



**Semi-annual report
as at 31st March 2015**

KBC INTEREST FUND

Investment Company with Variable Capital

Luxembourg

R.C.S. Luxembourg B 30 382

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KBC INTEREST FUND

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KBC INTEREST FUND

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Board of Directors

Chairman

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Directors

Lazlo BELGRADO

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Karel DE CUYPER

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Board of Directors of the Management Company

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President of the Executive Committee
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Directors

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Managing Director
KBC ASSET MANAGEMENT S.A.
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B-1080 BRUSSELS

Conducting officers of the Management Company

Lazlo BELGRADO
Karel DE CUYPER (until 31st October 2014 and re-appointed since 1st February 2015)
Wouter VANDEN EYNDE (re-appointed since 1st November 2014 until 31st January 2015)

KBC INTEREST FUND

Organisation (continued)

Central administration

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Delegated central administration

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L-2960 LUXEMBOURG

Investments Managers for the following sub-funds:

KBC INTEREST FUND CZK Alpha
KBC INTEREST FUND 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

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Financial services and paying agents

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

KBC INTEREST FUND

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 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 external Alternative Investment Fund Manager under Chapter II of the AIFM Law as from 25th July 2014.

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

The Board of Directors has decided to liquidate prematurely the sub-fund as follows:

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

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.

General investment climate

1st April 2014 - 31st March 2015

During the period under review, confidence in the permanence of the economic recovery worldwide began to grow. The Fed and the Bank of England managed successfully to pull the liquidity plug on the US and British economies. The labour market picked up. Japan broke out of its negative deflationary spiral. Even in the euro area the economic skies appear to be clearing. The stock markets responded warmly to the economic optimism. The bond markets were mesmerised by the prospect of the European Central bank (ECB) following the US example and starting to purchase government paper on a large scale. That prospect became a reality in January 2015.

Shaking off the sense of crisis

Economic growth in 2014 was more than satisfactory. Global GDP climbed by around 3% in real terms. That is comparable with the growth rate in 2013. However, the regional differences are (very) wide. Overall, the emerging markets recorded slightly slower growth. Growth accelerated in the West, thanks to the US, but the euro area fell behind.

The US economy is in its seventh year of expansion. During the course of 2014, sentiment changed from economic scepticism to optimism. The driver for this was the recovery of the labour market. Jobs growth is accelerating; employment is growing on average by 261 000 new jobs a month. This trend alone is enough to boost the purchasing power of US consumers by an annual 2.4%. This in turn ensures that the basis for the economic recovery is more solid than in previous years. The unemployment rate fell further to 5.8% in March 2015. This fall was accompanied by ever stronger signals of a squeeze in some segments of the labour market. Terms such as 'boom' and 'Goldilocks' are coming into favour to describe this phase of the cycle. The recovery of the housing market remains vulnerable, however. Although house prices are rising, and relatively strongly at that, sales of new homes remain sluggish.

This is in sharp contrast to the euro area, where the economy has been stuck in the doldrums for a long time and has only begun showing signs of improvement very recently. The cautious recovery in 2013 was interrupted in 2014. The sanctions by and against Russia did nothing for business confidence, especially in Germany. The tide did not turn until late in 2014. The IFO barometer of business confidence in Germany began climbing again in November, while consumer confidence and retail sales have started rising throughout the euro area since December. It will be clear that the benefits of a weak euro and the low oil prices are at last percolating through to the real economy.

In January, 'Abenomics' (the large-scale monetary and fiscal stimulus programme pursued by the Abe government since 2013), however, finally started to pay off. The depreciation of the yen had already been boosting the exports and profitability of large companies for some time. Domestic demand continued to lag behind and the 5-percentage-point increase in VAT in April 2014 proved a difficult pill to swallow. It was not until early 2015 that things also took a turn for the better on that front.

Falling stars and delivered promises

The euphoria surrounding the BRIC countries (Brazil, Russia, India and China) is making way for concerns about the *Fragile Five* (Brazil, India, Indonesia, Turkey and South Africa).

The Russian economy is creaking under the sanctions, capital flight, the depreciation of the rouble and the fall in oil prices. An oil price of 105 USD is thought to be the minimum needed to keep the country afloat. That now appears to be a distant dream.

Mexico is pulling itself up on the coat-tails of the economic strength of its northern neighbour, the US. Advantage is being taken of the favourable economic climate to push through far-reaching reforms, even in the heavily protected energy sector. Venezuela and Argentina have been struggling with recession some time. The period of double-digit growth in China now appears to be over, but the government continues to manage the economy in such a way as to hold growth at around the 7% level. Chinese policy is based around quality and sustainable growth rather than a high growth figure as such. It has opted for selective measures to support growth (a relaxation of bank lending, investments in cheap housing for the average Chinese and in railways, and support for smaller businesses). Growth of at least 6% is needed in order to push down unemployment and prevent social unrest. We saw this, for example, in the moves to control the exchange rate (weakening in the period February-March and beyond, after the broadening of the exchange rate bandwidth from $\pm 1\%$ to $\pm 2\%$ on 8 December) and interest rates (cut on 21st November 2014 and on 28th February 2015).

The euro crisis is easing, but the spectre of a 'Grexit' is rearing its head again

The euro crisis reached its peak in the summer of 2012, when Greece was not only in financial and economic turmoil, but had also landed in a political vacuum. The crisis resulted in the bankruptcy of Greece and Cyprus. Portugal and Ireland lost the confidence of international bond investors and were obliged to turn for support to the IMF, the ECB and the partner countries in the euro area. 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 was in fact focused only on defending the euro. It regarded it as essential to unblock the monetary transmission channel. Hence the various programmes to provide the banking sector with extremely cheap liquidity (during the previous reporting period under the acronym TLTRO) and the new system of stricter and uniform banking supervision. The latter came into operation on 4 November 2014, having been preceded earlier in the year by a comprehensive health check of the credit portfolios of 130 European banks.

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. During the course of 2014, Ireland and Portugal were able to begin raising finance via the traditional channels once again, without the need for their European stewardship. Greece initially also had these ambitions, but it became clear as the year progressed that it would not be possible to cancel the support programme at the end of 2014, as intended, but that it would have to be extended and even replaced by a new programme. The new Greek government, elected on a Eurosceptical ticket, attempted to force the troika to agree a much milder reform policy. However, its efforts fell on deaf ears. A mass flight of capital once again raised the spectre of a 'Grexit', apparently more so in Brussels than in Athens.

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 500 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. That was also the case in 2014. The earnings per share of firms in the S&P 500 index were an average of 5.5% higher in the fourth quarter than a year earlier. If we ignore the nosedive in oil company profits, we are looking at an increase in earnings of more than 10%.

Companies in the EUROSTOXX®-600 index reported earnings growth of 15% in the same quarter. 2014 showed a happy reversal of the picture in the period 2011 – 2013. The euro crisis, the associated recession in Europe, the write-down of government bond portfolios by banks and the strong euro all contributed to a fall in the profit mass at stock exchange level. As a result, profit levels fell behind relative to S&P companies by more than 20% in the first quarter of 2014.

ISIS fails to prevent a sharp fall in oil prices

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, rising supplies and substitution by shale oil) 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). In recent months the pressure from the excess supply became so great that the premium for the political risk disappeared entirely. OPEC was unable to reach a consensus in November on restricting production and so halting the free fall in the oil price. On 31st January 2015, the price of Brent crude was down to just 46.7 USD a barrel, less than half the price a year earlier and far below the marginal production cost of around 80 USD. These low levels were unsustainable, and the floor price for crude oil did not last long. At the end of the period under review, the price of Brent crude had risen to 57 USD a barrel.

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 45% (copper, nickel) since the peak levels of early 2011. With the easing of the economic doubts the price correction in recent months would appear to have bottomed out.

Inflation is falling further under the influence of the downturn in oil and commodity prices. 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 -0.1% in February 2015. Inflation even turned negative in the euro area (-0.1% in March 2015). Plagued by persistent economic weakness, and for a long time by a strong euro, deflation remained a real concern. The fall in the oil price has only increased that risk in recent months.

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 4th September the rate has been 0.05%. For deposits the ECB now has a negative rate of interest of -0.20%. ECB President Mario Draghi has emphasised that this is the absolute end of the interest rate reductions.

The policy of (virtually) free money was not sufficient to guarantee that 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. The programme has been tapered since January 2014, coming to an end in October.

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 will persist with it for a while yet.

It proved difficult to achieve a consensus on a similar policy in the ECB policy committee. The prospect of large-scale purchases of government bonds was raised by ECB President Mario Draghi as long ago as September 2012, but remained a red line that the German Bundesbank would not cross. As a consequence, the ECB had to be content with granting exceptional credit facilities, under the acronyms LTRO and TLTRO, on extremely favourable terms in order to pump excessive liquidity into the European banking system. It was not until 22nd January 2015 that the ECB President was able to announce that, from March 2015 and possibly until at least September 2016, the ECB and euro area national banks would be purchase government paper to the tune of 60 billion euros a month.

Seeking a floor for bond rates

Economic doubts, the realisation that inflation is as good as dead, and central bank interventions are keeping bond yields historically low. Traditionally, bond rates in Germany – the benchmark in the euro area – closely shadow developments in the US market. In this reporting period the reverse applied. In 2014 the call for a European variant of QE became ever louder, driving not just German but also US 10-year rates ever lower. On 2nd February the interest on a US 10-year government bond fell to a low of 1.67%. In this regard the fact that the Fed – admittedly choosing its words cautiously – began to hold out the prospect of the first rise in interest rates in seven years had little if any influence. At the end of the period under review, the yield on German bonds maturing in no more than seven years had turned negative. German ten-year rates stood at 0.25%.

The continued easing of the euro crisis caused a further narrowing of interest rate spreads between the EMU partners, almost without hiccups – except in the case of Greece. Belgian-German spreads also narrowed further to 25 basis points at the end of March 2015.

There have been no significant bankruptcies in the business sector in recent years. This allowed corporate bond yields to move closer to yields on government bonds. The credit risk premium is now at a fair level; the additional premium has evaporated.

The return of the dollar

The euro was the strongest currency in the world in 2013. The ECB is also the only one of the four principal central banks not to embark on a large-scale debt purchase programme, but is by contrast confronted with a shrinking balance sheet. Initially, the strength of the euro was maintained in 2014: on 25th May, an exchange rate of 1.40 USD per EUR was reached. Then the tide turned. Anticipation of the launch of QE in Europe grew steadily, whereas QE was being tapered in the US. This shift in monetary policy between the ECB (prospect of a bigger supply of euros) and the Fed (faster creation of dollars) impacted on the USD/EUR exchange rate. On 31st March, the euro was worth 1.083 USD, 28.8% weaker than a year earlier.

The GBP frequently occupies a midway position between the USD and the EUR. In the period under review, it was more closely related to the USD than to the EUR. In the weeks before the Scottish referendum, held on 18th September 2014, the success of supporters of separation prompted nervous movements in the exchange rate.

The launch of *Abenomics* in Japan drove down the JPY/USD exchange rate by more than 30%, from unambiguously *overvalued* to *correctly valued*. The yen moved within a bandwidth of 100 – 110 JPY per USD between mid-2013 and the end of October 2014. When the Bank of Japan came to the realisation in early November 2014 that quantitative easing had not delivered the anticipated results, it decided to step up its measures. This put the currency under renewed pressure in the final months of the reporting period. At the end of March 2015, the yen was worth 15% less against the dollar (120 JPY per USD) than a year earlier.

Financial climate (continued)

2013 was not a good year for emerging market currencies. Fears that the liquidity tap in the US could be turned off imminently led to heavy selling pressure on the currencies of such countries as Brazil, South Africa, Turkey, India and Indonesia. This pressure continued until the spring of 2014. Since then the picture has been mixed, but there is no sign of a broad-based recovery.

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 2014 reasonably solid PMIs (business confidence indicators) throughout the world, with the exception of the euro area, boosted economic optimism. Strong labour market numbers in the US and – from the second half of 2014 – the fall in oil prices firmly underpinned that optimism. By the end of 2014, the economic situation had improved, even in the euro area. 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. The S&P 500 set one record after another in the period under review, reaching an all-time high on 2nd March 2015. Overall, the MSCI All Country World Index (the broadest global index) was up 36.3% year-on-year in euro terms at the end of March 2015.

In the traditional markets, the US recorded the strongest performance (with a return of +46.6%), which was not entirely due to the strengthening of the dollar. The S&P-500 surged from one record to another, with the rally being interrupted only between 18st September and 15st October. Until October, doubts about the economy (fears that the US would be dragged into a downward spiral when it transpired that the German economic engine was stuttering and China also began emitting negative signals) led to a correction of -7.4%, but the sombre mood passed quickly.

Western Europe was unable to sustain the catching-up exercise that began in 2012 (return on the MSCI Europe over the reporting period in euro terms: +23.0%). Fears that the EMU's problems harboured a systemic risk disappeared completely. Neither the debacle at Banco Espírito Santo (in April) nor the threat of a 'Grexit' (after the election victory of SYRIZA in January) had any impact. Instead these fears were replaced by fears of deflation. Europe's cheaper valuation (compared with the US) 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 BEL 20 (+20.3%) performed more or less in line with most other stock exchanges in the euro area. Bpost headed the BEL 20 in its first year on the stock market. 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. AB Inbev was able to capitalise on continuing strong turnover growth and widening margins. The Bekaert, GDF Suez and Dieteren share prices ended the reporting period at lower levels.

Japan (return of +44.75%) performed strongly, especially since the start of the year. The hope that 'Abenomics' would break the deflation spiral now appears more likely to materialise than the fear that VAT hikes would adversely affect consumer confidence.

The Asian emerging markets (+38.3%) began a catching-up exercise 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. That optimism has begun to fade in recent months, as growing doubts about the growth narrative in China caused the outperformance to wither away. This once again provided fuel for concerns about a growing credit bubble. Latin America (+3.1%) initially performed very strongly, but without solid fundamentals. The economic climate in Brazil deteriorated substantially and Argentina found itself gasping 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 (-0.3%) in response to the crisis in Ukraine and the capital flight from Russia.

There were wide sectoral differences in the returns. The best-performing sectors included Pharmaceuticals (+59.4%), Technology (+52.7%) and Consumer Discretionary (+46.2%). The laggards included Energy (+7.6%) and Materials (+22.4%), a logical consequence of the downward pressure on commodity prices.

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 was attractively valued, with a growth outlook and earnings figures that 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.

Financial climate (continued)

Media companies are taking advantage of a growing advertising market, due to the recovery in consumption worldwide. The traditional media firms remain locked into their constant process of adaptation, and the rise of the e-book and ongoing breakthrough of digital television continue undiminished. More and more media companies are also succeeding in making money from the digital world. The big media companies in the US have increased their income from advertising and in particular from broadcast fees for TV programmes.

Thanks to the strong performance of Real Estate (+48.2%), the discount at which the sector traded for some considerable time has disappeared. The high dividends went down well, and the sector is growing more attractive as the economic outlook brightens in a world with interest rates close to zero.

Outlook

People living in continental Europe might not realise it, but the world economy has reached cruising speed. The growth figure for 2015 (currently estimated to be 3%, somewhat weaker than the 3.2% recorded for 2014) is not bad, but not exceptional. In the US, growth optimism is on the up, The first swallows heralding an economic spring are reaching the euro area. The main reasons for this were greater consumer purchasing power and an easing of austerity measures. Emerging Asia is likely to follow, although not everyone appears convinced of this.

US growth indicators are spiking. The labour market reports for the last few months are particularly promising. Unemployment is falling fairly sharply and 3 130 000 new jobs were created in the past 12 months, which translates into 2.4% employment growth year-on-year. Although the unemployment rate (5.8% in March) 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. As a result one might normally expect accelerating pay increases. The word 'boom' is gradually being employed in order to describe the current phase of the economic cycle.

The contrast with the euro area is substantial: the economic recovery still needs to gain a firm footing there. German producer confidence fell sharply in 2014 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. Fortunately a number of parameters changed towards the end of the year. The overvaluation of the euro was reversed. The fall in oil prices created a breathing space for consumers, who became more confident about the future and so increased their spending. The faster pay increases in Germany will provide further support for the recovery. They are keeping the German engine ticking over, while the competitiveness of other countries is automatically improving as a result without the need for any extra efforts to be made for wage restraint. In brief, if the European banks now also begin applying less strict credit standards, growth should also pick up in Europe. We do not, however, expect real growth of much more than 1-1.5% in 2015 and 1.5-2% in 2016 in the euro area.

In recent years the foundation has been laid for more sustainable growth in 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 9.8% of household budgets (the lowest level in fifteen years – it was at 12.5% four years ago). The sharpest edges of the restructuring of the public finances are being rubbed off, not just in the US, where the budget debate has been liberated from its ideological discourse, but also in the euro area, where the European Commission values structural measures over budgetary orthodoxy. 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 2014 bolstered companies' already substantial cash positions. During the crisis investments were scaled back heavily, with the foundations being laid for a catch-up process.

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 have come to an end. The US central bank considers that the economic recovery is sufficiently sustainable for it to gradually move toward a more neutral monetary policy. A key interest rate of 3-3.5% would be consistent with this. The present rate (0.25%) is a long way off this. The first of a series of interest rate hikes will therefore be implemented in the course of 2015. The precise timing will depend on the unemployment trend. The Fed has suggested a date of around mid-2015. That strikes us as highly likely, even though the market appears to be anticipating a later date (October-November). In order not to alarm the markets, the interest rate rises will be implemented very gradually, in small steps. 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 – Greece notwithstanding – but many problems remain to be resolved. In 2014 attention focussed on the large-scale survey being conducted by the ECB into the quality of European banks' credit portfolios. This review 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. It will be key in 2015 to induce European banks to be more willing to lend to households and SMEs. That is more a question of confidence (removing fears of deflation) than of liquidity injections by the ECB. 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 considerable

Financial climate (continued)

room for manoeuvre. As a result, national governments in reality now have more room for manoeuvre, and they are taking full advantage of this (with the promise that structural measures will be implemented). A number of countries (including France and Italy) have even openly stated that they will be disregarding the European norms. Light touch from Brussels.

The ECB will maintain the money market rates of (almost) 0% for a long time yet, and certainly longer than the US. As long as the economy in the euro area remains weak and there are no genuine inflationary tensions, there will be no compelling macroeconomic reasons to conduct a more restrictive policy.

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 aim for 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 (a horizon of mid-2016). The ECB's main concern at present is not the level of its interest rates but the way in which these low rates percolate through into market rates in Southern Europe. It is here that low interest rates are needed most – and also where market rates remain the highest.

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

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. The strong economic growth in Asia has sometimes led to tensions on the credit market. 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. Increased consumption in China will mean lower savings and higher imports, including from the US and Europe. This will help the West to 'grow out' of its debt problems.

Thanks to the continuing strength of expansion in the emerging markets, the global economy could post growth of around 3.5% in 2015 and 3-3.5% in 2016 (+3.2% in 2014). 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 investors must retain their risk-appetite. 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 18.0 for the S&P 500 index and 16.0 for the MSCI Europe. These figures are already on the expensive side. Equities are, however, still dirt-cheap compared with bonds. The earnings yield – the inverse of the price/earnings ratio – is currently 6.25% for the MSCI Europe, an unprecedented premium of 600 basis points above the German risk-free rate. Put differently, what offers better protection against the inflation risk over the next ten years: a German government bond with a coupon yield of 0.25%, or an average European share with a dividend yield of 3.25%?

KBC INTEREST FUND

Combined statement of net assets (in EUR)

as at 31st March 2015

Assets

Investments

Securities portfolio at market value	1,730,600,157.05
	<u>1,730,600,157.05</u>

Cash and cash equivalents

Cash at banks	102,101,629.03
	<u>102,101,629.03</u>

Receivables

Receivable on treasury transactions	1,440,392.33
Receivable on issues of shares	5,407,763.59
Income receivable on portfolio	19,899,205.59
Interest receivable on bank accounts	128,809.93
Unrealised gain on forward foreign exchange contracts	130,470.42
Prepaid expenses	38,830.21
	<u>27,045,472.07</u>

Total assets

1,859,747,258.15

Liabilities

Payables

Payable on purchases of securities	5,592,400.20
Payable on treasury transactions	1,428,589.15
Payable on redemptions of shares	1,414,602.52
Interest payable on bank overdrafts and/or deposits	75.84
Unrealised loss on forward foreign exchange contracts	96,192.20
Expenses payable	1,001,552.04
	<u>9,533,411.95</u>

Total liabilities

9,533,411.95

Total net assets at the end of the period

1,850,213,846.20

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

KBC INTEREST FUND CASH EURO

Investment policy and outlook

from 1st October 2014 to 31st March 2015

Review

The recession in the euro area that stemmed from the euro crisis came to an end in 2013. It had lasted since the fourth quarter of 2011. The cautious recovery was interrupted in 2014, however. German producer confidence fell sharply when the EU announced sanctions against Russia and again when Russia introduced its counter-sanctions. The tide did not turn until late in 2014.

Plagued by persistent economic weakness, and for a long time by a strong euro, deflation remained a real concern in the Economic and Monetary Union (EMU). To counter this, the European Central Bank (ECB) cut its official rate twice by 10 basis points in 2014. Since 4 September the rate has been 0.05%. However, the deposit rate – the rate at which banks place money with the ECB – stands at -0.2%. ECB President Mario Draghi has emphasised that this is the absolute end of the interest rate reductions. The fall in the oil price has only increased the deflationary risk in recent months, however. Inflation in the euro area stood at -0.10% in March 2015.

The ECB also continued its efforts to unblock the monetary transmission channel, among other things by offering extremely cheap long-term finance to the banking sector and the acronym 'TLTRO'. The ECB also made a start in October 2014 on purchasing Asset Backed Securities and Covered Bonds. It was not until 22 January 2015 that the ECB President was able to announce that, from March 2015 and possibly until at least September 2016, the ECB and euro area national banks would be purchasing government paper to the tune of 60 billion euros a month. Even the more optimistic analysts were pleasantly surprised by both the size and length of the programme.

The unprecedented measures taken by the ECB to stimulate liquidity led to sharp falls in European money market rates. Three-month Euribor fell from 0.08% at the end of September 2014 to 0.02% at the end of March 2015, just in positive territory. This shift in monetary policy between the ECB (prospect of a bigger supply of euros) and the Fed (faster creation of dollars) impacted on the USD/EUR exchange rate. On 31 March, the euro was worth 1.083 USD, 28.8% weaker than a year earlier. From January 2015, consumer confidence and retail sales began to pick up everywhere in the euro area, while the unemployment rate fell. It will be clear that the benefits of a weak euro and the low oil prices are at last percolating through to the real economy.

The duration of the portfolio remained in the 70–100-day range throughout. 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.

Outlook

The European money-market curve has flattened out further in the past year. The spread between the one-month and one-year rate has narrowed from 33 to 21 basis points. Given the expectation that short rates in Europe will remain this low for some time yet, a portfolio duration around 80 days has been opted for.

Note: The information in this report represents historical data and is not an indication of future results.

KBC INTEREST FUND CASH EURO

Statement of net assets (in EUR)

as at 31st March 2015

Assets

Investments

Securities portfolio at market value	148,239,467.69
	<u>148,239,467.69</u>

Cash and cash equivalents

Cash at banks	44,701,236.63
	<u>44,701,236.63</u>

Receivables

Income receivable on portfolio	45,772.01
Interest receivable on bank accounts	73,099.55
Prepaid expenses	6,772.53
	<u>125,644.09</u>

Total assets

193,066,348.41

Liabilities

Payables

Payable on purchases of securities	3,998,120.88
Payable on redemptions of shares	47,984.96
Expenses payable	72,916.55
	<u>4,119,022.39</u>

Total liabilities

4,119,022.39

Total net assets at the end of the period

188,947,326.02

Number of CAP shares outstanding	31,155.0734
Net asset value per CAP share	5,998.11
Number of DIV shares outstanding	843.5656
Net asset value per DIV share	2,460.86

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

KBC INTEREST FUND CASH EURO

Statistical information (in EUR)

as at 31st March 2015

Total net assets

- as at 31.03.2015	188,947,326.02
- as at 30.09.2014	155,186,523.65
- as at 30.09.2013	131,935,336.12

Number of CAP shares

- outstanding at the beginning of the period	25,478.6237
- issued	16,597.2199
- redeemed	-10,920.7702
- outstanding at the end of the period	31,155.0734

Net asset value per CAP share

- as at 31.03.2015	5,998.11
- as at 30.09.2014	5,997.78
- as at 30.09.2013	5,996.88

Number of DIV shares

- outstanding at the beginning of the period	963.3075
- issued	133.3378
- redeemed	-253.0797
- outstanding at the end of the period	843.5656

Net asset value per DIV share

- as at 31.03.2015	2,460.86
- as at 30.09.2014	2,461.77
- as at 30.09.2013	2,465.39

Dividend paid

Ex-dividend date	01.10.2014
Dividend per share	1.00
Shares outstanding at dividend date	963.3075

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 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
Investments in securities					
Transferable securities admitted to an official stock exchange listing					
Bonds					
EUR	3,000,000	Abbey Natl T Serv Plc FRN EMTN 15/23.01.17	3,000,000.00	3,000,120.00	1.59
EUR	1,000,000	ABN AMRO Bank NV FRN EMTN Reg S Sen 15/14.01.17	1,000,000.00	1,000,880.00	0.53
EUR	2,900,000	ABN AMRO Bank NV FRN EMTN Reg S Ser 202 14/15.04.16	2,899,748.97	2,907,308.00	1.54
EUR	2,000,000	Barclays Bank Plc FRN EMTN Sen 14/02.06.16	2,000,000.00	2,002,940.00	1.06
EUR	2,900,000	BNP Paribas SA FRN EMTN Sen 13/13.11.15	2,900,333.50	2,904,176.00	1.54
EUR	1,500,000	BNP Paribas SA FRN EMTN Sen 15/19.01.17	1,500,000.00	1,502,775.00	0.80
EUR	2,000,000	BPCE SA FRN EMTN 15/10.03.17	2,000,000.00	2,001,720.00	1.06
EUR	2,900,000	BPCE SA FRN EMTN Sen 13/18.01.16	2,912,738.18	2,913,949.00	1.54
EUR	2,900,000	Bq Fédérative du Crédit Mutuel FRN EMTN Ser 346 13/22.03.16	2,911,511.19	2,912,731.00	1.54
EUR	2,200,000	Cred Agricole SA London FRN EMTN Reg S Ser 428 13/28.08.15	2,202,200.00	2,202,970.00	1.17
EUR	700,000	Cred Agricole SA London FRN EMTN Sen 14/28.01.16	701,190.00	701,564.50	0.37
EUR	2,000,000	CS London FRN EMTN Sen 14/19.02.16	2,002,140.00	2,003,070.00	1.06
EUR	700,000	Deutsche Bank AG FRN EMTN 14/11.03.16	699,405.00	700,591.50	0.37
EUR	3,000,000	GE Capital European Funding FRN EMTN 06/22.02.16	2,997,540.00	3,003,075.00	1.58
EUR	1,500,000	HSBC France FRN Sen 14/27.01.16	1,501,105.00	1,502,175.00	0.79
EUR	700,000	ING Groep NV FRN Sen 06/11.04.16	697,956.00	700,560.00	0.37
EUR	1,296,000	JP Morgan Chase & Co FRN EMTN Sen 13/03.05.16	1,297,655.00	1,299,304.80	0.69
EUR	2,900,000	Lloyds Bank Plc FRN EMTN Sen 13/14.10.15	2,905,303.86	2,903,784.50	1.54
EUR	3,000,000	Macquarie Bank Ltd FRN EMTN Sen 14/24.04.16	2,999,362.50	3,009,000.00	1.59
EUR	1,500,000	Rabobank Nederland NV FRN EMTN Reg S Ser 2684A 13/01.02.16	1,502,700.00	1,503,405.00	0.80
EUR	2,000,000	Rabobank Nederland NV FRN EMTN Sen 14/15.01.16	1,998,780.00	2,002,500.00	1.06
EUR	500,000	Société Générale FRN EMTN Sen 13/27.05.15	499,775.00	500,212.50	0.26
EUR	2,400,000	Société Générale FRN EMTN Sen 14/28.03.16	2,400,006.00	2,406,132.00	1.27
EUR	2,000,000	Volkswagen Bank GmbH FRN EMTN 14/11.04.16	2,000,480.00	2,002,940.00	1.06
Total bonds			47,529,930.20	47,587,883.80	25.18
Money market instruments					
Money market instruments					
EUR	6,000,000	Bank of China Ltd Lux Branch 0.27% ECP 15/28.07.15	5,993,212.69	5,993,212.69	3.17
EUR	2,000,000	Befimmo SICAFI SA 0.139% CP 15/30.04.15	1,999,521.34	1,999,521.34	1.06
EUR	6,500,000	Belfius Financing Co SA 0.09% ECP 15/11.08.15	6,497,823.23	6,497,823.23	3.44
EUR	3,200,000	Brussels Municipal Regional Fd 0% CTr 15/29.04.15	3,199,723.14	3,199,723.14	1.69
EUR	4,000,000	Brussels Municipal Regional Fd 0.089% CTr 15/15.04.15	3,999,703.36	3,999,703.36	2.12
EUR	4,000,000	CCBL Funding Plc 0.56% ECP 14/29.05.15	3,988,707.53	3,988,707.53	2.11
EUR	2,000,000	Commerzbank AG 0.05% ECP 15/25.05.15	1,999,805.57	1,999,805.57	1.06
EUR	4,000,000	Elia Syst Operator SA NV 0.107% CP 15/19.05.15	3,999,274.91	3,999,274.91	2.12
EUR	1,500,000	Espana 0% T-Bills 14/19.06.15	1,497,798.24	1,500,187.50	0.79
EUR	6,000,000	Hitachi Capital UK Plc 0.02% CP 15/15.04.15	5,999,930.00	5,999,930.00	3.18
EUR	2,000,000	Hitachi Capital UK Plc 0.07% CP 15/09.04.15	1,999,813.35	1,999,813.35	1.06
EUR	1,500,000	Imperial Tobacco Finance Plc 0.09% ECP 15/11.05.15	1,499,823.77	1,499,823.77	0.79
EUR	5,000,000	Imperial Tobacco Finance Plc 0.14% ECP 15/15.04.15	4,998,250.61	4,998,250.61	2.64
EUR	1,000,000	Ind & Cial Bk of China Ltd Lux 0.23% CD 14/19.06.15	999,087.22	999,087.22	0.53
EUR	6,000,000	Intl Endesa BV 0% ECP 14/15.09.15	5,994,671.40	5,994,671.40	3.17
EUR	4,000,000	Johnson Controls Inc 0.188% ECP 15/30.06.15	3,998,120.88	3,998,120.88	2.12
EUR	4,000,000	KA Finanz AG 0% ECP 15/06.07.15	3,998,668.22	3,998,668.22	2.12
EUR	1,000,000	KA Finanz AG 0.14% ECP 14/21.04.15	999,869.46	999,869.46	0.53
EUR	1,500,000	LVMH Finance Belgique SA 0.06% CP 14/15.06.15	1,499,745.04	1,499,745.04	0.79
EUR	3,000,000	National Grid Plc 0.08% ECP 15/19.06.15	2,999,426.78	2,999,426.78	1.59
EUR	5,000,000	National Grid Plc 0.09% ECP 15/22.05.15	4,998,950.22	4,998,950.22	2.65
EUR	4,000,000	Région Wallonne 0.044% CTr 15/23.06.15	3,999,550.27	3,999,550.27	2.12
EUR	2,000,000	Société Wallonne de Logement 0% CTr 15/31.08.15	1,997,967.07	1,997,967.07	1.06

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 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
EUR	3,000,000	Solvay SA 0.12% CP 15/02.06.15	2,999,080.28	2,999,080.28	1.59
EUR	5,500,000	Solvay SA 0.16% CP 15/24.09.15	5,495,530.30	5,495,530.30	2.91
EUR	4,000,000	Ste Wallonne du Credit Social 0.25% CTr 14/30.04.15	3,996,183.78	3,996,183.78	2.11
EUR	1,500,000	Sumito Corp Capital Europe Plc 0.06% ECP 15/20.05.15	1,499,810.02	1,499,810.02	0.79
EUR	2,500,000	Telefonica Europe BV 0.05% ECP 15/06.05.15	2,499,854.18	2,499,854.18	1.32
EUR	5,000,000	Telefonica Europe BV 0.06% ECP 15/18.06.15	4,999,291.77	4,999,291.77	2.65
Total money market instruments			100,649,194.63	100,651,583.89	53.28
Total investments in securities			148,179,124.83	148,239,467.69	78.46
<u>Cash at banks</u>					
Term deposits					
EUR	5,000,000.00	KBC Bank SA 0.5800% 24.04.2015	5,000,000.00	5,000,000.00	2.65
EUR	1,000,000.00	KBC Bank SA 0.4500% 14.08.2015	1,000,000.00	1,000,000.00	0.53
EUR	7,000,000.00	KBC Bank SA 0.5600% 20.05.2015	7,000,000.00	7,000,000.00	3.70
EUR	3,000,000.00	KBC Bank SA 0.2200% 02.03.2016	3,000,000.00	3,000,000.00	1.59
EUR	17,000,000.00	KBC Bank SA 0.1800% 24.03.2016	17,000,000.00	17,000,000.00	9.00
EUR	1,000,000.00	KBC Bank SA 0.3200% 22.10.2015	1,000,000.00	1,000,000.00	0.53
EUR	1,500,000.00	KBC Bank SA 0.3100% 18.12.2015	1,500,000.00	1,500,000.00	0.79
EUR	3,500,000.00	KBC Bank SA 0.3100% 29.12.2015	3,500,000.00	3,500,000.00	1.85
EUR	1,000,000.00	KBC Bank SA 0.3000% 29.09.2015	1,000,000.00	1,000,000.00	0.53
Total term deposits			40,000,000.00	40,000,000.00	21.17
Current accounts at bank			4,701,236.33	4,701,236.63	2.49
Total cash at banks			44,701,236.33	44,701,236.63	23.66
Other net assets/(liabilities)				-3,993,378.30	-2.12
Total				188,947,326.02	100.00

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

KBC INTEREST FUND EURO MEDIUM

Investment policy and outlook

from 1st October 2014 to 31st March 2015

Review

At the start of the new financial year, the figures for the euro area economy were still too weak to allow the European Central Bank (ECB) to rest on its laurels. Growth in the fourth quarter of 2014 was just 0.3% compared with the previous quarter, an annualised growth rate of just over 1% – too low to bring about an improvement in unemployment. Leading indicators such as the European Commission's consumer confidence index and the producer confidence indexes such as the German Ifo, did however indicate that improvements were on the horizon.

By launching a programme to buy mortgage bonds and Asset Back Securities, the ECB was already seeking in 2014 to relieve the balance sheets of commercial banks, giving them more scope to lend to businesses and households. With a negative deposit interest rate of -0.2%, the ECB had already penalised the banking sector for holding deposits with it.

The steep fall in the oil price in the last quarter of 2014 provided an additional injection of income for households, but also drove the inflation rate below zero. Fears of a deflationary scenario with falling prices and permanently shrinking economy began to raise their heads. On 22 January 2015, not entirely unexpectedly, the ECB announced a large-scale programme to buy bonds issued by national governments, supranational organisations and government agencies. The programme allowed the ECB to buy up to 25% of an issue with yields of up to -0.20%. By 'driving away' investors such as banks and insurers from government bonds because of the insufficient returns, the ECB was hoping to revive interest in higher-risk investments, which in turn could provide a boost for economic activity. The fact that the euro weakened further was an added bonus, which provided an added boost for exports.

The impact on the euro area bond markets was clearly visible: yields fell further and for the shorter maturities in which this fund invests, in many cases that meant negative returns. The ECB programme also allows it to buy bonds with negative yields up to the level of the deposit interest rate of -0.2%. The benchmark five-year German government bond yield stood at 0.15% at the start of the reporting period and had fallen to no less than 0.10% below zero by the end of the first half of the new financial year. The yields in other euro countries such as France, the Netherlands and Belgium also turned negative for short-maturity bonds. In Belgium, the yield on a five-year linear bond fell from 0.29% to 0.01% by the end of the reporting period.

Investment Policy

The interest-rate risk of the portfolio was close to the market average for the 1-3 year maturity segment throughout the reporting period. In terms of country allocation, we consistently preferred investments in peripheral countries such as Spain, Italy and Ireland, which offer a substantially higher return (above zero), while the credit risk can be regarded as a low.

Outlook

Negative returns in the core countries and narrowing spreads still argue in favour of the peripheral markets as long as the ECB continues its debt purchase programme. Greece could throw a temporary spanner in the works, but it is highly unlikely that it will fundamentally alter the scenario outlined above. Although the euro area economy is improving, the ECB will persist with its very accommodative monetary policy for some time yet, and a rise in interest rates is virtually ruled out for the next half-year.

Note: The information in this report represents historical data and is not an indication of future results.

KBC INTEREST FUND EURO MEDIUM

Statement of net assets (in EUR)

as at 31st March 2015

Assets

Investments

Securities portfolio at market value	1,420,256,866.75
	<u>1,420,256,866.75</u>

Cash and cash equivalents

Cash at banks	13,854,973.65
	<u>13,854,973.65</u>

Receivables

Receivable on issues of shares	5,028,621.34
Income receivable on portfolio	19,362,520.10
Prepaid expenses	6,432.15
	<u>24,397,573.59</u>

Total assets

1,458,509,413.99

Liabilities

Payables

Payable on redemptions of shares	1,366,617.56
Expenses payable	884,473.92
	<u>2,251,091.48</u>

Total liabilities

2,251,091.48

Total net assets at the end of the period

1,456,258,322.51

Number of CAP shares outstanding	560.2796
Net asset value per CAP share	4,175.17
Number of DIV shares outstanding	4,186.6261
Net asset value per DIV share	2,398.37
Number of Institutional B Shares outstanding	345,322.2142
Net asset value per Institutional B Share	4,181.25

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

KBC INTEREST FUND EURO MEDIUM

Statistical information (in EUR)

as at 31st March 2015

Total net assets	
- as at 31.03.2015	1,456,258,322.51
- as at 30.09.2014	906,343,243.69
- as at 30.09.2013	264,404,782.42
Number of CAP shares	
- outstanding at the beginning of the period	622.7068
- issued	0.1198
- redeemed	-62.5470
- outstanding at the end of the period	560.2796
Net asset value per CAP share	
- as at 31.03.2015	4,175.17
- as at 30.09.2014	4,161.81
- as at 30.09.2013	4,052.48
Number of DIV shares	
- outstanding at the beginning of the period	7,738.0000
- issued	5,704.6261
- redeemed	-9,256.0000
- outstanding at the end of the period	4,186.6261
Net asset value per DIV share	
- as at 31.03.2015	2,398.37
- as at 30.09.2014	2,402.50
- as at 30.09.2013	2,375.70
Dividend paid	
Ex-dividend date	01.10.2014
Dividend per share	12.00
Shares outstanding at dividend date	7,738.0000
Number of Institutional B Shares	
- outstanding at the beginning of the period	212,420.2142
- issued	481,473.0000
- redeemed	-348,571.0000
- outstanding at the end of the period	345,322.2142
Net asset value per Institutional B Share	
- as at 31.03.2015	4,181.25
- as at 30.09.2014	4,167.03
- as at 30.09.2013	4,055.88

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 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
Investments in securities					
Transferable securities admitted to an official stock exchange listing					
Bonds					
EUR	575,000	Belgium 3.25% OLO Ser 47 06/28.09.16	616,742.23	604,411.25	0.04
EUR	8,600,000	Belgium 3.5% Ser 63 11/28.06.17	9,407,518.31	9,307,350.00	0.64
EUR	6,000,000	Belgium 3.75% OLO Ser 46 05/28.09.15	6,159,720.00	6,115,800.00	0.42
EUR	15,000,000	Belgium 5.5% OLO Ser 40 02/28.09.17	17,302,491.67	17,123,250.00	1.18
EUR	34,750,000	Deutschland 0.5% Ser 163 12/07.04.17	35,193,922.53	35,271,250.00	2.42
EUR	72,000,000	Deutschland 0.5% Ser 164 12/13.10.17	73,177,770.00	73,360,800.00	5.04
EUR	15,000,000	Deutschland 0.5% Ser 165 13/23.02.18	15,318,600.00	15,318,000.00	1.05
EUR	5,775,000	Deutschland 0.75% Ser 162 12/24.02.17	5,874,425.64	5,884,436.25	0.40
EUR	16,000,000	Deutschland 1.75% Ser 158 10/09.10.15	16,284,640.00	16,167,200.00	1.11
EUR	40,000,000	Deutschland 2.25% Ser 157 10/10.04.15	40,614,375.00	40,018,000.00	2.75
EUR	20,000,000	Deutschland 3.5% Ser 05 05/04.01.16	20,694,000.00	20,574,000.00	1.41
EUR	20,000,000	Deutschland 4% Ser 07 07/04.01.18	22,457,820.00	22,350,500.00	1.54
EUR	17,000,000	Deutschland 4.25% 07/04.07.17	19,026,064.72	18,727,200.00	1.29
EUR	63,500,000	Espana 0.5% 14/31.10.17	63,425,093.00	63,954,025.00	4.39
EUR	51,000,000	Espana 3.15% 05/31.01.16	52,398,460.00	52,341,300.00	3.59
EUR	33,000,000	Espana 3.75% 12/31.10.15	34,016,130.00	33,717,750.00	2.32
EUR	6,000,000	Espana 3.8% 06/31.01.17	6,455,147.94	6,408,000.00	0.44
EUR	5,000,000	Espana 4.25% 11/31.10.16	5,382,005.49	5,332,500.00	0.37
EUR	75,000,000	Espana 4.5% 12/31.01.18	83,868,350.00	83,996,250.00	5.77
EUR	29,000,000	Espana 5.5% 02/30.07.17	32,935,727.62	32,588,750.00	2.24
EUR	400,000	Flemish Community 3.875% EMTN 09/20.07.16	430,600.00	420,358.00	0.03
EUR	32,000,000	France 0.25% OAT 13/25.11.15	32,106,280.00	32,084,800.00	2.20
EUR	67,500,000	France 1% BTAN 12/25.07.17	69,280,837.50	69,325,875.00	4.76
EUR	60,000,000	France 3.5% OAT 05/25.04.15	61,483,726.28	60,141,000.00	4.13
EUR	12,550,000	France 3.75% OAT 07/25.04.17	13,785,061.57	13,567,805.00	0.93
EUR	66,000,000	France 4.25% OAT 07/25.10.17	73,965,427.32	73,464,600.00	5.04
EUR	45,000,000	Ireland 4.6% T-Bonds 99/18.04.16	47,522,724.16	47,130,750.00	3.24
EUR	37,000,000	Ireland 5.5% T-Bonds 12/18.10.17	42,350,076.67	42,224,400.00	2.90
EUR	99,500,000	Italia 0.75% BTP Sen 14/15.01.18	100,247,601.54	100,863,150.00	6.93
EUR	21,000,000	Italia 2.75 BTP Senior 13/15.11.16	21,872,747.71	21,894,075.00	1.50
EUR	38,000,000	Italia 2.75% BTP 12/01.12.15	38,823,308.00	38,682,100.00	2.66
EUR	82,000,000	Italia 3.5% BTP 12/01.11.17	88,623,692.42	88,873,650.00	6.10
EUR	15,000,000	Italia 3.75% BTP 05/01.08.15	15,409,500.00	15,186,000.00	1.04
EUR	14,000,000	Italia 3.75% BTP 11/15.04.16	14,539,800.00	14,535,850.00	1.00
EUR	24,000,000	Italia 4% BTP 07/01.02.17	25,853,218.50	25,686,000.00	1.76
EUR	50,000,000	Italia 4.75% BOT 12/01.06.17	55,327,925.38	54,895,000.00	3.77
EUR	42,000,000	Italia 5.25% BTP Sen 02/01.08.17	46,952,850.00	46,893,000.00	3.22
EUR	3,500,000	Netherlands 0% 13/15.04.16	3,498,184.54	3,507,525.00	0.24
EUR	5,000,000	Netherlands 1.25% 12/15.01.18	5,196,900.00	5,199,500.00	0.36
EUR	5,500,000	Netherlands 2.5% 11/15.01.17	5,781,567.00	5,766,612.50	0.40
EUR	10,575,000	Netherlands 3.25% 05/15.07.15	10,796,017.00	10,678,106.25	0.73
EUR	4,750,000	Netherlands 4% 06/15.07.16	5,158,150.23	5,007,568.75	0.34
EUR	52,500,000	Netherlands 4.5% 07/15.07.17	59,008,695.66	58,154,250.00	3.99
EUR	11,925,000	Oesterreich 3.2% Sen 10/20.02.17	12,864,138.00	12,685,218.75	0.87
EUR	4,000,000	Oesterreich 4% 06/15.09.16	4,430,405.29	4,241,600.00	0.29
EUR	9,000,000	Oesterreich 4.3% 07/15.09.17	10,085,772.86	9,987,300.00	0.69
Total investments in securities			1,426,004,211.78	1,420,256,866.75	97.53
Cash at banks				13,854,973.65	0.95
Other net assets/(liabilities)				22,146,482.11	1.52
Total				1,456,258,322.51	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 2014 to 31st March 2015

Review

The US economy is in its seventh year of expansion. During the course of 2014, sentiment changed from economic scepticism to optimism. The driver for this was the recovery of the labour market. Jobs growth is accelerating; employment is growing on average by 261.000 new jobs a month. This trend alone is enough to boost the purchasing power of US consumers by an annual 2.4%. This in turn ensures that the basis for the economic recovery is more solid than in previous years. The unemployment rate fell further to 5.8% in March 2015. This fall was accompanied by ever stronger signals of a squeeze in some segments of the labour market. The word 'boom' is gradually being employed in order to describe the current phase of the economic cycle.

Inflation is falling further under the influence of the downturn in oil and commodity prices. 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 -0.1% in February 2015. The Fed has held its policy rate at a symbolic 0.25% since December 2008.

As the above policy of (almost) free money was not enough to guarantee a sustainable economic recovery, the then Fed chairman Ben Bernanke sought other means. As an example, the Fed purchased government bonds and mortgage loans to the value of 85 billion US dollars a month from September 2012 to December 2013. The programme has been tapered since January 2014, coming to an end in October.

Under the chairmanship of Janet Yellen, the Fed believes that the time is now ripe to modify its extremely accommodative monetary policy and, admittedly in very cautious terms, raised the prospect of a first rise in interest rates for seven years. US money market rates rose throughout the reporting period. Three-month Libor rose from 0.23% at the end of September 2014 to 0.08% at the end of March 2015. 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. Because of the attractive rate spread, more was also invested in floaters (bonds with a variable coupon).

Outlook

The European money market curve has steepened slightly in the past half year. The spread between the one-month and one-year rate has risen from 42 to 52 basis points. Although the first in a series of interest rate hikes is expected to come in 2015, the precise timing of the first increase is difficult to predict. These interest rate rises will moreover be introduced very cautiously, in baby steps. We are therefore opting for a duration of around 80 days in the portfolio.

Note: The information in this report represents historical data and is not an indication of future results.

KBC INTEREST FUND CASH USD

Statement of net assets (in USD)

as at 31st March 2015

Assets

Investments

Securities portfolio at market value	117,441,030.76
	<u>117,441,030.76</u>

Cash and cash equivalents

Cash at banks	34,781,748.94
	<u>34,781,748.94</u>

Receivables

Receivable on issues of shares	406,990.25
Income receivable on portfolio	86,413.77
Interest receivable on bank accounts	59,802.31
Prepaid expenses	27,507.73
	<u>580,714.06</u>

Total assets

152,803,493.76

Liabilities

Payables

Expenses payable	27,370.35
	<u>27,370.35</u>

Total liabilities

27,370.35

Total net assets at the end of the period

152,776,123.41

Number of CAP shares outstanding	84,992.4871
Net asset value per CAP share	1,777.25
Number of DIV shares outstanding	1,782.1063
Net asset value per DIV share	966.72

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

KBC INTEREST FUND CASH USD

Statistical information (in USD)

as at 31st March 2015

Total net assets

- as at 31.03.2015	152,776,123.41
- as at 30.09.2014	122,096,705.84
- as at 30.09.2013	86,658,154.61

Number of CAP shares

- outstanding at the beginning of the period	67,464.9228
- issued	45,084.2648
- redeemed	-27,556.7005
- outstanding at the end of the period	84,992.4871

Net asset value per CAP share

- as at 31.03.2015	1,777.25
- as at 30.09.2014	1,776.24
- as at 30.09.2013	1,775.96

Number of DIV shares

- outstanding at the beginning of the period	2,339.8334
- issued	233.2698
- redeemed	-790.9969
- outstanding at the end of the period	1,782.1063

Net asset value per DIV share

- as at 31.03.2015	966.72
- as at 30.09.2014	967.19
- as at 30.09.2013	969.55

Dividend paid

Ex-dividend date	01.10.2014
Dividend per share	1.00
Shares outstanding at dividend date	2,339.8334

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 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<u>Investments in securities</u>					
<u>Transferable securities admitted to an official stock exchange listing</u>					
Bonds					
USD	3,500,000	ABN AMRO Bank NV FRN Reg S Ser 8 13/28.10.16	3,527,955.00	3,522,557.50	2.31
USD	1,000,000	Commonwealth Bank of Australia FRN Tr 165 Reg S 13/20.09.16	1,006,195.00	1,004,125.00	0.66
USD	1,000,000	Export Import Bank Korea (The) FRN Sen 13/17.09.16	1,007,500.00	1,005,065.00	0.66
USD	2,100,000	ING Bank NV FRN Reg S Sen 12/25.09.15	2,137,841.00	2,114,815.50	1.38
USD	275,000	Korea Development Bank FRN Sen 14/22.01.17	275,467.77	275,467.50	0.18
USD	2,200,000	Macquarie Bank Ltd FRN Reg S Sen Tr 9 14/15.06.16	2,204,467.50	2,200,132.00	1.44
USD	1,325,000	Nordea Bank AB FRN Reg S Tr 6 Sub 13/13.05.16	1,331,571.50	1,329,273.13	0.87
USD	2,000,000	Royal Bank Canada FRN Ser F 13/09.09.16	2,013,220.00	2,007,980.00	1.31
USD	2,000,000	Westpac Banking Corp FRN Sen 13/25.11.16	2,005,600.00	2,006,320.00	1.31
Total bonds			15,509,817.77	15,465,735.63	10.12
<u>Transferable securities dealt in on another regulated market</u>					
Bonds					
USD	3,000,000	Bq Fédérative du Crédit Mutuel FRN Sen 13/28.10.16	3,026,050.00	3,021,195.00	1.98
USD	2,000,000	Crédit Agricole SA FRN Reg S 13/03.10.16	2,019,300.00	2,013,370.00	1.32
USD	1,500,000	General Electric Capital Corp FRN Tr 889 Sen 13/12.07.16	1,514,765.00	1,509,300.00	0.99
USD	1,500,000	ING Bank NV FRN Reg S Sen 13/07.03.16	1,510,380.00	1,509,525.00	0.99
USD	975,000	JPMorgan Chase & Co FRN Ser H Tr 209 12/15.10.15	979,488.50	977,179.13	0.64
USD	800,000	Natl Australia Bank Ltd FRN Ser MTN Reg S 13/02.12.16	802,840.00	802,136.00	0.52
USD	1,500,000	Royal Bank Canada FRN GMTN Sen 15/03.02.17	1,500,000.00	1,500,225.00	0.98
USD	1,250,000	Svenska Handelsbanken AB FRN Sen 13/23.09.16	1,258,525.00	1,255,100.00	0.82
USD	1,000,000	Svenska Handelsbanken AB FRN Sen Tr 4 13/21.03.16	1,005,300.00	1,003,250.00	0.66
Total bonds			13,616,648.50	13,591,280.13	8.90
<u>Money market instruments</u>					
Money market instruments					
USD	500,000	ABN AMRO Bank NV 0.24% CD 15/08.04.15	499,933.34	499,933.34	0.33
USD	2,500,000	Agence Centr Org Secu Sociale 0.27% ECP 15/07.05.15	2,498,463.44	2,498,463.44	1.63
USD	1,000,000	Agence Centr Org Secu Sociale 0.28% ECP 15/08.06.15	999,401.47	999,401.47	0.65
USD	4,500,000	Bank of China Ltd London Br 0.72% ECP 14/29.05.15	4,485,267.91	4,485,267.91	2.94
USD	1,500,000	Bank Tokyo-Mits UFJ Ltd Sydney 0.22% CD 15/21.04.15	1,499,743.38	1,499,743.38	0.98
USD	4,000,000	Belfius Financing Co SA 0.45% ECP 15/23.06.15	3,995,405.28	3,995,405.28	2.61
USD	4,500,000	China Construction Bank Corp 0.82% ECP 14/27.04.15	4,481,811.87	4,481,811.87	2.93
USD	4,000,000	China Dev Bank Corp HK Branch 0.68% CD 15/17.08.15	3,986,371.04	3,986,371.04	2.61
USD	4,000,000	Credit Agricole Corp & Inv Bk 0.3% CD 15/06.07.15	3,996,503.06	3,996,503.06	2.62
USD	500,000	Danone Finance 0.365% BTr 15/27.05.15	499,670.70	499,670.70	0.33
USD	2,000,000	Export Import Bank Korea (The) 0.3% ECP 14/15.04.15	1,997,120.82	1,997,120.82	1.31
USD	4,000,000	HSBC France 0.21% CD 15/13.04.15	3,999,440.08	3,999,440.08	2.62
USD	4,000,000	Ind & Cial Bk of China Ltd Lux 0.64% CD 15/17.08.15	3,987,170.17	3,987,170.17	2.61
USD	3,500,000	Ireland 0.22% ECP 15/08.04.15	3,498,076.06	3,498,076.06	2.29
USD	4,000,000	Korea Development Bank 0.31% ECP 14/20.07.15	3,995,905.31	3,995,905.31	2.61
USD	3,500,000	La Banque Postale 0.26% CD 15/07.04.15	3,497,726.48	3,497,726.48	2.29
USD	3,000,000	Land Sachsen-Anhalt 0.27% ECP 15/12.06.15	2,998,178.61	2,998,178.61	1.96
USD	2,000,000	Mizuho Bk Ltd (Sydney Branch) 0.28% CD 15/04.06.15	1,998,865.09	1,998,865.09	1.31
USD	3,000,000	Mizuho Corp Bank Ltd 0.26% CD 15/05.05.15	2,998,354.24	2,998,354.24	1.96
USD	3,500,000	Pohjola Bank Plc 0.31% ECP 14/27.04.15	3,494,853.83	3,494,853.83	2.29
USD	3,000,000	Prudential Plc 0.32% ECP 15/04.08.15	2,995,340.58	2,995,340.58	1.96
USD	3,000,000	Schlumberger Finance BV 0.22% ECP 15/13.05.15	2,998,735.53	2,998,735.53	1.96

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 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
USD	4,000,000	Standard Chartered Plc 0.38% ECP 14/06.08.15	3,992,666.80	3,992,666.80	2.61
USD	2,000,000	Sumito Corp Capital Europe Plc 0.25% ECP 15/11.05.15	1,999,056.00	1,999,056.00	1.31
USD	4,000,000	Sumitomo Mitsui Bking Corp Bru 0.27% CD 15/18.06.15	3,997,391.70	3,997,391.70	2.62
USD	2,000,000	Sumitomo Mitsui Trust Bk Ltd 0.27% CD 14/18.05.15	1,998,486.15	1,998,486.15	1.31
USD	3,000,000	Sumitomo Mitsui Trust Bk Ltd 0.29% CD 15/18.06.15	2,997,898.97	2,997,898.97	1.96
USD	5,500,000	TenneT Holding BV 0.38% ECP 15/14.05.15	5,496,440.95	5,496,440.95	3.60
USD	2,500,000	Vasteras City of 0.2% ECP 15/14.04.15	2,499,736.14	2,499,736.14	1.64
Total money market instruments			88,384,015.00	88,384,015.00	57.85
Total investments in securities			117,510,481.27	117,441,030.76	76.87
Cash at banks					
Term deposits					
USD	1,000,000.00	KBC Bank SA 0.6400% 29.09.2015	1,000,000.00	1,000,000.00	0.66
USD	3,000,000.00	KBC Bank SA 0.3300% 26.05.2015	3,000,000.00	3,000,000.00	1.96
USD	1,500,000.00	KBC Bank SA 0.3300% 20.05.2015	1,500,000.00	1,500,000.00	0.98
USD	1,000,000.00	KBC Bank SA 0.5000% 13.04.2015	1,000,000.00	1,000,000.00	0.65
USD	1,000,000.00	KBC Bank SA 0.6300% 11.09.2015	1,000,000.00	1,000,000.00	0.65
USD	4,000,000.00	KBC Bank SA 0.4000% 23.07.2015	4,000,000.00	4,000,000.00	2.62
USD	1,000,000.00	KBC Bank SA 0.3500% 30.06.2015	1,000,000.00	1,000,000.00	0.66
USD	2,500,000.00	KBC Bank SA 0.5100% 24.04.2015	2,500,000.00	2,500,000.00	1.64
USD	1,000,000.00	KBC Bank SA 0.5400% 25.06.2015	1,000,000.00	1,000,000.00	0.65
USD	3,000,000.00	KBC Bank SA 0.5800% 25.08.2015	3,000,000.00	3,000,000.00	1.96
USD	1,500,000.00	KBC Bank SA 0.4900% 07.08.2015	1,500,000.00	1,500,000.00	0.98
USD	1,000,000.00	KBC Bank SA 0.5900% 30.10.2015	1,000,000.00	1,000,000.00	0.66
USD	3,000,000.00	KBC Bank SA 0.3500% 23.06.2015	3,000,000.00	3,000,000.00	1.96
USD	2,000,000.00	KBC Bank SA 0.5800% 15.07.2015	2,000,000.00	2,000,000.00	1.31
USD	2,300,000.00	KBC Bank SA 0.6300% 22.09.2015	2,300,000.00	2,300,000.00	1.51
USD	2,500,000.00	KBC Bank SA 0.3500% 25.06.2015	2,500,000.00	2,500,000.00	1.64
USD	2,000,000.00	KBC Bank SA 0.3300% 29.05.2015	2,000,000.00	2,000,000.00	1.31
Total term deposits			33,300,000.00	33,300,000.00	21.80
Current accounts at bank			1,481,752.50	1,481,748.94	0.97
Total cash at banks			34,781,752.50	34,781,748.94	22.77
Other net assets/(liabilities)				553,343.71	0.36
Total				152,776,123.41	100.00

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

KBC INTEREST FUND CZK Alpha

Investment policy and outlook

from 1st October 2014 to 31st March 2015

Review

During the last six months, the Czech economy continued to grow more or less in line with expectations. In the last quarter of 2014, GDP growth reached 1.4% year on year (y-o-y). In the course of past six months, consumer price inflation has further slowed from 0.7% y-o-y in September 2014 to 0.2% y-o-y in March 2015, thus dipping even further below the target of the Czech National Bank (CNB), as the official CNB key rate remained at a level of 0.05% during the last six months. The main reason behind this slow inflation is a drop in energy prices. The CNB took no additional action during the last six months, although the possibility had been mooted of further intervention against the local currency. The yields on the short end of the local yield curve continued a slow fall during the last six months as the six-month inter-bank rate fell from 0.41% to 0.39%. In the course of the past six months, the Czech yield curve has flattened significantly as long-term yields plunged by approximately 70 bps compared to a fall of less than 10 bps in short-term yields.

Investment Policy

The fund invests mainly in CZK and EUR-denominated Eurobonds, Czech government bonds with short maturity and time 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 130 and 180 days, ie. above the benchmark duration of 90 days.

Outlook

We expect the economy to accelerate modestly during the rest of 2015. We expect consumer price inflation to start speeding up slowly but do not expect it to reach the Czech National Bank's target of 2.0% for the next six months. It is anticipated that the CNB will keep its official interest rate at the present level of 0.05% for the next 12 months, preventing short-term yields from increasing considerably. As for long-term yields, we expect a gradual rise over the rest of 2015 in response to the Czech economy's rebound. We intend to keep the modified duration above the benchmark-neutral level during the next six months, with an option of shortening it should the Czech economy show stronger recovery than expected.

Note: The information in this report represents historical data and is not an indication of future results.

KBC INTEREST FUND CZK Alpha

Statement of net assets (in CZK)

as at 31st March 2015

Assets

Investments

Securities portfolio at market value	402,836,233.73
	<u>402,836,233.73</u>

Cash and cash equivalents

Cash at banks	49,883,716.36
	<u>49,883,716.36</u>

Receivables

Receivable on treasury transactions	16,644,177.66
Income receivable on portfolio	2,217,794.01
Unrealised gain on forward foreign exchange contracts	819,880.15
	<u>19,681,851.82</u>

Total assets

472,401,801.91

Liabilities

Payables

Payable on purchases of securities	2,805,439.66
Payable on treasury transactions	16,518,707.25
Interest payable on bank overdrafts and/or deposits	437.50
Unrealised loss on forward foreign exchange contracts	900,270.21
Expenses payable	140,522.97
	<u>20,365,377.59</u>

Total liabilities

20,365,377.59

Total net assets at the end of the period

452,036,424.32

Number of DIV shares outstanding	44,593.3555
Net asset value per DIV share	10,136.86

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

KBC INTEREST FUND CZK Alpha

Statistical information (in CZK)

as at 31st March 2015

Total net assets

- as at 31.03.2015	452,036,424.32
- as at 30.09.2014	357,728,813.00
- as at 30.09.2013	184,294,666.89

Number of DIV shares

- outstanding at the beginning of the period	35,177.8920
- issued	18,021.8785
- redeemed	-8,606.4150
- outstanding at the end of the period	44,593.3555

Net asset value per DIV share

- as at 31.03.2015	10,136.86
- as at 30.09.2014	10,169.14
- as at 30.09.2013	10,120.13

Dividend paid

Ex-dividend date	01.10.2014
Dividend per share	6.22
Shares outstanding at dividend date	36,059.6751

Ex-dividend date	03.11.2014
Dividend per share	6.04
Shares outstanding at dividend date	37,650.2406

Ex-dividend date	01.12.2014
Dividend per share	5.46
Shares outstanding at dividend date	37,033.8551

Ex-dividend date	02.01.2015
Dividend per share	6.42
Shares outstanding at dividend date	40,016.5023

Ex-dividend date	02.02.2015
Dividend per share	5.84
Shares outstanding at dividend date	41,466.9885

Ex-dividend date	02.03.2015
Dividend per share	3.89
Shares outstanding at dividend date	43,010.0486

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 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
Investments in securities					
Transferable securities admitted to an official stock exchange listing					
Bonds					
CZK	5,000,000	Credit Agricole Corp Inv Bk FRN EMTN Sen 13/01.02.18	5,000,562.50	5,107,500.00	1.13
CZK	75,000,000	Czech Republic FRN Ser 91 14/09.12.20	74,041,500.00	74,925,000.00	16.57
CZK	1,000,000	Erste Group Bank AG FRN 14/28.01.19	1,000,000.00	1,003,300.00	0.22
CZK	4,000,000	Erste Group Bank AG FRN EMTN 13/20.09.16	4,000,000.00	3,996,000.00	0.88
CZK	5,000,000	Erste Group Bank AG FRN EMTN Ser 1376 14/02.12.19	5,017,500.00	4,997,000.00	1.11
CZK	4,000,000	Export-Import Bank Korea (The) FRN EMTN 13/17.06.18	4,000,000.00	4,050,000.00	0.90
CZK	4,000,000	HYPO NOE Gruppe Bank AG FRN Ser 8 13/22.05.18	4,000,000.00	4,005,060.00	0.89
CZK	6,000,000	ING Bank NV FRN EMTN Ser 5310 12/30.11.17	6,048,000.00	6,004,050.00	1.33
CZK	3,000,000	Société Générale FRN EMTN 13/02.05.18	3,000,000.00	3,079,200.00	0.68
CZK	4,000,000	Türkiye Garanti Bankası AS FRN EMTN 13/06.10.16	4,000,000.00	3,975,060.00	0.88
CZK	3,000,000	VTB Eurasia Ltd FRN EMTN 13/28.10.16	3,000,000.00	2,610,000.00	0.58
			113,107,562.50	113,752,170.00	25.17
EUR	400,000	Abbey Natl T Serv Plc FRN EMTN Reg S Sen 14/22.05.19	11,035,182.45	11,145,268.52	2.47
EUR	300,000	ABN AMRO Bank NV FRN EMTN Sen 14/06.03.19	8,314,435.12	8,437,995.86	1.87
EUR	250,000	Alstom 4.125% Sen 10/01.02.17	7,320,907.35	7,350,266.40	1.63
EUR	400,000	ANZ New Zealand (Intl) Ltd FRN EMTN Sen 13/05.12.16	10,957,529.10	11,082,209.35	2.45
EUR	400,000	BNP Paribas SA FRN EMTN 14/20.05.19	11,027,704.05	11,165,939.15	2.47
EUR	300,000	BOS Finance AB 6% Reg S Sen 11/11.05.16	8,771,102.34	8,779,350.49	1.94
EUR	100,000	BPCE SA FRN EMTN Sen 13/18.01.16	2,582,265.43	2,769,339.66	0.61
EUR	400,000	Bq Fédérative du Crédit Mutuel FRN EMTN Ser 382 14/20.03.19	11,031,006.15	11,219,903.25	2.48
EUR	300,000	Bucarest (City of) 4.125% Reg S Sen 05/22.06.15	8,468,898.62	8,319,015.76	1.84
EUR	300,000	Carinthia (State of) FRN Ser P 14/12.09.19	8,327,407.32	7,789,517.10	1.72
EUR	150,000	Ceska Exportni Banka AS FRN EMTN 13/06.06.16	3,888,686.61	4,141,503.77	0.92
EUR	200,000	Ceska Exportni Banka AS FRN EMTN Sen 14/02.07.21	5,486,596.71	5,522,831.84	1.22
EUR	300,000	Ceske Drahý as 4.5% EMTN Reg S Sen 11/24.06.16	8,781,573.45	8,646,975.83	1.91
EUR	200,000	Delta Lloyd NV 4.25% EMTN 10/17.11.17	6,017,322.59	6,024,714.54	1.33
EUR	250,000	ENI SpA FRN Sen 11/11.10.17	7,016,586.71	7,328,768.94	1.62
EUR	300,000	F Van Lanschot Bankiers NV 2.875% EMTN Sen 12/17.10.16	8,518,863.88	8,552,593.78	1.89
EUR	350,000	GE Capital European Funding FRN EMTN Sen 15/21.01.20	9,647,060.31	9,682,753.14	2.14
EUR	300,000	Goldman Sachs Group Inc FRN EMTN 07/30.01.17	8,143,264.90	8,279,080.11	1.83
EUR	300,000	Intesa Sanpaolo SpA FRN EMTN Ser 336 07/18.05.17	8,066,771.10	8,204,872.58	1.81
EUR	400,000	JPMorgan Chase & Co FRN EMTN 14/07.05.19	11,030,125.58	11,163,238.19	2.47
EUR	250,000	Leaseplan Corp NV FRN Sen 14/28.04.17	6,833,128.60	6,899,440.13	1.53
EUR	250,000	mFinance France SA 2.375% EMTN Reg S Ser 4 14/01.04.19	7,134,096.01	7,055,813.38	1.56
EUR	100,000	mFinance France SA 2.75% EMTN Sen 12/12.10.15	2,675,811.50	2,793,166.00	0.62
EUR	350,000	Morgan Stanley FRN EMTN 07/16.01.17	9,781,917.66	9,673,830.31	2.14
EUR	400,000	Nykredit Realkredit AS FRN EMTN Reg S Sen 14/10.09.19	11,021,125.37	11,065,342.12	2.45
EUR	50,000	NYSE EURnext Hgs LLC 5.375% EMTN Reg S 08/30.06.15	1,401,592.36	1,395,570.14	0.31
EUR	300,000	PKO Finance AB 3.733% Sen 10/21.10.15	8,383,661.14	8,433,324.29	1.87
EUR	300,000	PZU Finance AB 1.375% Reg S 14/03.07.19	8,378,630.39	8,430,719.79	1.86
EUR	550,000	Rabobank Nederland NV FRN EMTN Ser 28354 14/20.03.19	15,150,288.43	15,317,922.91	3.39
EUR	250,000	Royal Bank of Scotland Plc FRN EMTN 10/25.07.17	7,112,433.16	7,105,801.84	1.57
EUR	150,000	Royal Bank of Scotland Plc FRN EMTN Ser 2427 Tr1 05/16.11.15	3,855,222.18	4,110,976.84	0.91
EUR	300,000	State Bank of India London 4.5% EMTN Sen 10/30.11.15	8,549,015.21	8,479,213.07	1.88
EUR	300,000	Unicredit SpA FRN EMTN Sen 14/10.04.17	8,238,810.47	8,333,113.12	1.84
EUR	400,000	Westpac Securities NZ Ltd FRN EMTN 14/10.03.17	10,927,974.84	11,070,192.82	2.45
			273,876,997.09	275,770,565.02	61.00
Total bonds			386,984,559.59	389,522,735.02	86.17

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 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<u>Other transferable securities</u>					
Bonds					
CZK	5,000,000	Government of Slovakia FRN Ser 220 12/02.09.15	5,081,300.00	5,045,250.00	1.12
EUR	300,000	China Dev Bank Corp HK Branch FRN CD Ser FRCD 15/06.02.18	8,324,658.37	8,268,248.71	1.83
Total bonds			13,405,958.37	13,313,498.71	2.95
Total investments in securities			400,390,517.96	402,836,233.73	89.12
<u>Cash at banks</u>					
Term deposits					
CZK	45,000,000.00	Ceskoslovensk. Obchodni Bka as -0.0500% 27.04.2015	45,000,000.00	45,000,000.00	9.96
Total term deposits			45,000,000.00	45,000,000.00	9.96
Current accounts at bank			4,883,638.83	4,883,716.36	1.08
Total cash at banks			49,883,638.83	49,883,716.36	11.04
Other net assets/(liabilities)				-683,525.77	-0.16
Total				452,036,424.32	100.00

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

Investment policy and outlook

from 1st October 2014 to 31st March 2015

Review

During the last six months, the Czech economy continued to grow more or less in line with expectations. In the last quarter of 2014, GDP growth reached 1.4% year on year (y-o-y). In the course of past six months, consumer price inflation has further slowed from 0.7% y-o-y in September 2014 to 0.2% y-o-y in March 2015, thus dipping even further below the target of the Czech National Bank (CNB), as the official CNB key rate remained at a level of 0.05% during the last six months. The main reason behind this slow inflation is a drop in energy prices. The CNB took no additional action during the last six months, although the possibility had been mooted of further intervention against the local currency. The yields on the short end of the local yield curve continued a slow fall during the last six months as the six-month inter-bank rate fell from 0.41% to 0.39%. In the course of the past six months, the Czech yield curve has flattened significantly as long-term yields plunged by approximately 70 bps compared to a fall of less than 10 bps in short-term yields.

Investment Policy

The fund was launched on 31 October 2007 and invests mainly in CZK and EUR-denominated Eurobonds, Czech government bonds with short maturity and time deposits. These instruments offer good accessibility and liquidity. The currency risk originating from investments in EUR-denominated securities is fully hedged. During the past six months, the fund's modified duration oscillated between 270 and 350 days, i.e. above the benchmark duration of 180 days.

Outlook

We expect the economy to accelerate modestly during the rest of 2015. We expect consumer price inflation to start speeding up slowly but do not expect it to reach the Czech National Bank's target of 2.0% for the next six months. It is anticipated that the CNB will keep its official interest rate at the present level of 0.05% for the next 12 months, preventing short-term yields from increasing considerably. As for long-term yields, we expect a gradual rise over the rest of 2015 in response to the Czech economy's rebound. We intend to keep the modified duration above the benchmark-neutral level during the next six months, with an option of shortening it should the Czech economy show stronger recovery than expected.

Note: The information in this report represents historical data and is not an indication of future results.

KBC INTEREST FUND CZK Omega

Statement of net assets (in CZK)

as at 31st March 2015

Assets

Investments

Securities portfolio at market value	1,049,581,009.48
	<u>1,049,581,009.48</u>

Cash and cash equivalents

Cash at banks	257,242,711.30
	<u>257,242,711.30</u>

Receivables

Receivable on treasury transactions	23,054,228.99
Income receivable on portfolio	9,093,515.08
Unrealised gain on forward foreign exchange contracts	2,775,992.77
	<u>34,923,736.84</u>

Total assets

1,341,747,457.62

Liabilities

Payables

Payable on purchases of securities	41,134,220.08
Payable on treasury transactions	22,854,394.04
Interest payable on bank overdrafts and/or deposits	1,652.78
Unrealised loss on forward foreign exchange contracts	1,750,866.64
Expenses payable	373,873.00
	<u>66,115,006.54</u>

Total liabilities

66,115,006.54

Total net assets at the end of the period

1,275,632,451.08

Number of CAP shares outstanding	92,263.8670
Net asset value per CAP share	11,040.92

Number of DIV shares outstanding	25,212.6105
Net asset value per DIV share	10,191.49

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

KBC INTEREST FUND CZK Omega

Statistical information (in CZK)

as at 31st March 2015

Total net assets

- as at 31.03.2015	1,275,632,451.08
- as at 30.09.2014	1,033,364,204.52
- as at 30.09.2013	791,811,524.16

Number of CAP shares

- outstanding at the beginning of the period	76,185.5609
- issued	42,599.5503
- redeemed	-26,521.2442
- outstanding at the end of the period	92,263.8670

Net asset value per CAP share

- as at 31.03.2015	11,040.92
- as at 30.09.2014	11,039.70
- as at 30.09.2013	10,946.47

Number of DIV shares

- outstanding at the beginning of the period	18,832.8223
- issued	12,921.8811
- redeemed	-6,542.0929
- outstanding at the end of the period	25,212.6105

Net asset value per DIV share

- as at 31.03.2015	10,191.49
- as at 30.09.2014	10,210.81
- as at 30.09.2013	10,185.63

Dividend paid

Ex-dividend date	02.01.2015
Dividend per share	20.42
Shares outstanding at dividend date	20,422.5711

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 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
Investments in securities					
Transferable securities admitted to an official stock exchange listing					
Bonds					
CZK	13,000,000	AK Finansal Kiralama AS FRN Ser GMTN 14/28.03.17	12,980,500.00	12,915,955.00	1.01
CZK	9,000,000	BNP Paribas SA FRN EMTN Sen 13/25.01.18	9,000,000.00	9,019,800.00	0.71
CZK	10,000,000	Ceska Exportni Banka AS FRN EMTN 12/14.06.18	10,000,000.00	10,012,750.00	0.79
CZK	15,000,000	Credit Agricole Corp Inv Bk FRN EMTN Sen 13/01.02.18	15,000,000.00	15,322,500.00	1.20
CZK	70,000,000	Czech Republic FRN Ser 91 14/09.12.20	69,930,000.00	69,930,000.00	5.48
CZK	5,000,000	Erste Group Bank AG FRN 14/28.01.19	5,000,000.00	5,016,500.00	0.39
CZK	18,000,000	Erste Group Bank AG FRN EMTN 13/20.09.16	18,000,000.00	17,982,000.00	1.41
CZK	6,000,000	Erste Group Bank AG FRN EMTN Ser 1376 14/02.12.19	6,021,000.00	5,996,400.00	0.47
CZK	18,000,000	Export-Import Bank Korea (The) FRN EMTN 13/17.06.18	18,000,000.00	18,225,000.00	1.43
CZK	4,000,000	General Electric Capital Corp FRN EMTN Sen 13/05.02.18	4,000,000.00	4,028,000.00	0.32
CZK	24,000,000	HYPO NOE Gruppe Bank AG FRN Ser 8 13/22.05.18	24,000,000.00	24,030,360.00	1.88
CZK	13,000,000	ING Bank NV FRN EMTN Ser 5310 12/30.11.17	13,000,000.00	13,008,775.00	1.02
CZK	15,000,000	ING Bank NV FRN Sen 14/04.12.19	15,000,000.00	15,026,250.00	1.18
CZK	21,000,000	Société Générale FRN EMTN 13/02.05.18	21,000,000.00	21,554,400.00	1.69
CZK	18,000,000	Türkiye Garanti Bankası AS FRN EMTN 13/06.10.16	18,000,000.00	17,887,770.00	1.40
CZK	12,000,000	VTB Eurasia Ltd FRN EMTN 13/28.10.16	12,000,000.00	10,440,000.00	0.82
			270,931,500.00	270,396,460.00	21.20
EUR	850,000	Aegon NV 3% EMTN Sen 12/18.07.17	25,013,739.62	24,879,863.16	1.95
EUR	1,000,000	BOS Finance AB 6% Reg S Sen 11/11.05.16	28,616,409.11	29,264,501.66	2.29
EUR	1,000,000	BPCE SA 1.625% EMTN Sen 13/08.02.17	27,967,797.26	28,263,078.94	2.22
EUR	800,000	Bq Fédérative du Crédit Mutuel 2.875% EMTN 14/21.06.17	23,303,912.65	23,336,194.91	1.83
EUR	800,000	Carinthia (State of) FRN Ser P 14/12.09.19	22,206,419.52	20,772,045.61	1.63
EUR	400,000	Caterpillar Intl Fin Plc FRN EMTN Sen 13/13.06.17	10,273,593.04	11,019,977.00	0.86
EUR	700,000	Commerzbank AG 3.875% EMTN Ser 745 10/22.03.17	20,851,073.73	20,645,568.97	1.62
EUR	300,000	Cred Agricole SA London 1.875% 12/18.10.17	8,609,539.93	8,608,197.75	0.67
EUR	1,050,000	F Van Lanschot Bankiers NV 2.875% EMTN Sen 12/17.10.16	29,772,311.51	29,934,078.23	2.35
EUR	1,500,000	GE Capital European Funding FRN EMTN Sen 15/21.01.20	41,328,236.08	41,497,513.43	3.25
EUR	800,000	Goldman Sachs Group Inc FRN EMTN 07/30.01.17	21,865,114.22	22,077,546.97	1.73
EUR	800,000	Intesa Sanpaolo SpA FRN EMTN Ser 336 07/18.05.17	21,538,015.62	21,879,660.21	1.72
EUR	1,000,000	IPIC GMTN Ltd 2.375% EMTN Reg S Ser 10 12/30.05.18	29,072,180.16	29,097,896.45	2.28
EUR	400,000	JP Morgan Chase & Co FRN EMTN Sen 13/03.05.16	10,346,442.25	11,052,443.65	0.87
EUR	400,000	JPMorgan Chase & Co 3.75% EMTN Sen 11/15.06.16	11,719,936.38	11,499,976.39	0.90
EUR	800,000	Lloyds Bank Plc 3.375% EMTN Sen 10/20.04.15	21,733,296.99	22,085,264.00	1.73
EUR	1,000,000	Macquarie Bank Ltd 2.5% EMTN Sen 13/18.09.18	29,599,415.47	29,397,758.27	2.30
EUR	400,000	mFinance France SA 2.375% EMTN Reg S Ser 4 14/01.04.19	11,414,553.61	11,289,301.42	0.89
EUR	650,000	mFinance France SA 2.75% EMTN Sen 12/12.10.15	16,392,552.90	18,155,578.98	1.42
EUR	300,000	PKO Finance AB 2.324% EMTN Loan Participation 14/23.01.19	8,620,030.45	8,685,257.83	0.68
EUR	750,000	PKO Finance AB 3.733% Sen 10/21.10.15	20,162,907.72	21,083,310.73	1.65
EUR	900,000	PZU Finance AB 1.375% Reg S 14/03.07.19	25,141,514.93	25,292,159.38	1.98
EUR	700,000	Rabobank Nederland NV 4.25% EMTN Ser 1689A Tr 1 07/16.01.17	21,104,678.86	20,690,810.07	1.62
EUR	900,000	Raiffeisen Bank Intl AG 1.875% EMTN Sen 13/08.11.18	25,578,211.95	25,160,446.17	1.97
EUR	800,000	Romania 6.5% Reg-S Sen 08/18.06.18	26,218,132.63	26,085,773.45	2.05
EUR	700,000	Royal Bank of Scotland Plc FRN EMTN 10/25.07.17	20,006,526.19	19,896,245.15	1.56
EUR	200,000	Slovenia 1.75% Ser RS72 14/09.10.17	5,603,000.18	5,727,415.87	0.45
EUR	300,000	Sparebank 1 SR-Bank 2.125% EMTN Reg S Ser 65 13/27.02.19	8,675,262.75	8,748,303.23	0.69
EUR	700,000	Sparebank 1 SR-Bank ASA 3.5% EMTN Reg S Ser 55 12/27.03.17	20,637,543.64	20,547,369.74	1.61
EUR	1,000,000	State Bank of India London 4.5% EMTN Sen 10/30.11.15	29,058,096.07	28,264,043.57	2.22
EUR	700,000	Unicredit SpA 4.375% EMTN Sen 12/11.09.15	20,354,843.80	19,636,470.55	1.54
EUR	500,000	Westpac Securities NZ Ltd FRN EMTN 14/10.03.17	13,659,968.55	13,837,741.04	1.08
			656,445,257.77	658,411,792.78	51.61
Total bonds			927,376,757.77	928,808,252.78	72.81

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 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<u>Transferable securities dealt in on another regulated market</u>					
Bonds					
EUR	700,000	Santander Intl Debt SA 4.625% EMTN 12/21.03.16	20,574,867.54	20,108,077.68	1.58
Total bonds			20,574,867.54	20,108,077.68	1.58
<u>Other transferable securities</u>					
Bonds					
CZK	13,000,000	Government of Slovakia FRN Ser 220 12/02.09.15	12,978,000.00	13,117,650.00	1.03
EUR	1,000,000	China Dev Bank Corp HK Branch FRN CD Ser FRCD 15/06.02.18	27,748,861.23	27,560,829.02	2.16
Total bonds			40,726,861.23	40,678,479.02	3.19
<u>Money market instruments</u>					
Money market instruments					
CZK	30,000,000	Czech Republic 0% T-Bills 14/30.10.15	29,978,956.50	29,992,800.00	2.35
CZK	30,000,000	Czech Republic 0% T-Bills Ser 364D 14/16.10.15	29,978,956.50	29,993,400.00	2.35
Total money market instruments			59,957,913.00	59,986,200.00	4.70
Total investments in securities			1,048,636,399.54	1,049,581,009.48	82.28
<u>Cash at banks</u>					
Term deposits					
CZK	170,000,000.00	Ceskoslovensk. Obchodni Bka as -0.0500% 27.04.2015	170,000,000.00	170,000,000.00	13.33
Total term deposits			170,000,000.00	170,000,000.00	13.33
Current accounts at bank			87,242,711.29	87,242,711.30	6.84
Total cash at banks			257,242,711.29	257,242,711.30	20.17
Other net assets/(liabilities)				-31,191,269.70	-2.45
Total				1,275,632,451.08	100.00

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 31st March 2015

Total net assets

- as at 31.03.2015	0.00
- as at 30.09.2014	1,100,712,493.93

Number of CAP shares

- outstanding at the beginning of the period	103,898,145.0000
- issued	0.0000
- redeemed	-103,898,145.0000
- outstanding at the end of the period	0.0000

Net asset value per CAP share

- as at 31.03.2015	0.00
- as at 30.09.2014	10.59

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

KBC INTEREST FUND

Notes to the financial statements

as at 31st March 2015

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.

KBC INTEREST FUND

Notes to the financial statements (continued)

as at 31st March 2015

g) 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.

h) Formation expenses

Formation expenses were amortised on a straight line basis over a period of five years.

i) 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.

j) 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	=	27,5608290	CZK	Czech Koruna
			1,0734500	USD	US Dollar

k) 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".

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	0.20%	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%

KBC INTEREST FUND

Notes to the financial statements (continued)

as at 31st March 2015

With regard to services provided concerning management, distribution and risk management, the following sub-fund pays 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 (last NAV date: 28th November 2014)	0,05 CZK (until 30th September 2014) 0,09 CZK (since 1st October 2014)	0,10 CZK

Note 3 - Subscription, redemption and conversion fees

a) Subscription fee in favour of the financial intermediaries and/or in favour of 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 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 sub-fund	
- KBC INTEREST FUND CASH EURO	-	X	8.00
- KBC INTEREST FUND EURO MEDIUM	-	0.025 for Institutional B Shares	8.00
- KBC INTEREST FUND CASH USD	-	X-	8.00
- KBC INTEREST FUND CZK Alpha	-	X-	1.00
- KBC INTEREST FUND CZK Omega	-	X-	1.00
- KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4 (last NAV date: 28th November 2014)	-	1.00	3.00

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 KBC INTEREST FUND CSOB EXCLUSIVE BUFFER JUMPER 4 (last NAV date: 28th November 2014) 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.

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

KBC INTEREST FUND

Notes to the financial statements (continued)

as at 31st March 2015

Note 4 - Subscription duty "*Taxe d'abonnement*"

The SICAV is governed by Luxembourg law.

Pursuant to the legislation and regulations in force, the SICAV is subject to an annual subscription duty ("*taxe d'abonnement*") of 0.05% which is payable quarterly and calculated on the basis of the net assets of each sub-fund on the last day of each quarter.

Pursuant to Article 175 (a) of the amended law of 17th December 2010 the net assets invested in undertakings for collective investment already subject to the "*taxe d'abonnement*" are exempt from this tax.

The 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% 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.

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 - Securities lending

As at 31st March 2015, the SICAV is committed in securities lending operations, the global market value of securities lending amounts to:

- KBC INTEREST FUND CASH EURO	EUR	3,104,878.27
- KBC INTEREST FUND EURO MEDIUM	EUR	17,437,929.25
- KBC INTEREST FUND CZK Omega	CZK	25,345,207.63

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

- KBC INTEREST FUND CASH EURO	EUR	4,998,222.88
- KBC INTEREST FUND EURO MEDIUM	EUR	18,964,458.42
- KBC INTEREST FUND CZK Omega	CZK	41,337,688.18

KBC INTEREST FUND

Notes to the financial statements (continued)

as at 31st March 2015

Note 8 - Forward foreign exchange contracts

As at 31st March 2015, the following sub-funds are committed in the following forward foreign exchange contracts with KBC BANK S.A.:

KBC INTEREST FUND CZK Alpha

Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in CZK)
CZK	6,949,422.50	EUR	250,000.00	09.04.2015	59,173.93
CZK	8,367,885.00	EUR	300,000.00	10.04.2015	99,585.66
CZK	9,797,522.00	EUR	350,000.00	16.04.2015	150,912.06
CZK	5,588,824.00	EUR	200,000.00	20.04.2015	76,528.09
CZK	9,616,113.50	EUR	350,000.00	21.04.2015	-30,381.33
CZK	9,899,526.45	EUR	355,000.00	27.04.2015	115,129.59
CZK	6,951,065.00	EUR	250,000.00	30.04.2015	60,637.01
CZK	5,560,828.00	EUR	200,000.00	04.05.2015	48,567.73
CZK	8,326,263.00	EUR	300,000.00	06.05.2015	57,934.19
CZK	9,085,860.30	EUR	330,000.00	11.05.2015	-9,150.84
CZK	8,330,706.00	EUR	300,000.00	11.05.2015	62,514.05
CZK	18,658,512.00	EUR	675,000.00	18.05.2015	55,475.30
CZK	8,205,624.00	EUR	300,000.00	20.05.2015	-62,342.13
CZK	14,174,885.75	EUR	515,000.00	22.05.2015	-18,369.95
CZK	16,819,493.40	EUR	610,000.00	01.06.2015	8,574.50
CZK	10,988,500.00	EUR	400,000.00	05.06.2015	-34,919.56
CZK	12,297,514.50	EUR	450,000.00	08.06.2015	-103,719.59
CZK	20,518,890.00	EUR	750,000.00	10.06.2015	-149,630.61
CZK	8,180,760.00	EUR	300,000.00	12.06.2015	-86,567.09
CZK	5,517,512.00	EUR	200,000.00	16.06.2015	6,068.81
CZK	20,751,959.60	EUR	760,000.00	17.06.2015	-191,421.74
CZK	2,721,000.00	EUR	100,000.00	17.06.2015	-34,708.07
CZK	8,212,326.00	EUR	300,000.00	22.06.2015	-54,595.33
CZK	23,317,956.50	EUR	850,000.00	22.06.2015	-104,987.28
CZK	9,624,933.50	EUR	350,000.00	29.06.2015	-19,476.69
CZK	11,040,800.00	EUR	400,000.00	02.07.2015	18,779.23
					<u>-80,390.06</u>

KBC INTEREST FUND CZK Omega

Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in CZK)
CZK	5,559,538.00	EUR	200,000.00	09.04.2015	47,339.14
CZK	17,813,770.00	EUR	650,000.00	13.04.2015	-101,750.20
CZK	29,231,904.70	EUR	1,030,000.00	14.04.2015	842,968.87
CZK	21,250,590.90	EUR	770,000.00	16.04.2015	28,049.03
CZK	18,946,840.00	EUR	680,000.00	17.04.2015	204,899.70
CZK	44,710,592.00	EUR	1,600,000.00	20.04.2015	612,224.68
CZK	8,510,904.30	EUR	310,000.00	20.04.2015	-33,154.37
CZK	24,850,386.00	EUR	900,000.00	20.04.2015	45,054.38
CZK	24,727,149.00	EUR	900,000.00	21.04.2015	-78,123.41
CZK	20,257,609.50	EUR	730,000.00	27.04.2015	137,582.15
CZK	22,252,320.00	EUR	800,000.00	30.04.2015	202,950.42
CZK	11,106,076.00	EUR	400,000.00	04.05.2015	81,555.46
CZK	27,754,210.00	EUR	1,000,000.00	06.05.2015	193,113.96
CZK	16,939,102.20	EUR	610,000.00	11.05.2015	127,111.91
CZK	15,253,381.00	EUR	550,000.00	11.05.2015	95,029.10
CZK	22,113,792.00	EUR	800,000.00	18.05.2015	65,748.51
CZK	8,476,311.40	EUR	310,000.00	27.05.2015	-67,072.11
CZK	25,959,424.50	EUR	950,000.00	09.06.2015	-220,830.09
CZK	20,180,347.60	EUR	740,000.00	11.06.2015	-212,492.65
CZK	35,864,348.00	EUR	1,300,000.00	12.06.2015	39,263.94
CZK	23,035,704.45	EUR	835,000.00	15.06.2015	25,316.19
CZK	48,329,903.10	EUR	1,770,000.00	18.06.2015	-445,890.36
CZK	7,107,560.20	EUR	260,000.00	18.06.2015	-57,245.62

KBC INTEREST FUND

Notes to the financial statements (continued)

as at 31st March 2015

Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in CZK)
CZK	35,114,112.00	EUR	1,280,000.00	22.06.2015	-158,085.69
CZK	44,267,755.00	EUR	1,610,000.00	22.06.2015	-98,056.16
CZK	20,570,205.00	EUR	750,000.00	22.06.2015	-97,098.33
CZK	37,041,894.00	EUR	1,350,000.00	29.06.2015	-157,973.86
CZK	11,412,421.15	EUR	415,000.00	29.06.2015	-23,093.79
CZK	25,102,759.50	EUR	910,000.00	03.07.2015	27,785.33
					<u>1,025,126.13</u>

Note 9 - Swap contracts

As at 31st March 2015, the Sub-Funds of the SICAV are not committed in any swap contract.

Note 10 - Event

The Board of Directors decided with effect at 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)