign exchange contracts	3,540,671.20
	<hr/>
	20,035,376.62

##### **Other income**

13,590.48

##### **Total income**

---

---

81,894,178.44

#### **Expenses**

##### **Investment advisory or management fees**

Management fees	2,676,012.13
	<hr/>
	2,676,012.13

##### **Other expenses**

Custodian fees	431,139.10
Banking charges and other fees	1,078.39
Central administration costs	526,822.01
Professional fees	12,751.45
Other administration costs	99,708.86
Subscription duty ("taxe d'abonnement")	94,248.44
Interest paid on bank overdrafts	99,230.43
Other fees	15,458.06
	<hr/>
	1,280,436.74

##### **Realised loss on investments**

- on securities portfolio	5,349,636.79
- on forward foreign exchange contracts	25,042,745.08
- on foreign exchange	28,770,992.26
	<hr/>
	59,163,374.13

##### **Unrealised loss on investments**

- on securities portfolio	4,988,320.39
- on forward foreign exchange contracts	6,345,569.11
	<hr/>
	11,333,889.50

##### **Total expenses**

---

---

74,453,712.50

##### **Net income**

---

---

7,440,465.94

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

## KBC INTEREST FUND CZK Omega

### Statement of changes in net assets (in CZK)

from 1st October 2013 to 30th September 2014

Net income	7,440,465.94
Dividends paid	-1,078,386.16
Subscriptions	536,308,744.26
Redemptions	-301,118,143.68
Total changes in net assets	<u>241,552,680.36</u>
Total net assets at the beginning of the year	<u>791,811,524.16</u>
<b>Total net assets at the end of the year</b>	<b><u><u>1,033,364,204.52</u></u></b>

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

## KBC INTEREST FUND CZK Omega

### Statistical information (in CZK)

as at 30th September 2014

<b>Total net assets</b>	
- as at 30.09.2014	1,033,364,204.52
- as at 30.09.2013	791,811,524.16
- as at 30.09.2012	511,135,351.09
<b>Number of CAP shares</b>	
- outstanding at the beginning of the year	55,957.9206
- issued	44,896.7353
- redeemed	-24,669.0950
- outstanding at the end of the year	76,185.5609
<b>Net asset value per CAP share</b>	
- as at 30.09.2014	11,039.70
- as at 30.09.2013	10,946.47
- as at 30.09.2012	10,844.32
<b>Performances of CAP shares (in %)</b>	
- as at 30.09.2014	0.85
- as at 30.09.2013	0.94
- as at 30.09.2012	2.50
<b>Number of DIV shares</b>	
- outstanding at the beginning of the year	17,600.2480
- issued	4,198.1980
- redeemed	-2,965.6237
- outstanding at the end of the year	18,832.8223
<b>Net asset value per DIV share</b>	
- as at 30.09.2014	10,210.81
- as at 30.09.2013	10,185.63
- as at 30.09.2012	10,136.55
<b>Performances of DIV shares (in %)</b>	
- as at 30.09.2014	0.85
- as at 30.09.2013	0.94
- as at 30.09.2012	2.50
<b>Dividend paid</b>	
Ex-dividend date	30.12.2013
Dividend per share	20.41
Shares outstanding at dividend date	17,570.1082
Ex-dividend date	28.04.2014
Dividend per share	20.42
Shares outstanding at dividend date	18,206.7161
Ex-dividend date	27.08.2014
Dividend per share	20.44
Shares outstanding at dividend date	17,025.3968

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

# KBC INTEREST FUND CZK Omega

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

as at 30th September 2014

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Investments in securities</b>					
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Bonds</b>					
CZK	13,000,000	AK Finansal Kiralama AS FRN Ser GMTN 14/28.03.17	12,980,500.00	12,917,919.30	1.25
CZK	9,000,000	BNP Paribas SA FRN EMTN Sen 13/25.01.18	9,000,000.00	9,015,329.70	0.87
CZK	10,000,000	Ceska Exportni Banka AS FRN EMTN 12/14.06.18	10,000,000.00	10,014,526.50	0.97
CZK	15,000,000	Credit Agricole Corp Inv Bk FRN EMTN Sen 13/01.02.18	15,000,000.00	15,270,000.00	1.48
CZK	5,000,000	Erste Group Bank AG FRN 14/28.01.19	5,000,000.00	5,000,000.00	0.48
CZK	18,000,000	Erste Group Bank AG FRN EMTN 13/20.09.16	18,000,000.00	18,000,000.00	1.74
CZK	18,000,000	Export-Import Bank Korea (The) FRN EMTN 13/17.06.18	18,000,000.00	18,000,000.00	1.74
CZK	10,000,000	General Electric Capital Corp FRN EMTN Sen 10/03.03.15	9,976,500.00	10,005,400.00	0.97
CZK	4,000,000	General Electric Capital Corp FRN EMTN Sen 13/05.02.18	4,000,000.00	4,026,000.00	0.39
CZK	13,000,000	Government of Slovakia FRN Ser 220 12/02.09.15	12,978,000.00	13,201,500.00	1.28
CZK	24,000,000	HYPO NOE Gruppe Bank AG FRN Ser 8 13/22.05.18	24,000,000.00	24,034,680.00	2.33
CZK	13,000,000	ING Bank NV FRN EMTN Ser 5310 12/30.11.17	13,000,000.00	13,010,015.20	1.26
CZK	21,000,000	Société Générale FRN EMTN 13/02.05.18	21,000,000.00	21,413,700.00	2.07
CZK	18,000,000	Turkiye Garanti Bankasi AS FRN EMTN 13/06.10.16	18,000,000.00	17,838,540.00	1.73
CZK	12,000,000	VTB Eurasia Ltd FRN EMTN 13/28.10.16	12,000,000.00	11,280,000.00	1.09
			<b>202,935,000.00</b>	<b>203,027,610.70</b>	<b>19.65</b>
EUR	600,000	Aegon NV 4.125% EMTN 04/08.12.14	16,070,338.33	16,630,666.38	1.61
EUR	750,000	Barclays Bank Plc 3.5% Sen 10/18.03.15	20,318,119.81	20,945,774.22	2.03
EUR	500,000	BOS Finance AB 6% Reg S Sen 11/11.05.16	14,154,277.06	14,886,486.88	1.44
EUR	600,000	BPCE SA 1.625% EMTN Sen 13/08.02.17	16,804,713.54	16,974,767.34	1.64
EUR	800,000	Bq Fédérative du Crédit Mutuel 2.875% EMTN 14/21.06.17	23,303,912.65	23,457,632.88	2.27
EUR	800,000	Carinthia (State of) FRN Ser P 14/12.09.19	22,206,419.52	22,029,945.39	2.13
EUR	400,000	Caterpillar Intl Fin Plc FRN EMTN Sen 13/13.06.17	10,273,593.04	11,007,159.10	1.06
EUR	700,000	Commerzbank AG 3.875% EMTN Ser 745 10/22.03.17	20,851,073.73	20,864,384.87	2.02
EUR	750,000	ENEL SpA FRN Sen 07/14.01.15	19,013,103.50	20,684,954.11	2.00
EUR	650,000	F Van Lanschot Bankiers NV 2.875% EMTN Sen 12/17.10.16	18,379,427.44	18,582,380.81	1.80
EUR	750,000	Gaz Capital SA 5.364% EMTN 07/31.10.14	20,332,947.68	20,681,239.90	2.00
EUR	800,000	Goldman Sachs Group Inc FRN EMTN 07/30.01.17	21,865,114.22	22,032,366.51	2.13
EUR	800,000	Intesa Sanpaolo SpA FRN EMTN Ser 336 07/18.05.17	21,538,015.62	21,800,379.67	2.11
EUR	400,000	JP Morgan Chase & Co FRN EMTN Sen 13/03.05.16	10,346,442.25	11,042,540.39	1.07
EUR	400,000	JPMorgan Chase & Co 3.75% EMTN Sen 11/15.06.16	11,719,936.38	11,647,488.99	1.13
EUR	800,000	Lloyds Bank Plc 3.375% EMTN Sen 10/20.04.15	21,733,296.99	22,394,213.14	2.17
EUR	750,000	Macquarie Bank Ltd 2.5% EMTN Sen 13/18.09.18	22,293,051.85	21,971,824.88	2.13
EUR	650,000	mFinance France SA 2.75% EMTN Sen 12/12.10.15	16,392,552.90	18,274,252.67	1.77
EUR	750,000	PKO Finance AB 3.733% Sen 10/21.10.15	20,162,907.72	21,309,044.65	2.06
EUR	700,000	Rabobank Nederland NV 4.25% EMTN Ser 1689A Tr 1 07/16.01.17	21,104,678.86	20,967,034.64	2.03
EUR	800,000	Raiffeisen Bank Intl AG 2.875% EMTN Sen 12/06.03.15	21,845,788.43	22,236,400.46	2.15
EUR	700,000	Royal Bank of Scotland Plc FRN EMTN 10/25.07.17	20,006,526.19	19,964,032.73	1.93
EUR	200,000	Slovenia 1.75% Ser RS72 14/09.10.17	5,603,000.18	5,665,684.21	0.55
EUR	500,000	Slovenia 2.75% Ser RS68 10/17.03.15	13,311,206.27	13,915,908.66	1.35
EUR	700,000	Sparebank 1 SR-Bank ASA 3.5% EMTN Reg S Ser 55 12/27.03.17	20,637,543.64	20,685,758.86	2.00
EUR	750,000	Telefonica Emisiones SA 3.406% EMTN 10/24.03.15	20,031,962.76	20,935,766.49	2.03
EUR	700,000	Unicredit SpA 4.375% EMTN Sen 12/11.09.15	20,354,843.80	19,971,447.40	1.93
EUR	500,000	Westpac Securities NZ Ltd FRN EMTN 14/10.03.17	13,659,968.55	13,815,212.28	1.34
			<b>504,314,762.91</b>	<b>515,374,748.51</b>	<b>49.88</b>
<b>Total bonds</b>			<b>707,249,762.91</b>	<b>718,402,359.21</b>	<b>69.53</b>
<b>Transferable securities dealt in on another regulated market</b>					
<b>Bonds</b>					
EUR	900,000	KBC Ifima NV 3.875% EMTN 10/31.03.15	24,197,945.08	25,207,975.21	2.44
EUR	700,000	Santander Intl Debt SA 4.625% EMTN 12/21.03.16	20,574,867.54	20,438,667.57	1.98
<b>Total bonds</b>			<b>44,772,812.62</b>	<b>45,646,642.78</b>	<b>4.42</b>

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

## KBC INTEREST FUND CZK Omega

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

as at 30th September 2014

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Other transferable securities</u></b>					
<b>Bonds</b>					
EUR	500,000	Bank of East Asia Ltd FRN EMTN Sen 14/18.02.15	13,747,517.85	13,757,518.22	1.33
<b>Total bonds</b>			13,747,517.85	13,757,518.22	1.33
<b><u>Money market instruments</u></b>					
<b>Money market instruments</b>					
CZK	30,000,000	Czech Republic 0% BTr 14/30.01.15	29,972,949.30	29,972,949.30	2.90
CZK	30,000,000	Czech Republic 0% T-Bills Ser 273D 14/17.10.14	29,984,258.26	29,999,550.00	2.90
CZK	20,000,000	Czech Republic 0% T-Bills Ser 364D 13/31.10.14	19,993,307.80	19,993,307.80	1.93
			79,950,515.36	79,965,807.10	7.73
EUR	500,000	China Development Bank Corp FRN CD Ser FRCD 14/21.01.15	13,732,084.96	13,756,335.17	1.33
<b>Total money market instruments</b>			93,682,600.32	93,722,142.27	9.06
Total investments in securities			859,452,693.70	871,528,662.48	84.34
Cash at banks				155,726,582.87	15.07
Other net assets/(liabilities)				6,108,959.17	0.59
Total				1,033,364,204.52	100.00

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

## KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4

### Statement of net assets (in CZK)

as at 30th September 2014

#### Assets

##### Investments

Securities portfolio at market value	1,027,974,077.34
	<u>1,027,974,077.34</u>

##### Cash and cash equivalents

Cash at banks	10,120,021.87
	<u>10,120,021.87</u>

##### Receivables

Income receivable on portfolio	378,250.02
Interest receivable on swap contracts	2,540,248.31
Unrealised gain on swap contracts	60,086,421.97
	<u>63,004,920.30</u>

##### Total assets

1,101,099,019.51

#### Liabilities

##### Payables

Expenses payable	386,525.58
	<u>386,525.58</u>

##### Total liabilities

386,525.58

##### Total net assets at the end of the year

1,100,712,493.93

Number of CAP shares outstanding	103,898,145.0000
Net asset value per CAP share	10.59

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

## KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4

### Statement of operations (in CZK)

from 11th October 2013 to 30th September 2014

#### **Income**

##### **Investment income**

Interest on bonds and other debt securities, net	4,079,002.02
Interest on bank accounts	30,281.13
Interest on swap contracts	9,776,776.23
	<hr/>
	13,886,059.38

##### **Realised gains on investments**

- on foreign exchange	1,327.19
	<hr/>
	1,327.19

##### **Unrealised gains on investments**

- on securities portfolio	503,923.99
- on swap contracts	60,086,421.97
	<hr/>
	60,590,345.96

##### **Other income**

313,293.19

##### **Total income**

---

---

74,791,025.72

#### **Expenses**

##### **Investment advisory or management fees**

Management fees	10,583,005.73
	<hr/>
	10,583,005.73

##### **Other expenses**

Custodian fees	369,166.57
Central administration costs	461,584.22
Professional fees	32,216.16
Other administration costs	146,631.33
Subscription duty ("taxe d'abonnement")	553,283.07
Interest paid on bank overdrafts	11,347.25
Other fees	17,448.62
	<hr/>
	1,591,677.22

##### **Realised loss on investments**

- on foreign exchange	9,407.13
	<hr/>
	9,407.13

##### **Unrealised loss on investments**

- on securities portfolio	524,437.66
	<hr/>
	524,437.66

##### **Total expenses**

---

---

12,708,527.74

##### **Net income**

---

---

62,082,497.98

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

## KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4

### Statement of changes in net assets (in CZK)

from 11th October 2013 to 30th September 2014

Net income	62,082,497.98
Dividends paid	0.00
Subscriptions	1,049,487,072.13
Redemptions	-10,857,076.18
Total changes in net assets	<u>1,100,712,493.93</u>
Total net assets at the beginning of the year	<u>0.00</u>
<b>Total net assets at the end of the year</b>	<b><u><u>1,100,712,493.93</u></u></b>

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

## KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4

### Statistical information (in CZK)

as at 30th September 2014

---

<b>Total net assets</b>	
- as at 30.09.2014	1,100,712,493.93
- as at 30.09.2013	-
<b>Number of CAP shares</b>	
- outstanding at the beginning of the year	0.0000
- issued	104,948,051.0000
- redeemed	-1,049,906.0000
- outstanding at the end of the year	<hr/> 103,898,145.0000
<b>Net asset value per CAP share</b>	
- as at 30.09.2014	10.59
- as at 30.09.2013	-

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

## KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4

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

as at 30th September 2014

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Investments in securities</u></b>					
<b><u>Transferable securities admitted to an official stock exchange listing</u></b>					
<b>Bonds</b>					
CZK	101,250,000	Amethyst Structured Fin Plc FRN Ser 2007-15 Tr 1 07/10.07.15	102,795,092.03	102,753,286.08	9.34
CZK	102,500,000	Beechwood Structured Fin Plc FRN Ser 2007-15 07/10.07.15	102,988,376.39	102,792,867.10	9.34
CZK	100,900,000	Brookfields Capital Plc FRN Ser 2007-15 Tr 1 07/10.07.15	102,699,478.66	102,762,979.26	9.34
CZK	102,450,000	Eperon Finance Plc FRN Ser 2007-15 07/10.07.15	102,812,272.94	102,841,566.97	9.34
CZK	51,250,000	Espaccio Securities Plc FRN Ser 2007-15 Tr 1 07/10.07.15	51,445,420.39	51,375,472.81	4.67
CZK	50,450,000	Greenstreet Struc Fin Prod Plc FRN Ser 2007-15 07/10.07.15	51,329,857.31	51,344,872.01	4.66
CZK	50,750,000	Nimrod Capital Plc FRN Ser 2007-15 07/10.07.15	51,395,432.22	51,407,480.46	4.67
CZK	51,450,000	Opal Financial Products Plc FRN Ser 2007-15 Tr 1 07/10.07.15	51,414,439.04	51,460,291.02	4.68
CZK	50,450,000	Profile Finance Plc FRN Ser 2007-15 07/10.07.15	51,272,379.42	51,349,611.28	4.66
CZK	51,550,000	Recolte Securities Plc FRN Ser 2007-15 Tr 1 07/10.07.15	51,305,736.78	51,460,072.57	4.67
CZK	51,350,000	Silverstate Fin Inv Plc FRN Ser 2007-15 Tr 1 07/10.07.15	51,479,124.46	51,440,328.25	4.67
CZK	50,650,000	Vespucci Struct Fin Prod Plc FRN Ser 2007-15 Tr1 07/10.07.15	51,219,456.89	51,296,909.90	4.66
CZK	51,450,000	Vigado Capital Plc FRN Ser 2007-15 Tr 1 07/10.07.15	51,408,559.06	51,437,752.84	4.67
CZK	50,700,000	Voyce Investments Plc FRN Ser 2007-15 Tr 1 07/10.07.15	51,499,312.87	51,463,170.88	4.68
CZK	51,500,000	Waterford Cap Investments Plc FRN Ser 2007-15 07/10.07.15	51,475,270.30	51,417,229.20	4.67
CZK	51,350,000	Waves Fin Inv Plc FRN Ser 2007-15 Tr 1 07/10.07.15	51,454,382.25	51,370,186.71	4.67
Total investments in securities			1,027,994,591.01	1,027,974,077.34	93.39
<b><u>Cash at banks</u></b>					
<b>Current accounts at bank</b>			10,120,021.87	10,120,021.87	0.92
Total cash at banks			10,120,021.87	10,120,021.87	0.92
Other net assets/(liabilities)				62,618,394.72	5.69
Total				1,100,712,493.93	100.00

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

## KBC MONEY CSOB EXCLUSIVE BUFFER JUMPER 2

### Statement of operations (in CZK)

from 1st October 2013 to 31st October 2013

#### **Income**

##### **Investment income**

Interest on bonds and other debt securities, net	60,927.98
Interest on bank accounts	14,567.10
Interest on swap contracts	17,424.29
	<hr/>
	92,919.37

##### **Realised gains on investments**

- on securities portfolio	3,168,492.99
- on swap contracts	61,966,823.78
- on foreign exchange	163.86
	<hr/>
	65,135,480.63

##### **Other income**

17,273.86

##### **Total income**

---

---

65,245,673.86

#### **Expenses**

##### **Investment advisory or management fees**

Management fees	749,876.04
	<hr/>
	749,876.04

##### **Other expenses**

Custodian fees	16,696.77
Central administration costs	21,164.96
Professional fees	18,121.89
Other administration costs	4,812.93
Interest paid on swap contracts	17,190.48
	<hr/>
	77,987.03

##### **Realised loss on investments**

- on foreign exchange	429.61
	<hr/>
	429.61

##### **Unrealised loss on investments**

- on securities portfolio	2,797,123.08
- on swap contracts	61,218,556.06
	<hr/>
	64,015,679.14

##### **Total expenses**

---

---

64,843,971.82

##### **Net income**

---

---

401,702.04

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

## KBC MONEY CSOB EXCLUSIVE BUFFER JUMPER 2

### Statement of changes in net assets (in CZK)

from 1st October 2013 to 31st October 2013

Net income	401,702.04
Dividends paid	0.00
Subscriptions	0.00
Redemptions	-637,586,774.84
Total changes in net assets	-637,185,072.80
Total net assets at the beginning of the year	637,185,072.80
<b>Total net assets at the end of the year</b>	<b>0.00</b>

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

## KBC MONEY CSOB EXCLUSIVE BUFFER JUMPER 2

### Statistical information (in CZK)

as at 30th September 2014

#### Total net assets

- as at 30.09.2014	-
- as at 30.09.2013	637,185,072.80

#### Number of CAP shares

- outstanding at the beginning of the year	57,544,023.0000
- issued	0.0000
- redeemed	-57,544,023.0000
- outstanding at the end of the year	0.0000

#### Net asset value per CAP share

- as at 30.09.2014	-
- as at 30.09.2013	11.07

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

## KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 3

### Statement of operations (in CZK)

from 1st October 2013 to 30th June 2014

#### Income

##### Investment income

Interest on bonds and other debt securities, net	2,010,051.04
Interest on bank accounts	125,628.38
Interest on swap contracts	3,950,690.08
	<hr/>
	6,086,369.50

##### Realised gains on investments

- on securities portfolio	960,261.90
- on swap contracts	63,076,616.00
- on foreign exchange	1,127.73
	<hr/>
	64,038,005.63

##### Unrealised gains on investments

- on securities portfolio	336,425.92
	<hr/>
	336,425.92

##### Other income

1,227,848.28

##### Total income

---

---

71,688,649.33

#### Expenses

##### Investment advisory or management fees

Management fees	5,729,707.52
	<hr/>
	5,729,707.52

##### Other expenses

Custodian fees	238,305.67
Central administration costs	318,243.79
Professional fees	34,239.60
Other administration costs	59,246.07
Subscription duty ("taxe d'abonnement")	311,643.30
Interest paid on swap contracts	13,491.55
Other fees	12,639.07
	<hr/>
	987,809.05

##### Realised loss on investments

- on securities portfolio	453,905.07
- on swap contracts	299,810.23
- on foreign exchange	6,090.36
	<hr/>
	759,805.66

##### Unrealised loss on investments

- on securities portfolio	322,779.26
- on swap contracts	16,603,000.68
	<hr/>
	16,925,779.94

##### Total expenses

---

---

24,403,102.17

##### Net income

---

---

47,285,547.16

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

## KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 3

### Statement of changes in net assets (in CZK)

from 1st October 2013 to 30th June 2014

Net income	47,285,547.16
Dividends paid	0.00
Subscriptions	3,681,766.40
Redemptions	-865,413,578.85
Total changes in net assets	-814,446,265.29
Total net assets at the beginning of the year	814,446,265.29
<b>Total net assets at the end of the year</b>	<b>0.00</b>

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

## KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 3

### Statistical information (in CZK)

as at 30th September 2014

#### Total net assets

- as at 30.09.2014	-
- as at 30.09.2013	814,446,265.29

#### Number of CAP shares

- outstanding at the beginning of the year	79,796,728.0000
- issued	354,740.0000
- redeemed	-80,151,468.0000
- outstanding at the end of the year	0.0000

#### Net asset value per CAP share

- as at 30.09.2014	-
- as at 30.09.2013	10.21

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

## KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER EUR 2

### Statement of operations (in EUR)

from 1st October 2013 to 29th August 2014

#### Income

##### Investment income

Interest on bonds and other debt securities, net	71,507.13
Interest on bank accounts	13,687.80
Interest on swap contracts	114,502.50
	<hr/>
	199,697.43

##### Realised gains on investments

- on securities portfolio	41,371.12
- on swap contracts	1,414,424.25
	<hr/>
	1,455,795.37

##### Unrealised gains on investments

- on securities portfolio	10,986.05
- on swap contracts	5,501.22
	<hr/>
	16,487.27

##### Other income

6,712.09

##### Total income

---

---

1,678,692.16

#### Expenses

##### Investment advisory or management fees

Management fees	175,988.68
	<hr/>
	175,988.68

##### Other expenses

Custodian fees	6,499.66
Central administration costs	8,273.21
Professional fees	1,790.30
Other administration costs	2,944.78
Subscription duty ("taxe d'abonnement")	7,429.84
Interest paid on swap contracts	276.89
Other fees	394.67
	<hr/>
	27,609.35

##### Realised loss on investments

- on securities portfolio	10,259.75
- on swap contracts	7,857.84
	<hr/>
	18,117.59

##### Unrealised loss on investments

- on securities portfolio	1,934.33
- on swap contracts	155,758.93
	<hr/>
	157,693.26

##### Total expenses

---

---

379,408.88

##### Net income

---

---

1,299,283.28

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

## KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER EUR 2

### Statement of changes in net assets (in EUR)

from 1st October 2013 to 29th August 2014

Net income	1,299,283.28
Dividends paid	0.00
Subscriptions	427,552.11
Redemptions	-20,712,187.25
Total changes in net assets	-18,985,351.86
Total net assets at the beginning of the year	18,985,351.86
<b>Total net assets at the end of the year</b>	<b>0.00</b>

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

## KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER EUR 2

### Statistical information (in EUR)

as at 30th September 2014

#### Total net assets

- as at 30.09.2014	-
- as at 30.09.2013	18,985,351.86

#### Number of CAP shares

- outstanding at the beginning of the year	1,885,288.0000
- issued	41,789.0000
- redeemed	-1,927,077.0000
- outstanding at the end of the year	0.0000

#### Net asset value per CAP share

- as at 30.09.2014	-
- as at 30.09.2013	10.07

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

## KBC INTEREST FUND (formerly KBC MONEY)

### 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 market value of such assets, unless it appears unlikely that the full value can be received at maturity, 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) The money market instruments with an average maturity of less than one year are valued and based on a linear evaluation. In the case of securities without coupons, the difference between the acquisition cost and the redemption value is recognised as interest receivable in proportion to the period of detention passed against the total duration of the title. The money market instruments with a fixed coupon are maintained at their nominal value and the interests are recognized in proportion to the period of detention. In case of significant change of market conditions, the valuation of these instruments is adjusted to reflect the probable realization value.
- 5) Notes issued by Special Purpose Vehicles (SPVs) are valued at fair value, based upon the mark-to-market or mark-to-model prices of the assets in the underlying portfolios.
- 6) The "commercial paper" are valued at acquisition cost, the difference between the nominal and the acquisition cost is recognised as interest receivable in proportion to the period of detention passed against the total length of the title. In case of significant change of market conditions, the valuation of these instruments is adjusted to reflect the probable realization value.
- 7) 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.

##### e) Investment portfolio income

Interest income accrued and payable are recorded, net of any withholding tax.

##### f) 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.

## KBC INTEREST FUND (formerly KBC MONEY)

### Notes to the financial statements (continued)

as at 30th September 2014

#### g) 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.

#### h) Valuation of Index, linked swap contracts

Index, linked swap contracts are assessed as follows:

Payments made by the sub-fund pursuant to the swap contracts are discounted on the valuation date at the zero coupon swap rate corresponding to the maturity of each payment flow.

Since the figure representing the annual performance of the index (or basket) is uncertain, valuation of these flows (calculation of the net asset value) is based on a commonly used pricing method that takes account of various factors such as the volatility of the index, the interest rate, the average dividend rate of the index and the level of the index. In view of the level of complexity of the option structures used, the Sicav in principle uses the Black & Scholes and Monte Carlo methods.

#### 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 or losses are recorded in the statement of operations.

#### 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 exchange rates used for the combined statements are the following:

1	EUR	=	27.5126703	CZK	Czech Koruna
			1.2631500	USD	US Dollar

#### l) Revaluation difference

The item "Revaluation difference" in the combined changes in net assets represents the valuation difference of the net asset of the sub-fund 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".

#### n) Transaction fees

Transaction costs disclosed under the caption "Transaction fees" in the expenses of the statement of operations are composed of fees relating to financial derivatives instruments transactions.

## KBC INTEREST FUND (formerly KBC MONEY)

### Notes to the financial statements (continued)

as at 30th September 2014

#### Note 2 - Commission for management, distribution and risk management

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 law of 17th December 2010 concerning Undertakings for Collective Investment and as its external Alternative Investment Fund Manager under Chapter II of the law of 12th July 2013.

With regard to services provided concerning management, distribution and risk management, the following sub-funds pay a monthly effective commission, calculated on the average net asset value of the sub-funds to annual rates of:

Sub-funds	Effective fees	Maximum fees
- KBC INTEREST FUND CASH EURO (since the Net Asset Value of 2nd June 2014)	0.20%	0.50%
- KBC INTEREST FUND CASH EURO (until the Net Asset Value of 30th May 2014)	0.40%	0.50%
- KBC INTEREST FUND EURO MEDIUM	0.40%	0.50%
- KBC INTEREST FUND CASH USD	0.20%	0.50%
- KBC INTEREST FUND CZK Alpha	0.30%	0.60%
- KBC INTEREST FUND CZK Omega	0.30%	0.70%

With regard to services provided concerning management, distribution and risk management, the following sub-funds pay to the Management Company a fee consisting of a semi-annual commission per share outstanding at the beginning of the semester concerned + 0.10% per year for the control of risk:

Sub-funds	Effective fees per share	Maximum fees per share
- KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4	0,05 CZK	0,10 CZK
- KBC MONEY CSOB EXCLUSIVE BUFFER JUMPER 2 (last NAV at 31st October 2013)	0,08 CZK	0,10 CZK
- KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 3 (last NAV at 30th June 2014)	0,05 CZK	0,10 CZK
- KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER EUR 2 (last NAV at 29th August 2014)	0,05 EUR	0,10 EUR

#### Note 3 - Subscription, redemption and conversion fees

##### a) Subscription fee in favour of the financial intermediaries and/or in favour of the sub-fund concerned

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 payable by the subscriber in favour of the financial intermediaries and/or in favour of the sub-fund concerned (as described in the table below):

Sub-funds	Effective fees (in % of net asset per share)		Maximum fees (in % of net asset per share)
	in favour of the financial intermediaries	in favour of the sub-fund	
- KBC INTEREST FUND CASH EURO	-	-	8.00
- KBC INTEREST FUND EURO MEDIUM	-	0.05 for Institutional B Shares	8.00
- KBC INTEREST FUND CASH USD	-	-	8.00
- KBC INTEREST FUND CZK Alpha	-	-	1.00
- KBC INTEREST FUND CZK Omega	-	-	1.00
- KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4 (Initial subscription NAV date: 11th October 2013)	-	1.00	3.00

## KBC INTEREST FUND (formerly KBC MONEY)

### Notes to the financial statements (continued)

as at 30th September 2014

Sub-funds	Effective fees (in % of net asset per share)		Maximum fees (in % of net asset per share)
	in favour of the financial intermediaries	in favour of the sub-fund	
- KBC MONEY CSOB EXCLUSIVE BUFFER JUMPER 2 (last NAV date: 31st October 2013)	-	1.00	3.00
- KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 3 (last NAV date: 30th June 2014)	-	1.00	3.00
- KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER EUR 2 (last NAV date: 29th August 2014)	-	-	3.00

The subscription fee in favour of sub-fund concerned is recorded under the caption "Other income" in the statement of operations.

#### 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 2.00% payable by the seller in favour of the SICAV, except for the sub-funds KBC MONEY CSOB EXCLUSIVE BUFFER JUMPER 2 (last NAV date: 31st October 2013), KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 3 (last NAV date: 30th June 2014), KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER EUR 2 (last NAV date: 29th August 2014) and KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4 for which the maximum rate was set at 1.00%.

Whereas within one or more sub-funds, distribution shares and capitalisation shares are issued and in circulation, the shareholders will be entitled to convert all or part of them at a price equal to the respective net asset values at the date of the conversion order receipt, less a conversion fee in favour of the respective sub-funds. No fee is currently applied in case of conversion of shares between the different sub-funds of the SICAV.

The redemption fee is recorded under the caption "Other income" in the statement of operations.

#### 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):

Sub-fund	Maximum fees (in % of net asset per share)
- KBC INTEREST FUND EURO MEDIUM	0.50

#### **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.

## KBC INTEREST FUND (formerly KBC MONEY)

### Notes to the financial statements (continued)

as at 30th September 2014

The following sub-funds benefit from the reduced tax of 0.01%:

- KBC INTEREST FUND CASH EURO
- KBC INTEREST FUND CASH USD
- KBC INTEREST FUND CZK Alpha
- KBC INTEREST FUND CZK Omega

The sub-category "Institutional B Shares" of the sub-fund KBC INTEREST FUND EURO MEDIUM benefits also from the reduced tax of 0.01%.

#### Note 5 - Belgian annual tax

KBC INTEREST FUND CASH EURO, KBC INTEREST FUND EURO MEDIUM and KBC INTEREST FUND CASH USD sub-funds, registered in Belgium, are subject to Belgian subscription 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% as from 1st January 2014 (0.0965% previously) 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").

This tax will be paid no later than 31st March of each year.

This tax is recorded in the caption "Other taxes" of the statement of operations.

#### Note 6 - Statement of changes in investments

A copy of the changes in the composition of the securities portfolio referring to the period of the report may be obtained free of charge from the SICAV's registered office and from the institutions responsible for providing financial services.

#### Note 7 - Asset Allocation

In order to achieve the investment objectives, the sub-funds of the SICAV may invest in securities (including bonds and other debt instruments), money market instruments, units in undertakings for collective investment, deposits, financial derivatives, cash and any other instruments permitted under the amended law of 17th December 2010.

As at 30th September 2014, the sub-fund KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4 of the SICAV invested in:

- notes issued by 16 Special Purpose Vehicles (SPVs) incorporated under Irish law, listed on the Dublin stock exchange and managed by KBC ASSET MANAGEMENT S.A., 2, avenue du Port, B-1080 BRUSSELS or one of its subsidiaries:
  - Amethyst Structured Finance Plc
  - Beechwood Structured Finance Plc
  - Brookfields Capital Plc
  - Eperon Finance Plc
  - Espaccio Securities Plc
  - Greenstreet Structured Financial Products Plc
  - Nimrod Capital Plc
  - Opal Financial Products Plc
  - Profile Finance Plc
  - Recolte Securities Plc
  - Silverstate Financial Investments Plc
  - Vespucci Structured Finance Products Plc
  - Vigado Capital Plc
  - Voyce Investments Plc
  - Waterford Capital Investments Plc
  - Waves Financial Investments Plc.

As at 30th September 2014, the underlying of the notes issued by these 16 SPVs were two diversified portfolios of deposits with financial institutions, bonds, other debt instruments, interest rate swaps and currency swaps: the General Long Portfolio and the General Short Portfolio. The main difference between the General Long Portfolio and the

## KBC INTEREST FUND (formerly KBC MONEY)

### Notes to the financial statements (continued)

as at 30th September 2014

General Short Portfolio lies in the credit spread sensitivity of the underlying instruments. The remaining maturity of the underlying assets of the General Long Portfolio is on average longer than the remaining maturity of the underlying assets of the General Short Portfolio, which leads to a greater price impact of changes in the credit quality of the underlying instruments. The audited annual report and prospectus of the notes issued by these SPVs are available free of charge from KBC Asset Management S.A., 2, avenue du Port, B-1080 Brussels.

#### Note 8 - Securities lending

As at 30th September 2014, the SICAV is committed in securities lending operations, the global market value of securities lending amounts to:

- KBC INTEREST FUND CASH EURO	EUR	4,212,059.00
- KBC INTEREST FUND CASH USD	USD	502,055.00
- KBC INTEREST FUND CZK Alpha	CZK	7,006,445.41
- KBC INTEREST FUND CZK Omega	CZK	14,265,319.57

To secure its securities lending transactions, the SICAV has received collaterals for the following amounts:

- KBC INTEREST FUND CASH EURO	EUR	5,669,666.76
- KBC INTEREST FUND CASH USD	USD	989,383.93
- KBC INTEREST FUND CZK Alpha	CZK	28,475,519.70
- KBC INTEREST FUND CZK Omega	CZK	42,625,710.03

The commission on securities lending is recorded under the caption "Other income" in the statement of operations.

#### Note 9 - Forward foreign exchange contracts

As at 30th September 2014, the following sub-funds are committed in the following forward foreign exchange contracts with KBC BANK S.A.:

##### KBC INTEREST FUND CZK Alpha (formerly KBC MONEY CZK Alpha)

Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in CZK)
CZK	4,116,135.00	EUR	150,000.00	09.10.2014	-10,743.50
CZK	1,371,748.50	EUR	50,000.00	09.10.2014	-3,877.67
CZK	1,784,625.70	EUR	65,000.00	10.10.2014	-3,678.46
CZK	2,761,790.00	EUR	100,000.00	13.10.2014	10,598.34
CZK	4,113,972.00	EUR	150,000.00	13.10.2014	-12,815.49
CZK	4,107,987.00	EUR	150,000.00	13.10.2014	-18,800.49
CZK	3,019,269.00	EUR	110,000.00	13.10.2014	-7,041.82
CZK	1,372,750.00	EUR	50,000.00	13.10.2014	-2,845.83
CZK	1,373,705.50	EUR	50,000.00	21.10.2014	-1,851.33
CZK	2,744,420.00	EUR	100,000.00	21.10.2014	-6,693.66
CZK	1,373,669.00	EUR	50,000.00	21.10.2014	-1,887.83
CZK	2,563,128.00	EUR	100,000.00	21.10.2014	-187,985.66
CZK	4,252,411.05	EUR	155,000.00	27.10.2014	-11,735.30
CZK	5,494,842.00	EUR	200,000.00	30.10.2014	-7,195.46
CZK	2,780,200.00	EUR	100,000.00	04.11.2014	29,253.67
CZK	1,382,959.50	EUR	50,000.00	04.11.2014	7,486.33
CZK	4,150,179.00	EUR	150,000.00	05.11.2014	23,781.22
CZK	8,264,085.00	EUR	300,000.00	07.11.2014	11,363.65
CZK	1,385,397.50	EUR	50,000.00	12.11.2014	9,969.59
CZK	8,354,100.00	EUR	300,000.00	18.11.2014	101,717.22
CZK	8,340,210.00	EUR	300,000.00	18.11.2014	87,827.22
CZK	1,373,758.00	EUR	50,000.00	18.11.2014	-1,639.13
CZK	6,192,279.00	EUR	225,000.00	18.11.2014	2,991.92
CZK	8,243,874.00	EUR	300,000.00	20.11.2014	-8,447.22
CZK	8,294,007.00	EUR	300,000.00	24.11.2014	41,808.90
CZK	5,920,020.70	EUR	215,000.00	24.11.2014	5,945.40
CZK	5,482,052.00	EUR	200,000.00	28.11.2014	-19,331.32
CZK	2,764,627.00	EUR	100,000.00	01.12.2014	13,966.12
CZK	8,618,000.00	EUR	310,000.00	02.12.2014	90,983.08
CZK	11,079,072.00	EUR	400,000.00	05.12.2014	76,592.64
CZK	4,116,267.00	EUR	150,000.00	08.12.2014	-9,616.59

## KBC INTEREST FUND (formerly KBC MONEY)

### Notes to the financial statements (continued)

as at 30th September 2014

Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in CZK)
CZK	8,309,175.00	EUR	300,000.00	08.12.2014	57,407.82
CZK	11,063,020.00	EUR	400,000.00	10.12.2014	60,776.99
CZK	8,320,758.00	EUR	300,000.00	12.12.2014	69,160.66
CZK	5,487,616.00	EUR	200,000.00	16.12.2014	-13,335.66
CZK	2,756,434.00	EUR	100,000.00	19.12.2014	6,000.63
CZK	23,404,342.00	EUR	850,000.00	22.12.2014	26,019.28
CZK	5,487,584.00	EUR	200,000.00	02.01.2015	-12,886.43
CZK	5,489,276.00	EUR	200,000.00	02.01.2015	-11,194.43
CZK	1,375,815.00	EUR	50,000.00	30.01.2015	944.84
CZK	5,507,392.00	EUR	200,000.00	02.02.2015	8,020.92
					<u>389,013.16</u>

### KBC INTEREST FUND CZK Omega (formerly KBC MONEY CZK Omega)

Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in CZK)
CZK	5,491,156.00	EUR	200,000.00	09.10.2014	-11,348.67
CZK	16,584,750.00	EUR	650,000.00	13.10.2014	-1,297,995.77
CZK	20,575,245.00	EUR	750,000.00	14.10.2014	-58,618.05
CZK	18,661,362.40	EUR	680,000.00	17.10.2014	-46,471.13
CZK	20,114,157.05	EUR	785,000.00	21.10.2014	-1,482,085.16
CZK	36,765,727.40	EUR	1,340,000.00	22.10.2014	-99,080.61
CZK	20,034,295.20	EUR	730,000.00	27.10.2014	-48,458.60
CZK	21,951,904.00	EUR	800,000.00	30.10.2014	-56,245.82
CZK	20,817,016.20	EUR	810,000.00	31.10.2014	-1,466,118.22
CZK	27,800,946.90	EUR	1,010,000.00	04.11.2014	16,388.92
CZK	15,239,372.50	EUR	550,000.00	12.11.2014	109,665.50
CZK	21,948,968.00	EUR	800,000.00	18.11.2014	-57,386.07
CZK	13,953,590.00	EUR	500,000.00	18.11.2014	199,618.71
CZK	17,490,312.00	EUR	630,000.00	08.12.2014	161,600.91
CZK	22,765,988.00	EUR	820,000.00	08.12.2014	211,157.70
CZK	20,468,000.40	EUR	740,000.00	11.12.2014	113,955.56
CZK	57,423,580.20	EUR	2,070,000.00	12.12.2014	487,558.57
CZK	23,071,308.85	EUR	835,000.00	15.12.2014	104,717.48
CZK	13,953,139.90	EUR	505,000.00	17.12.2014	63,308.43
CZK	22,394,520.00	EUR	800,000.00	18.12.2014	390,939.81
CZK	21,551,173.80	EUR	780,000.00	18.12.2014	97,683.12
CZK	44,388,360.10	EUR	1,610,000.00	22.12.2014	107,066.48
CZK	43,218,127.90	EUR	1,570,000.00	23.12.2014	37,212.86
CZK	20,656,297.50	EUR	750,000.00	29.12.2014	29,108.77
CZK	26,442,806.40	EUR	960,000.00	30.12.2014	40,140.70
					<u>-2,453,684.58</u>

#### Note 10 - Futures contracts

As at 30th September 2014, the SICAV is not committed in any futures contract.

#### Note 11 - Swap contracts

The sub-fund KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4 is structured with index linked swaps which unrealised result is recorded in the statement of net assets.

Under the heading "Investment Policy", the prospectus stipulates that swap contracts are entered into to achieve the investment objectives. For each sub-fund, under the heading "Investment Policy", the prospectus describes the investment objectives.

As at 30th September 2014, to realise the investment objectives, the SICAV is committed to the following swap contracts with KBC BANK S.A. which is committed itself with other counterparties:

## KBC INTEREST FUND (formerly KBC MONEY)

### Notes to the financial statements (continued)

as at 30th September 2014

- **Index swaps contracts**

**KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4**

Nominal	Currency	Counterparty	Maturity	Unrealised result (in CZK)
150,000,000	CZK	KBC Bank SA	12.11.2018	8,755,859.58
225,000,000	CZK	KBC Bank SA	12.11.2018	13,365,549.37
353,719,300	CZK	KBC Bank SA	12.11.2018	20,128,582.47
100,000,000	CZK	KBC Bank SA	12.11.2018	6,110,083.33
200,000,000	CZK	KBC Bank SA	12.11.2018	11,726,347.22
				<u>60,086,421.97</u>

**Note 12 - Event**

At the Extraordinary General Meeting of 7th May 2014, it was decided to change the name of the SICAV into "KBC INTEREST FUND".

**Note 13 - Subsequent event**

The Board of Directors decided with effect on 12th November 2014 to liquidate the following sub-fund ("early termination"):

- KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4  
(last NAV at 28th November 2014)

## KBC INTEREST FUND (formerly KBC MONEY)

### Additional Information (unaudited)

as at 30th September 2014

#### I. LIQUIDITY

- No sub-fund OF KBC INTEREST FUND is subject to special arrangements arising from their illiquid nature.
- During the year, no new arrangements for managing the liquidity of each sub-fund of KBC INTEREST FUND.

Sub-fund	Excess liquidity in stressed circumstances						
	1 day	7 days	14 days	31 days	90 days	180 days	365 days
KBC INTEREST FUND CASH EURO	35%	40%	42%	47%	58%	59%	40%
KBC INTEREST FUND EURO MEDIUM	84%	81%	78%	73%	62%	53%	46%
KBC INTEREST FUND CASH USD	30%	35%	35%	49%	70%	65%	58%
KBC INTEREST FUND CZK Alpha	50%	48%	47%	44%	36%	27%	18%
KBC INTEREST FUND CZK Omega	50%	49%	48%	45%	37%	36%	31%
KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4	39%	39%	41%	42%	53%	49%	38%
KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 3	matured						
KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER EUR 2	matured						

#### II. RISK

- the current risk profile of each sub-fund

Sub-fund	Risk profile
KBC INTEREST FUND CASH EURO	Very defensive
KBC INTEREST FUND EURO MEDIUM	Defensive
KBC INTEREST FUND CASH USD	Defensive
KBC INTEREST FUND CZK ALPHA	Dynamic
KBC INTEREST FUND CZK OMEGA	Dynamic
KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4	Very dynamic
KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER EUR 2	Very dynamic
KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 3	Dynamic

- the risk management systems employed by the AIFM to manage those risks

KBC AM has established an independent risk management function and an appropriate risk management methodology. The KBC AM Group Chief Risk Officer, who is the responsible managing director for the KBC AM Group Risk Function, reports directly and independently to the KBC Group CRO. The risk management departments headed by and in support of the KBC AM Group CRO, support the business on local level and are responsible for the local implementation and review of the KBC AM Group Risk Management Framework.

In managing the risks of AIF, KBC AM distinguishes between financial risks and operational risks. For both, elaborate policies are in place, described in a "Financial Risk Charter" and a "Operational Risk Charter" respectively.

Financial risk covers market risk, liquidity risk and credit risk (including counterparty risk). Prior to the launch of an AIF, an appropriate risk frame is determined, which takes into account the specificities and the investment policy of the fund. These risk frames will typically include, depending on the type of fund, eligibility requirements of the assets, liquidity limits, requirements on the credit quality of the underlying assets (in case of fixed income assets), tracking error limits (for open funds, differentiated between type of fund and between active and passive managed funds) and fund-specific limits, such as asset allocation limits (for balanced funds) and granularity limits. Also, for all AIF's, a selection of eligible counterparties is made, based on criteria relating to both their credit quality and their operational capacities.

The risk frames are decided by a Financial Risk Committee, subject to resolutive condition of approval by the KBC AM Executive Committee. The Financial Risk Committee is chaired by the Chief Investment Officer of KBC AM, and is further composed by the Chief Risk Officer of KBC AM alongside representatives of fund management and the risk department. First-line responsibility for adherence to the risk frame is assigned to fund management, with the independent risk department doing second-line monitoring. Exception reporting is done at the Financial Risk Committee. KBC AM has in place a home-made methodology of describing the risks as part of the overall communication to the client. This includes a product score as well as a tailored description of relevant risks. The risk department is in charge of defining the risks, prior to launch of new defined funds, and when needed, reviewing them.

Operational risks are subdivided into different risk categories: strategic risk, business risk, operational risk, reputational risk, information security risk. This categorisation is instrumental in designing appropriate preventive policies and

## KBC INTEREST FUND (formerly KBC MONEY)

### Additional Information (unaudited) (continued)

as at 30th September 2014

designing appropriate controls. The main governing body for the supervision of operational risks in the KBC AM Group is the Extended Executive Committee.

KBC AM supports its risk management by ICT tools. When purchased from outside vendors, the reputation and stability of the vendor is taken into account. In-house ICT tool development supports tailored solutions as well as the broader aim of keeping a sufficient degree of knowledge and experience in-house.

There was no overflow occurred for KBC INTEREST FUND during the year 2014.

#### III. LEVERAGE

- During the year, no changes to the maximum level of leverage which the AIFM may employ on behalf of each sub-fund as well as any right of the re-use of collateral or any guarantee granted under the leveraging agreement.

- The total amount of leverage employed by each sub-fund:

At the date of the report, the total amount of leverage used by the sub-funds are as follows:

Sub-fund	Commitment Approach	Maximum leverage for the Commitment Approach	Gross Method	Maximum leverage for the Gross Method
KBC INTEREST FUND CASH EURO	0%	100%	99.53%	200%
KBC INTEREST FUND EURO MEDIUM	0%	100%	98.44%	200%
KBC INTEREST FUND CASH USD	0%	100%	99.64%	300%
KBC INTEREST FUND CZK Alpha	0%	100%	145.90%	300%
KBC INTEREST FUND CZK Omega	0%	100%	137.48%	300%
KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4	22.78%	200%	116.21%	300%

This amount was calculated by the leverage ratio calculated in accordance with the Commitment approach multiplied by the total assets under management of the sub-fund.

#### IV. REMUNERATION

<p><b>- Art.20 (2) e) of the Law of 12th July 2013</b> The total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the AIFM to its staff, and number of beneficiaries, and, where relevant, carried interest paid by the AIF.</p>	<p>Fixed remuneration: 2,863,998.00 EUR Variable remuneration: 311,591.00 EUR Number of the beneficiaries : 21</p>
<p><b>- Art.20 (2) f) of the Law of 12th July 2013</b> The aggregate amount of remuneration broken down by senior management and members of staff of the AIFM whose actions have a material impact on the risk profile of the AIF.</p>	<p>Remuneration of the senior management: 376,517.00 EUR</p>