



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

# **KBC BONDS**

Investment Company with Variable Capital (SICAV)  
Luxembourg

R.C.S. Luxembourg B 39 062

**No notification has been submitted for the sub-funds KBC Bonds EMU SHORT, KBC Bonds EMU SHORT MEDIUM, KBC BONDS STRATEGIC EMERGING MARKETS and KBC BONDS SRI HIGH INTEREST and consequently these sub-funds must not be marketed in Germany.**

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

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

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# KBC BONDS

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## KBC BONDS

### Organisation

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#### Registered office

11, rue Aldringen  
L-1118 LUXEMBOURG

#### Board of Directors

##### *Chairman*

Wouter VANDEN EYNDE	Conducting officer of KBC Funds KBC ASSET MANAGEMENT S.A. 2, avenue du Port B-1080 BRUSSELS
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##### *Directors*

Karel DE CUYPER	Conducting Officer KBC ASSET MANAGEMENT S.A. 5, place de la Gare L-1616 LUXEMBOURG
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Frank JANSEN	Senior Fund Manager KBC ASSET MANAGEMENT S.A. 5, place de la Gare L-1616 LUXEMBOURG
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#### Management Company

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

#### Board of Directors of the Management Company

##### *Chairman*

Dirk MAMPAEY	President of the Executive Committee KBC ASSET MANAGEMENT S.A. 2, avenue du Port B-1080 BRUSSELS
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##### *Directors*

Ivo BAUWENS	General Manager KBC GROUP RE S.A. 5, place de la Gare L-1616 LUXEMBOURG
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Jürgen VERSCHAEVE	Managing Director KBC ASSET MANAGEMENT S.A. 2, avenue du Port B-1080 BRUSSELS
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## **KBC BONDS**

### **Organisation (continued)**

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#### **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)

#### **Central administration**

KBC ASSET MANAGEMENT S.A.

5, place de la Gare

L-1616 LUXEMBOURG

#### **Delegated central administration**

KREDIETRUST LUXEMBOURG S.A.

11, rue Aldringen

L-2960 LUXEMBOURG

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

KBL EUROPEAN PRIVATE BANKERS S.A.

43, boulevard Royal

L-2955 LUXEMBOURG

#### **Cabinet de révision agréé**

DELOITTE Audit

Société à responsabilité limitée

560, rue de Neudorf

L-2220 LUXEMBOURG

#### **Bearer Shares Depositary**

EUROPEAN FUND ADMINISTRATION S.A.

2, rue d'Alsace

L-1122 LUXEMBOURG

(since 26th January 2015)

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

##### **in Austria**

ERSTE BANK DER ÖSTERREICHISCHEN SPARKASSEN AG

Graben 21

A-1010 VIENNA

##### **in Belgium**

CBC BANQUE SA

5, Grand Place

B-1000 BRUSSELS

## **KBC BONDS**

### **Organisation (continued)**

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KBC BANK SA  
2, avenue du Port  
B-1080 BRUSSELS

#### **in Czech Republic**

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

#### **in France**

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

#### **in Germany**

BREMER KREDITBANK AG  
(formerly KBC BANK DEUTSCHLAND AG)  
16, Wachtstrasse  
D-28195 BREMEN

#### **in Hungary**

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

for the following sub-funds:

- KBC BONDS HIGH INTEREST (registration canceled in Hungary on 12th March 2015)
- KBC BONDS CORPORATES EURO
- KBC BONDS CONVERTIBLES (registration canceled in Hungary on 12th March 2015)
- KBC BONDS INFLATION - LINKED BONDS (registration canceled in Hungary on 12th March 2015)
- KBC BONDS CORPORATES USD

#### **in Luxembourg**

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

#### **in Poland**

BANKIEM ZACHODNIM WBK S.A.  
Rynek 9/11  
PL-50-950 WROCLAW

#### **in Slovakia**

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

#### **in Switzerland**

RBC INVESTOR SERVICES BANK S.A.  
Esch-sur-Alzette, Zurich Branch  
Badenerstrasse, 567  
P.O. Box 1292  
CH-8048 ZURICH

## KBC BONDS

### Organisation (continued)

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#### Legal representatives

##### in Austria

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

##### in Belgium

KBC ASSET MANAGEMENT NV  
2, avenue du Port  
B-1080 BRUSSELS

##### in Czech Republic

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

##### in France

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

##### in Germany

BREMER KREDITBANK AG  
(formerly KBC BANK DEUTSCHLAND AG)  
16, Wachtstrasse  
D-28195 BREMEN

##### in Hungary

K&H INVESTMENT FUND MANAGEMENT  
Vigado tér 1  
H-1051 BUDAPEST

for the following sub-funds:

- KBC BONDS HIGH INTEREST (registration canceled in Hungary on 12th March 2015)
- KBC BONDS CORPORATES EURO
- KBC BONDS CONVERTIBLES (registration canceled in Hungary on 12th March 2015)
- KBC BONDS INFLATION - LINKED BONDS (registration canceled in Hungary on 12th March 2015)
- KBC BONDS CORPORATES USD

##### in Poland

KBC TOWARZYSTWO FUNDUSZY INWETYCYJNYCH S.A.  
Ul. Chmielna 85/87  
PL-00-805 WARSAW

##### in Slovakia

KBC ASSET MANAGEMENT NV  
Pobočka zahraničnej správ.spol.  
Medená 22  
811 02 BRATISLAVA

##### in Switzerland

RBC INVESTOR SERVICES BANK S.A.  
Esch-sur-Alzette, Zurich Branch  
Badenerstrasse, 567  
P.O. Box 1292  
CH-8048 ZURICH



## KBC BONDS

### General information

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

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

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

### Distribution policy

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

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

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

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

The following sub-funds are currently offered:

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

(initial subscription NAV date: 14th November 2014)

## **KBC BONDS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## KBC BONDS

### General information (continued)

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

**For the distribution of shares of the SICAV in Switzerland**, RBC INVESTOR SERVICES BANK S.A., Esch-sur-Alzette, Zurich Branch, Badenerstrasse, 567, P.O. Box 1292, CH-8048 ZURICH, acts as Representative of the SICAV in Switzerland and assumes payment service on behalf of the SICAV.

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

#### 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 present 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 21 November 2014 and on 28 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 31 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 4 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 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 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 2 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 25 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 31 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 18 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.

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 2 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 18 September and 15 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.

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 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%?

Luxembourg, 7th April 2015

The Board of Directors

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

## KBC BONDS

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

as at 31st March 2015

#### Assets

Securities portfolio at market value	4,587,698,165.36
Cash at banks	140,834,661.31
Other liquid assets	5,937,478.10
Receivable on sales of securities	10,037,725.51
Receivable on treasury transactions	1,095,290.71
Receivable on issues of shares	8,877,841.89
Income receivable on portfolio	55,840,092.29
Interest receivable on bank accounts	110.67
Unrealised gain on futures contracts	157,306.04
Unrealised gain on forward foreign exchange contracts	8,605.96
Other receivables	38,929.42
Prepaid expenses	13,622.05
Total assets	4,810,539,829.31

#### Liabilities

Bank overdrafts	4,747,437.44
Payable on purchases of securities	25,879,639.55
Payable on treasury transactions	452,202.03
Payable on redemptions of shares	7,018,168.83
Interest payable on bank overdrafts	4,228.18
Unrealised loss on futures contracts	591,861.81
Unrealised loss on forward foreign exchange contracts	956,529.45
Expenses payable	4,097,717.98
Total liabilities	43,747,785.27
Net assets at the end of the period	4,766,792,044.04

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

## KBC BONDS

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	90,125,053.61
Return on sukuk	217,377.24
Interest on bank accounts	65,206.73
Commissions received	11,909,459.95
Other income	157,330.35
Total income	102,474,427.88

#### **Expenses**

Management fees	22,811,210.56
Custodian fees	733,747.82
Banking charges and other fees	31,068.26
Transaction fees	74,720.50
Central administration costs	687,233.11
Professional fees	19,601.26
Other administration costs	162,198.10
Subscription duty ("taxe d'abonnement")	543,765.09
Other taxes	1,365,839.97
Interest paid on bank overdrafts	19,935.42
Other expenses	47,162.89
Total expenses	26,496,482.98

Net investment income	75,977,944.90
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#### **Net realised gain/(loss)**

- on securities portfolio	53,094,792.14
- on futures contracts	-6,117,078.72
- on forward foreign exchange contracts	-7,674,742.85
- on foreign exchange	8,978,844.51
Realised result	124,259,759.98

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

- on securities portfolio	144,869,424.10
- on futures contracts	-22,268.99
- on forward foreign exchange contracts	-515,507.01

Result of operations	268,591,408.08
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Dividends paid	-28,060,428.15
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Reinvestments	3,761.05
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Subscriptions	3,606,077,149.70
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Redemptions	-3,826,280,330.71
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Total changes in net assets	20,331,559.97
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Total net assets at the beginning of the period	4,633,214,545.48
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Revaluation difference	113,245,938.59
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Total net assets at the end of the period	4,766,792,044.04
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The accompanying notes are an integral part of these financial statements.

### Investment policy and outlook

from 1st October 2014 to 31st March 2015

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#### **Review**

The reporting period was a buoyant one for the stock markets. The launch of the quantitative easing programme by the European Central Bank brought the last of the major central banks into action. The total programme is equivalent to 12% of European GDP, compared with 22% in the now expired Fed programme in the US and 39% in the ongoing Japanese programme. European stock markets rallied strongly in anticipation of the flood of newly printed euros. The yield on government bonds, which will be bought up in large quantities by the ECB, steadily declined. Germany can now borrow for ten years at 0.2%, and the Belgian government is still only paying 0.44% for the same period. Countries in Southern Europe saw their interest rates drop even further. The underlying economic numbers are now also looking better in Europe. One possible fly in the ointment is Greece. The consensus is that a solution will be found which keeps Greece in the euro area, but given the complexity of the situation, the risk of surprises cannot be ruled out. The flattening of the yield curve also continued in the United States, where rates fell in the wake of their European counterparts. The Japanese economy showed signs of a weak recovery. Tax rises and lack of wage growth are clearly imposing a heavy burden on consumers. One positive note was the weak currency, which made a notable contribution to strong export figures. Despite this, the yield curve in Japan, too, moved downwards and flattened further.

#### **Outlook**

Over the next few months we will be looking in particular for confirmation of economic recovery outside the US. Within the US, we are starting to see the first tentative signs of rising wages, a clear harbinger of a fundamentally stronger economy. In this climate, we expect US government bond yields to rise only slightly toward the end of the year. The European Central Bank is likely to continue pursuing a policy that provides further support for the economy and thus keeps interest rates low. The Japanese central bank is also likely to keep its policy rate low. We are sticking to the current positioning for the time being.

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

## KBC BONDS INCOME FUND

### Statement of net assets (in EUR)

as at 31st March 2015

#### **Assets**

Securities portfolio at market value	44,037,578.98
Cash at banks	267,589.39
Receivable on sales of securities	1,029,262.03
Income receivable on portfolio	589,656.94
Interest receivable on bank accounts	28.90
Total assets	45,924,116.24

#### **Liabilities**

Payable on purchases of securities	1,029,295.68
Payable on treasury transactions	983.14
Payable on redemptions of shares	62,025.22
Interest payable on bank overdrafts	145.91
Expenses payable	37,475.25
Total liabilities	1,129,925.20

Net assets at the end of the period	44,794,191.04
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Number of distribution shares outstanding	128,377.8784
Net asset value per distribution share	348.92

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

## KBC BONDS INCOME FUND

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	880,911.75
Interest on bank accounts	59.08
Commissions received	86.62
Other income	45,640.00
Total income	926,697.45

#### **Expenses**

Management fees	151,395.12
Custodian fees	7,186.34
Banking charges and other fees	1,434.66
Central administration costs	6,744.68
Professional fees	165.49
Other administration costs	5,278.93
Subscription duty ("taxe d'abonnement")	10,960.00
Other taxes	10,417.99
Interest paid on bank overdrafts	561.71
Other expenses	701.27
Total expenses	194,846.19

Net investment income	731,851.26
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#### **Net realised gain/(loss)**

- on securities portfolio	235,308.11
- on forward foreign exchange contracts	-7,306.75
- on foreign exchange	39,048.76
Realised result	998,901.38

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

- on securities portfolio	3,888,310.46
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Result of operations	4,887,211.84
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Dividends paid	-827,051.13
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Reinvestments	725.58
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Subscriptions	5,971.74
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Redemptions	-3,131,205.47
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Total changes in net assets	935,652.56
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Total net assets at the beginning of the period	43,858,538.48
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Total net assets at the end of the period	44,794,191.04
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The accompanying notes are an integral part of these financial statements.



## KBC BONDS INCOME FUND

### Statistical information (in EUR)

as at 31st March 2015

#### Total net assets

- as at 31.03.2015	44,794,191.04
- as at 30.09.2014	43,858,538.48
- as at 30.09.2013	48,356,929.87

#### Portfolio Turnover Rate (in %)

- as at 31.03.2015	12.91
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#### Number of distribution shares

- outstanding at the beginning of the period	137,951.8542
- issued	19.0000
- reinvested	2.3149
- redeemed	-9,595.2907
- outstanding at the end of the period	128,377.8784

#### Net asset value per distribution share

- as at 31.03.2015	348.92
- as at 30.09.2014	317.93
- as at 30.09.2013	298.89

#### TER per distribution share (in %)

- as at 31.03.2015	0.91
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#### Dividends paid to distribution shares

Ex-dividend date	01.10.2014
Dividend per share	6.00
Shares outstanding at dividend date	137,841.8542

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

## KBC BONDS INCOME FUND

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Investments in securities</u></b>					
<b><u>Transferable securities admitted to an official stock exchange listing</u></b>					
<b>Bonds</b>					
EUR	1,900,000	Belgium 2.75% OLO Ser 59 10/28.03.16	1,975,630.00	1,955,005.00	4.36
EUR	450,000	Belgium 5% OLO Ser 44 04/28.03.35	701,415.00	793,057.50	1.77
EUR	1,800,000	Deutschland 4% Ser 07 07/04.01.18	2,019,774.87	2,011,545.00	4.49
EUR	1,600,000	Deutschland 4.75% Ser 0301 03/04.07.34	1,599,200.00	2,857,440.00	6.38
EUR	2,100,000	Espana 5.85% 11/31.01.22	2,205,175.47	2,794,365.00	6.24
EUR	725,000	Espana 6% 98/31.01.29	902,920.36	1,125,852.50	2.51
EUR	300,000	France 3.5% 10/25.04.20	328,259.36	352,650.00	0.79
EUR	1,800,000	France 5.5% OAT 98/25.04.29	2,199,798.00	2,958,030.00	6.60
EUR	175,000	Italia 3.75% BTP Sen 14/01.09.24	211,909.25	212,861.25	0.48
EUR	4,000,000	Italia 4.25% BTP 03/01.02.19	3,976,495.00	4,587,200.00	10.24
EUR	1,350,000	Italia 4.75% BTP 12/01.05.17	1,398,383.18	1,476,832.50	3.30
EUR	400,000	Poland 4.2% EMTN 05/15.04.20	397,540.00	476,640.00	1.06
			17,916,500.49	21,601,478.75	48.22
GBP	355,000	United Kingdom 4.25% T-Stock 06/07.12.27	442,400.29	629,014.94	1.40
GBP	475,000	United Kingdom 4.75% T-Stock 04/07.12.38	646,170.94	962,804.67	2.15
GBP	200,000	United Kingdom 8% T-Stock 95/07.12.15	362,526.54	291,041.19	0.65
GBP	250,000	United Kingdom 8% T-Stock 96/07.06.21	520,347.56	485,197.69	1.08
			1,971,445.33	2,368,058.49	5.28
JPY	180,000,000	EIB 1.4% Sen 05/20.06.17	1,365,809.00	1,445,633.00	3.23
JPY	120,000,000	Japan 1.5% Ser 41 98/20.03.19	747,622.28	983,580.09	2.20
JPY	200,000,000	Japan 2.1% Ser 53 01/20.12.21	1,835,953.33	1,753,617.02	3.91
JPY	260,000,000	Japan 2.3% Ser 3 00/20.05.30	2,320,445.66	2,456,936.39	5.49
			6,269,830.27	6,639,766.50	14.83
USD	1,250,000	US 6.125% T-Bonds 99/15.08.29	1,632,752.35	1,731,511.86	3.87
USD	700,000	US 6.25% T-Bonds 00/15.05.30	646,171.24	992,011.74	2.21
USD	2,050,000	US 7.25% T-Bonds 86/15.05.16	1,784,512.05	2,057,510.61	4.59
USD	2,000,000	US 7.5% T-Bonds 94/15.11.24	2,490,016.85	2,789,196.05	6.23
USD	1,550,000	US 8% T-Bonds 91/15.11.21	1,474,639.87	2,018,868.41	4.51
USD	2,500,000	US 9% T-Bonds 88/15.11.18	2,461,044.53	2,989,957.90	6.68
			10,489,136.89	12,579,056.57	28.09
<b>Total bonds</b>			36,646,912.98	43,188,360.31	96.42
<b>Bonds in default of payment</b>					
CHF	3,650,000	SAir Group AG 0.125% Conv 98/07.07.05	1,876,868.75	180,194.44	0.40
<b>Total bonds in default of payment</b>			1,876,868.75	180,194.44	0.40
<b><u>Transferable securities dealt in on another regulated market</u></b>					
<b>Bonds</b>					
USD	500,000	US 4.75% 11/15.02.41	435,394.90	669,024.23	1.49
<b>Total bonds</b>			435,394.90	669,024.23	1.49
<b>Total investments in securities</b>			38,959,176.63	44,037,578.98	98.31
<b>Cash at banks</b>				267,589.39	0.60
<b>Other net assets/(liabilities)</b>				489,022.67	1.09
<b>Total</b>				44,794,191.04	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

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#### **Review**

The reporting period was a buoyant one for the stock markets. The launch of the quantitative easing programme by the European Central Bank brought the last of the major central banks into action. The total programme is equivalent to 12% of European GDP, compared with 22% in the now expired Fed programme in the US and 39% in the ongoing Japanese programme. European stock markets rallied strongly in anticipation of the flood of newly printed euros. The yield on government bonds, which will be bought up in large quantities by the ECB, steadily declined. Germany can now borrow for ten years at 0.2%, and the Belgian government is still only paying 0.44% for the same period. Countries in Southern Europe saw their interest rates drop even further. The underlying economic numbers are now also looking better in Europe. One possible fly in the ointment is Greece. The consensus is that a solution will be found which keeps Greece in the euro area, but given the complexity of the situation, the risk of surprises cannot be ruled out. The flattening of the yield curve also continued in the United States, where rates fell in the wake of their European counterparts. The Japanese economy showed signs of a weak recovery. Tax rises and lack of wage growth are clearly imposing a heavy burden on consumers. One positive note was the weak currency, which made a notable contribution to strong export figures. Despite this, the yield curve in Japan, too, moved downwards and flattened further.

#### **Outlook**

Over the next few months we will be looking in particular for confirmation of economic recovery outside the US. Within the US, we are starting to see the first tentative signs of rising wages, a clear harbinger of a fundamentally stronger economy. In this climate, we expect US government bond yields to rise only slightly toward the end of the year. The European Central Bank is likely to continue pursuing a policy that provides further support for the economy and thus keeps interest rates low. The Japanese central bank is also likely to keep its policy rate low. We are sticking to the current positioning for the time being.

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

## KBC BONDS CAPITAL FUND

### Statement of net assets (in EUR)

as at 31st March 2015

#### **Assets**

Securities portfolio at market value	46,975,298.39
Cash at banks	600,964.49
Receivable on sales of securities	1,029,334.82
Income receivable on portfolio	579,302.54
	<hr/>
Total assets	49,184,900.24

#### **Liabilities**

Bank overdrafts	2.07
Payable on purchases of securities	1,083,816.45
Payable on treasury transactions	190.89
Payable on redemptions of shares	233,990.19
Expenses payable	42,879.48
	<hr/>
Total liabilities	1,360,879.08
	<hr/>
Net assets at the end of the period	47,824,021.16

Number of capitalisation shares outstanding	49,139.8046
Net asset value per capitalisation share	972.77
	<hr/>
Number of distribution shares outstanding	46.0000
Net asset value per distribution share	485.23

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

## KBC BONDS CAPITAL FUND

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	884,876.65
Interest on bank accounts	26.57
Commissions received	49.29
Total income	884,952.51

#### **Expenses**

Management fees	157,449.24
Custodian fees	7,397.21
Banking charges and other fees	302.97
Central administration costs	6,947.00
Professional fees	176.15
Other administration costs	5,191.41
Subscription duty ("taxe d'abonnement")	11,506.29
Other taxes	14,671.62
Interest paid on bank overdrafts	80.51
Other expenses	702.72
Total expenses	204,425.12

Net investment income	680,527.39
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#### **Net realised gain/(loss)**

- on securities portfolio	258,244.47
- on forward foreign exchange contracts	-253.09
- on foreign exchange	26,476.58
Realised result	964,995.35

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

- on securities portfolio	4,145,602.07
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Result of operations	5,110,597.42
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Subscriptions	2,047,738.71
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Redemptions	-3,301,358.01
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Total changes in net assets	3,856,978.12
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Total net assets at the beginning of the period	43,967,043.04
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Total net assets at the end of the period	47,824,021.16
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS CAPITAL FUND

### Statistical information (in EUR)

as at 31st March 2015

#### Total net assets

- as at 31.03.2015	47,824,021.16
- as at 30.09.2014	43,967,043.04
- as at 30.09.2013	50,362,655.66

#### Portfolio Turnover Rate (in %)

- as at 31.03.2015	0.68
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#### Number of capitalisation shares

- outstanding at the beginning of the period	50,546.5903
- issued	2,235.7026
- redeemed	-3,642.4883
- outstanding at the end of the period	49,139.8046

#### Net asset value per capitalisation share

- as at 31.03.2015	972.77
- as at 30.09.2014	869.48
- as at 30.09.2013	802.59

#### TER per capitalisation share (in %)

- as at 31.03.2015	0.91
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#### Number of distribution shares

- outstanding at the beginning of the period	41.0000
- issued	5.0000
- redeemed	0.0000
- outstanding at the end of the period	46.0000

#### Net asset value per distribution share

- as at 31.03.2015	485.23
- as at 30.09.2014	433.71
- as at 30.09.2013	400.34

#### TER per distribution share (in %)

- as at 31.03.2015	0.92
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS CAPITAL FUND

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Investments in securities</u></b>					
<b><u>Transferable securities admitted to an official stock exchange listing</u></b>					
<b>Bonds</b>					
EUR	1,350,000	Belgium 4% OLO Ser 49 07/28.03.17	1,433,538.29	1,462,488.75	3.06
EUR	450,000	Belgium 5% OLO Ser 44 04/28.03.35	567,270.00	793,057.50	1.66
EUR	800,000	Deutschland 4% Ser 05 05/04.01.37	980,048.00	1,370,640.00	2.87
EUR	1,400,000	Deutschland 4% Ser 07 07/04.01.18	1,628,368.00	1,564,535.00	3.27
EUR	1,400,000	Espana 4.1% Sen 08/30.07.18	1,345,050.35	1,574,860.00	3.29
EUR	360,000	Espana 4.2% 05/31.01.37	379,840.00	509,580.00	1.07
EUR	400,000	Espana 5.4% Sen 13/31.01.23	478,588.00	530,820.00	1.11
EUR	900,000	Espana 6% 98/31.01.29	1,088,729.32	1,397,610.00	2.92
EUR	3,350,000	France 3.5% 10/25.04.20	3,570,186.49	3,937,925.00	8.23
EUR	200,000	France 1.75% BTAN 12/25.02.17	200,736.00	207,310.00	0.43
EUR	1,200,000	France 3.5% T-Bond 10/25.04.26	1,302,636.00	1,583,280.00	3.31
EUR	300,000	Italia 3.75% BTP Sen 14/01.09.24	364,914.00	364,905.00	0.76
EUR	3,000,000	Italia 4.75% BTP 11/01.09.21	2,984,589.81	3,729,975.00	7.80
EUR	2,000,000	Italia 5.5% BTP 12/01.09.22	2,264,136.00	2,631,300.00	5.50
EUR	360,000	Netherlands 4% 05/15.01.37	432,345.60	613,656.00	1.28
EUR	700,000	Netherlands 4% 09/15.07.19	809,137.00	822,850.00	1.72
			19,830,112.86	23,094,792.25	48.28
GBP	380,000	United Kingdom 4.75% T-Stock 04/07.12.38	515,276.10	770,243.73	1.61
GBP	500,000	United Kingdom 5% T-Stock 01/07.03.25	740,864.34	909,151.13	1.90
GBP	420,000	United Kingdom 8% T-Stock 96/07.06.21	892,293.09	815,132.13	1.71
			2,148,433.53	2,494,526.99	5.22
JPY	50,000,000	EIB 1.4% Sen 05/20.06.17	379,391.39	401,564.72	0.84
JPY	8,000,000	Japan 1.5% Ser 300 09/20.03.19	83,472.99	65,572.01	0.14
JPY	200,000,000	Japan 1.5% Ser 41 98/20.03.19	1,322,168.35	1,639,300.15	3.43
JPY	210,000,000	Japan 2.1% Ser 53 01/20.12.21	1,799,488.41	1,841,297.88	3.85
JPY	270,000,000	Japan 2.3% Ser 3 00/20.05.30	1,915,515.69	2,551,433.94	5.34
JPY	50,000,000	Japan 3.1% Ser 37 97/20.09.17	513,938.87	417,297.36	0.87
			6,013,975.70	6,916,466.06	14.47
USD	425,000	US 6.125% T-Bonds 99/15.08.29	475,774.44	588,714.04	1.23
USD	800,000	US 6.25% T-Bonds 00/15.05.30	799,534.60	1,133,727.70	2.37
USD	5,350,000	US 7.25% T-Bonds 86/15.05.16	4,540,818.50	5,369,600.87	11.23
USD	1,750,000	US 8% T-Bonds 91/15.11.21	1,795,042.23	2,279,367.55	4.77
USD	1,200,000	US 9% T-Bonds 88/15.11.18	1,183,153.62	1,435,179.80	3.00
			8,794,323.39	10,806,589.96	22.60
<b>Total bonds</b>			36,786,845.48	43,312,375.26	90.57
<b>Bonds in default of payment</b>					
CHF	3,800,000	SAir Group AG 0.125% Conv 98/07.07.05	1,963,320.33	187,599.69	0.39
<b>Total bonds in default of payment</b>			1,963,320.33	187,599.69	0.39
<b><u>Transferable securities dealt in on another regulated market</u></b>					
<b>Bonds</b>					
USD	1,000,000	US 1.25% T-Notes Ser K-2019 12/30.04.19	780,755.75	933,031.35	1.95
USD	1,900,000	US 4.75% 11/15.02.41	1,645,132.87	2,542,292.09	5.32
<b>Total bonds</b>			2,425,888.62	3,475,323.44	7.27
<b>Total investments in securities</b>			41,176,054.43	46,975,298.39	98.23
<b>Cash at banks</b>				600,964.49	1.26
<b>Bank overdrafts</b>				-2.07	0.00
<b>Other net assets/(liabilities)</b>				247,760.35	0.51
<b>Total</b>				47,824,021.16	100.00

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

## **KBC BONDS HIGH INTEREST**

### **Investment policy and outlook**

from 1st October 2014 to 31st March 2015

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#### ***Review***

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

The sub-fund once again profited from the strong performance of the US dollar against the euro during the first half of the financial year. The divergence in monetary policy between the euro area and the US drove the dollar more than 15% higher against the euro over the reporting period. While the US Federal Reserve ended its quantitative easing programme and is gradually preparing for a first hike in interest rates later this year, the ECB decided to embark on a large-scale government bond purchase programme in order to head off the danger of deflation in the euro area. This not only caused the euro to weaken sharply against the dollar, but also against other currencies in portfolio, including the Hong Kong dollar, Chinese yuan, Indian rupee and Korean won. The exceptions to the rule were currencies that are heavily dependent on commodity prices. The sharp fall in the oil price caused the Brazilian real, Colombian peso and Norwegian krone to lose ground not just against the US dollar, but also against the euro. The decline in commodity prices also pushed inflation lower, leading to further falls in bond yields in most markets. Apart from the strong appreciation of the dollar the lower interest rates also supported the performance of the sub-fund.

#### ***Outlook***

We expect the sub-fund to perform better in the second half of the financial year. On the one hand, we expect the euro to weaken because of the widening rate spreads with the United States, for example, especially as the quantitative easing by the ECB is driving interest rates down further. On the other hand, we expect the dollar to benefit from the economic recovery in the United States, and the associated higher interest rates.

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



## KBC BONDS HIGH INTEREST

### Statement of net assets (in EUR)

as at 31st March 2015

#### Assets

Securities portfolio at market value	1,364,818,591.44
Cash at banks	52,743,804.97
Other liquid assets	1,833,926.87
Receivable on issues of shares	3,196,715.21
Income receivable on portfolio	14,595,800.97
Total assets	1,437,188,839.46

#### Liabilities

Bank overdrafts	2,033,864.14
Payable on purchases of securities	13,500,928.73
Payable on redemptions of shares	957,392.49
Interest payable on bank overdrafts	786.16
Unrealised loss on forward foreign exchange contracts	140,919.02
Expenses payable	1,236,897.46
Total liabilities	17,870,788.00

Net assets at the end of the period	1,419,318,051.46
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Number of capitalisation shares outstanding	95,628.0738
Net asset value per capitalisation share	2,256.15

Number of distribution shares outstanding	571,645.6403
Net asset value per distribution share	415.07

Number of capitalisation shares "Institutional B Shares" outstanding	328,491.6544
Net asset value per capitalisation share "Institutional B Shares"	2,258.51

Number of capitalisation shares "Institutional Shares" outstanding	275,073.1433
Net asset value per capitalisation share "Institutional Shares"	808.39

Number of distribution shares "USD frequent dividend" outstanding	5,026.4189
Net asset value per distribution share "USD frequent dividend"	USD 432.60

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

## KBC BONDS HIGH INTEREST

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	23,537,575.54
Interest on bank accounts	58,713.33
Commissions received	3,439,418.30
Other income	2,729.50
Total income	27,038,436.67

#### **Expenses**

Management fees	7,366,001.74
Custodian fees	185,847.54
Banking charges and other fees	6,538.55
Transaction fees	18,645.08
Central administration costs	173,545.98
Professional fees	5,334.45
Other administration costs	43,415.24
Subscription duty ("taxe d'abonnement")	162,205.05
Other taxes	490,172.50
Interest paid on bank overdrafts	2,806.24
Other expenses	11,644.96
Total expenses	8,466,157.33

Net investment income	18,572,279.34
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#### **Net realised gain/(loss)**

- on securities portfolio	30,533,961.69
- on futures contracts	-2,331,594.69
- on forward foreign exchange contracts	-2,118,670.88
- on foreign exchange	7,847,984.46
Realised result	52,503,959.92

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

- on securities portfolio	75,858,936.37
- on futures contracts	-30,579.54
- on forward foreign exchange contracts	-163,287.33

Result of operations	128,169,029.42
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Dividends paid	-5,820,628.62
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Reinvestments	1,059.58
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Subscriptions	944,781,555.93
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Redemptions	-963,546,927.16
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Total changes in net assets	103,584,089.15
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Total net assets at the beginning of the period	1,315,733,962.31
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Total net assets at the end of the period	1,419,318,051.46
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS HIGH INTEREST

### Statistical information (in EUR)

as at 31st March 2015

<b>Total net assets</b>	
- as at 31.03.2015	1,419,318,051.46
- as at 30.09.2014	1,315,733,962.31
- as at 30.09.2013	996,473,607.59
<b>Portfolio Turnover Rate (in %)</b>	
- as at 31.03.2015	7.38
<b>Number of capitalisation shares</b>	
- outstanding at the beginning of the period	97,538.0709
- issued	3,156.5232
- redeemed	-5,066.5203
- outstanding at the end of the period	95,628.0738
<b>Net asset value per capitalisation share</b>	
- as at 31.03.2015	2,256.15
- as at 30.09.2014	2,062.43
- as at 30.09.2013	1,926.95
<b>TER per capitalisation share (in %)</b>	
- as at 31.03.2015	1.26
<b>Number of distribution shares</b>	
- outstanding at the beginning of the period	411,659.5465
- issued	200,310.3374
- reinvested	2.7844
- redeemed	-40,327.0280
- outstanding at the end of the period	571,645.6403
<b>Net asset value per distribution share</b>	
- as at 31.03.2015	415.07
- as at 30.09.2014	393.46
- as at 30.09.2013	382.16
<b>TER per distribution share (in %)</b>	
- as at 31.03.2015	1.29
<b>Dividends paid to distribution shares</b>	
Ex-dividend date	01.10.2014
Dividend per share	14.00
Shares outstanding at dividend date	412,924.5467
<b>Number of capitalisation shares "Institutional B Shares"</b>	
- outstanding at the beginning of the period	378,922.6757
- issued	380,028.0288
- redeemed	-430,459.0501
- outstanding at the end of the period	328,491.6544
<b>Net asset value per capitalisation share "Institutional B Shares"</b>	
- as at 31.03.2015	2,258.51
- as at 30.09.2014	2,064.35
- as at 30.09.2013	1,928.32
<b>TER per capitalisation share "Institutional B Shares" (in %)</b>	
- as at 31.03.2015	1.24

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

## KBC BONDS HIGH INTEREST

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

as at 31st March 2015

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

- outstanding at the beginning of the period	228,433.3203
- issued	80,792.9864
- redeemed	-34,153.1634
- outstanding at the end of the period	275,073.1433

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

- as at 31.03.2015	808.39
- as at 30.09.2014	736.67
- as at 30.09.2013	683.89

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

- as at 31.03.2015	0.65
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#### Number of distribution shares "USD frequent dividend"

- outstanding at the beginning of the period	5,559.8631
- issued	178.8822
- redeemed	-712.3264
- outstanding at the end of the period	5,026.4189

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

- as at 31.03.2015	USD 432.60
- as at 30.09.2014	USD 474.59
- as at 30.09.2013	USD 492.77

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

- as at 31.03.2015	1.28
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#### Dividends paid to distribution shares "USD frequent dividend"

Ex-dividend date	01.10.2014
Dividend per share	USD 1.50
Shares outstanding at dividend date	5,559.8631
Ex-dividend date	03.11.2014
Dividend per share	USD 1.50
Shares outstanding at dividend date	5,419.9956
Ex-dividend date	01.12.2014
Dividend per share	USD 1.50
Shares outstanding at dividend date	5,318.9880
Ex-dividend date	02.01.2015
Dividend per share	USD 1.50
Shares outstanding at dividend date	5,176.7056
Ex-dividend date	02.02.2015
Dividend per share	USD 1.50
Shares outstanding at dividend date	5,121.7024
Ex-dividend date	02.03.2015
Dividend per share	USD 1.50
Shares outstanding at dividend date	5,177.1251

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

## KBC BONDS HIGH INTEREST

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Investments in securities</b>					
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Bonds</b>					
AUD	10,000,000	Cie de Financement Foncier 5.5% MTN 05/22.09.15	5,362,826.39	7,213,109.70	0.51
CAD	35,000,000	Canada 1% Ser D689 14/01.11.16	25,465,296.53	25,953,062.12	1.83
CNY	90,000,000	Asian Development Bank 2.85% EMTN Ser HK 10/21.10.20	10,505,000.13	12,931,141.60	0.91
CNY	20,000,000	China 2.56% Reg S Sen 12/29.06.17	2,533,897.24	2,938,547.13	0.21
CNY	51,800,000	IBRD 2.375% Ser gdiF 14/26.09.16	6,602,510.99	7,607,879.23	0.54
CNY	50,000,000	Intl Finance Corp 2% EMTN Ser 1329 14/26.06.17	6,116,044.09	7,191,818.97	0.51
CNY	275,000,000	Intl Finance Corp 2% GMTN Ser 1303 14/18.01.17	33,191,663.58	39,836,415.50	2.81
CNY	65,000,000	Swedish Export Credit 2.375% Sen 12/01.06.15	8,243,236.47	9,742,889.49	0.69
			67,192,352.50	80,248,691.92	5.67
DKK	731,455.322	Nykredit Realkredit AS 6% Ser 3C 96/01.10.29	102,025.91	117,365.61	0.01
DKK	138,777.19	Realkredit Danmark A/S 6% 99/01.10.32	18,513.56	22,267.48	0.00
			120,539.47	139,633.09	0.01
EUR	4,000,000	Deutschland 2.5% Sen 14/15.08.46	5,946,040.00	6,162,100.00	0.43
EUR	13,000,000	Espana 4.4% T-Bonds 13/31.10.23	16,521,960.00	16,456,050.00	1.16
EUR	15,000,000	Espana 5.15% 13/31.10.44	24,176,130.00	25,567,500.00	1.80
EUR	11,000,000	Italia 2.5% BTP Sen 14/01.12.24	12,208,240.00	12,216,050.00	0.86
EUR	30,000,000	Italia 3.25% BTP 15/01.09.46	35,785,800.00	37,993,500.00	2.68
EUR	10,000,000	Slovakia 4.35% Ser 216 10/14.10.25	10,129,912.87	13,970,500.00	0.98
			104,768,082.87	112,365,700.00	7.91
GBP	25,000,000	United Kingdom 1.25% T-Stock 13/22.07.18	30,716,362.29	35,097,745.50	2.47
GBP	20,000,000	United Kingdom 1.75% T Stock 12/07.09.22	22,436,958.22	28,328,731.63	2.00
GBP	7,000,000	United Kingdom 2% T-Stock 10/22.01.16	8,955,060.18	9,807,334.22	0.69
GBP	5,000,000	United Kingdom 2.25% Sen 13/07.09.23	5,626,135.23	7,318,684.29	0.52
GBP	9,000,000	United Kingdom 3.25% T-Stock 12/22.01.44	14,900,128.27	14,855,100.56	1.05
GBP	17,000,000	United Kingdom 3.5% Reg S T-Stock 13/22.07.68	32,689,062.24	32,317,205.44	2.28
GBP	6,000,000	United Kingdom 3.5% T-Stock Reg S 14/22.01.45	10,394,902.52	10,375,227.89	0.73
			125,718,608.95	138,100,029.53	9.74
HKD	390,000,000	Kommunalbanken A/S 1.44% EMTN Reg S Sen 14/10.10.18	39,599,546.63	47,236,654.98	3.33
INR	42,000,000	Asian Development Bank 6.35% EMTN Ser 787-00-1 14/17.08.16	614,875.96	626,290.72	0.04
INR	250,000,000	EBRD 5.625% Sen 14/15.03.17	3,193,851.05	3,699,695.49	0.26
INR	1,578,000,000	EBRD 6% Sen 14/03.03.16	22,121,627.85	23,496,135.51	1.66
INR	747,000,000	EBRD 6.2% EMTN 14/27.06.15	9,631,709.31	11,118,291.71	0.78
INR	310,000,000	EIB 5.75% EMTN Reg S Sen 14/09.10.17	3,965,019.65	4,580,937.11	0.32
INR	220,000,000	Export-Import Bank Korea (The) 6% EMTN Reg S 13/04.06.16	2,496,298.03	3,246,292.46	0.23
INR	750,000,000	IADB 6% EMTN Ser 481 14/05.09.17	10,515,752.42	11,143,971.07	0.79
INR	350,000,000	IBRD 6% Ser 11086 14/20.12.16	5,221,251.46	5,209,112.45	0.37
INR	67,800,000	Intl Finance Corp 6.3% EMTN 14/25.11.24	971,387.64	963,333.21	0.07
INR	636,900,000	Intl Finance Corp 7.75% EMTN Ser 1279 Tr 4 13/03.12.16	7,548,644.72	9,691,395.78	0.68
INR	150,000,000	Intl Finance Corp 7.8% EMTN Ser GDIF Tr 68 14/03.06.19	2,335,085.28	2,357,537.99	0.17
INR	265,000,000	Intl Finance Corp 8.25% Ser 1315 14/10.06.21	3,915,654.79	4,281,910.96	0.30
			72,531,158.16	80,414,904.46	5.67
KRW	45,000,000,000	Korea 2.75% Ser 02750-1606 13/10.06.16	31,272,625.83	38,267,875.18	2.70
KRW	45,000,000,000	Korea 2.75% Ser 1709 12/10.09.17	30,495,491.77	38,752,901.90	2.73
KRW	10,000,000,000	Korea 2.75% Ser 1803 13/10.03.18	6,751,825.43	8,649,079.53	0.61
KRW	10,000,000,000	Korea 3% Ser 03000-2409 14-5 14/10.09.24	8,939,494.79	9,007,514.25	0.63
			77,459,437.82	94,677,370.86	6.67
MXN	127,000,000	General Electric Capital Corp 8.35% Ser MXN 07/03.09.22	7,955,725.77	8,670,250.43	0.61
MXN	20,000,000	Gr Televisa SA 7.25% EMTN Sen 13/14.05.43	1,081,499.99	1,059,265.71	0.07

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

## KBC BONDS HIGH INTEREST

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
MXN	4,100,000	Mexico 10% Ser M 20 05/05.12.24	30,377,497.72	32,650,276.62	2.30
MXN	2,600,000	Mexico 5% Bonos 12/15.06.17	15,723,044.64	16,211,711.74	1.14
MXN	300,000	Mexico 5% Bonos Sen 14/11.12.19	1,663,098.80	1,813,779.39	0.13
MXN	1,200,000	Mexico 6.5% Bonos Ser M 11/09.06.22	7,813,666.55	7,683,780.03	0.54
MXN	2,800,000	Mexico 6.5% Bonos Ser M 11/10.06.21	16,795,030.65	17,956,475.33	1.26
MXN	100,000	Mexico 7.75% Bonos 11/13.11.42	710,137.26	710,942.30	0.05
MXN	50,000	Mexico 7.75% Bonos 11/29.05.31	352,747.32	349,697.92	0.02
MXN	4,800,000	Mexico 8% Bonos 03/07.12.23	31,426,762.21	33,583,182.56	2.37
MXN	1,000,000	Mexico 8.5% Bonos Ser M 20 09/31.05.29	6,711,873.43	7,412,303.60	0.52
MXN	700,000	Petroleos Mexicanos 7.19% Reg S Sen 13/12.09.24	3,955,986.59	4,216,783.14	0.30
			124,567,070.93	132,318,448.77	9.31
NOK	33,000,000	Asian Development Bank 2% EMTN Ser 705-00-1 12/29.08.17	4,000,874.50	3,899,141.68	0.27
NOK	50,000,000	Bank Nederlandse Gemeenten NV 1.25% EMTN Sen 15/19.03.20	5,780,985.27	5,733,062.89	0.40
NOK	11,180,000	Bank Nederlandse Gemeenten NV 2.375% EMTN Reg S 13/20.12.18	1,364,001.26	1,337,434.12	0.09
NOK	65,000,000	Bank Nederlandse Gemeenten NV 3.25% EMTN 1013 12/02.02.17	8,640,726.43	7,786,712.50	0.55
NOK	53,700,000	EIB 2.5% EMTN Sen 13/17.01.18	6,738,341.39	6,442,085.67	0.45
NOK	187,620,000	EIB 3% EMTN Reg S Sen 12/22.05.19	23,694,819.47	23,159,780.53	1.63
NOK	175,000,000	EIB 3.75% EMTN Sen 11/31.10.18	22,936,845.53	21,968,634.72	1.55
NOK	143,760,000	EIB 4.25% EMTN 08/19.05.17	19,308,616.25	17,700,341.23	1.25
NOK	120,000,000	Neder Waterschapsbank NV 3.375% EMTN Sen 12/03.04.17	16,010,299.46	14,444,828.49	1.02
NOK	50,000,000	Norway 2% 12/24.05.23	6,081,481.02	6,068,068.11	0.43
NOK	130,000,000	Norway 3% Ser 476 14/14.03.24	17,259,610.22	17,061,857.35	1.20
			131,816,600.80	125,601,947.29	8.84
PHP	300,000,000	Philippines 6.25% Reg S Sen 11/14.01.36	7,322,953.88	7,362,772.85	0.52
PLN	92,000,000	Poland 2.5% Ser PS0718 13/25.07.18	21,237,706.49	23,128,028.99	1.63
PLN	20,000,000	Poland 3.25% Ser DS0725 13/25.07.25	5,149,342.16	5,345,356.43	0.38
PLN	49,000,000	Poland 3.75% Ser PS 0418 12/25.04.18	11,995,640.75	12,751,377.61	0.89
PLN	75,000,000	Poland 4% Ser DS1023 12/25.10.23	17,535,428.14	20,965,059.12	1.48
PLN	50,000,000	Poland 4.75% Ser 1016 11/25.10.16	12,687,047.19	12,877,159.37	0.91
PLN	30,000,000	Poland 4.75% Ser PS0417 12/25.04.17	7,665,443.68	7,836,250.29	0.55
PLN	33,000,000	Poland 5% Ser 416 10/25.04.16	8,180,919.33	8,397,019.12	0.59
PLN	124,000,000	Poland 5.25% Ser 1017 06/25.10.17	31,942,464.70	33,199,066.55	2.34
PLN	20,000,000	Poland FRN Ser 0121 10/25.01.21	4,834,135.49	4,890,557.88	0.34
PLN	20,000,000	Poland FRN Ser 0124 13/25.01.24	4,774,874.58	4,842,180.28	0.34
PLN	5,000,000	Poland Government Bd 5.5% Ser 1019 08/25.10.19	1,317,442.83	1,423,271.44	0.10
			127,320,445.34	135,655,327.08	9.55
SKK	20,000,000	KBC Ifima SA 4.01% EMTN Sub 05/18.05.16	573,323.25	683,549.09	0.05
SKK	60,000,000	KBC Ifima SA 4.05% EMTN 05/21.12.20	1,548,865.92	2,230,870.34	0.16
			2,122,189.17	2,914,419.43	0.21
TRY	10,000,000	EIB 5.375% EMTN Sen 13/23.01.17	4,147,675.99	3,395,363.13	0.24
TRY	7,500,000	EIB 5.75% EMTN Sen 13/03.04.18	3,111,382.08	2,495,718.91	0.18
TRY	7,500,000	IBRD 10% EMTN Ser 10421 10/02.03.17	3,721,019.07	2,737,600.32	0.19
TRY	6,500,000	Landwirtschaftliche Rentenbk 9.5% EMTN Sen 14/23.05.22	2,275,209.45	2,401,131.59	0.17
TRY	15,000,000	Rabobank Nederland NV 10.75% EMTN Ser 2825A 14/11.03.16	5,399,126.86	5,440,111.83	0.38
TRY	5,000,000	Swedish Export Credit 5.5% EMTN Sen 13/23.01.17	2,154,944.32	1,686,900.19	0.12
			20,809,357.77	18,156,825.97	1.28
USD	4,925,000	CEZ AS 4.25% Reg S 12/03.04.22	3,727,578.44	4,984,460.61	0.35
ZAR	50,000,000	African Development Bank 6.625% EMTN Ser GDIF 14/09.12.17	3,606,581.14	3,781,118.60	0.27
ZAR	90,000,000	EBRD 0% EMTN Sen 97/30.12.27	2,203,399.18	2,717,850.95	0.19
ZAR	85,000,000	EIB 9% EMTN Reg-S Sen 08/21.12.18	6,907,440.95	6,847,158.78	0.48
ZAR	40,000,000	Nordic Investment Bank 6.75% EMTN Reg S Sen 13/21.11.16	2,672,896.06	3,070,285.45	0.22
ZAR	68,000,000	Rabobank Nederland NV 0% EMTN Ser 245 97/07.08.17	3,571,567.52	4,396,463.88	0.31

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

## KBC BONDS HIGH INTEREST

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
ZAR	34,805,000	Swedish Export Cred Corp 0% EMTN Ser 297 97/15.12.27	772,696.81	897,327.50	0.06
ZAR	13,500,000	Transnet Ltd 10% EMTN Ser 2 99/30.03.29	1,015,397.39	1,022,376.33	0.07
			20,749,979.05	22,732,581.49	1.60
<b>Total bonds</b>			956,654,024.70	1,036,075,940.15	73.00
<b><u>Transferable securities dealt in on another regulated market</u></b>					
<b>Bonds</b>					
CAD	73,000,000	Canada 1% Ser B295 13/01.08.16	51,398,421.07	54,055,487.20	3.81
CAD	15,000,000	Canada 2.75% Ser D358 14/01.12.48	13,088,593.48	13,072,075.87	0.92
CAD	16,000,000	Canada 3.5% Ser ZS68 11/01.12.45	15,278,125.66	15,860,991.39	1.12
			79,765,140.21	82,988,554.46	5.85
KRW	14,500,000,000	Korea 3.5 Ser 0350-1703 12/10.03.17	10,611,658.36	12,601,048.89	0.89
MXN	30,000,000	America Movil SAB de CV 6.45% Ser 12 12/05.12.22	1,743,124.00	1,781,066.46	0.13
MYR	75,000,000	Malaysia 3.172% Ser 0113 13/15.07.16	17,913,767.90	18,859,532.44	1.33
MYR	68,000,000	Malaysia 3.314% Ser 12/0005 12/31.10.17	16,387,512.30	17,104,355.22	1.20
MYR	50,000,000	Malaysia 3.394% Ser 0214 14/15.03.17	11,749,562.58	12,595,031.03	0.89
MYR	20,000,000	Malaysia 3.835% Ser 0110 10/12.08.15	4,485,960.32	5,045,810.02	0.36
MYR	10,000,000	Malaysia 4.262% Ser 06/0001 06/15.09.16	2,523,018.26	2,551,705.87	0.18
MYR	27,000,000	Malaysia 4.378% Ser 0902 09/29.11.19	6,635,447.64	7,021,699.93	0.49
			59,695,269.00	63,178,134.51	4.45
PHP	495,000,000	Philippines 3.9% Sen 12/26.11.22	9,892,298.40	10,442,358.11	0.74
PHP	155,000,000	Philippines 4.95% 10/15.01.21	2,876,240.97	3,455,672.88	0.24
			12,768,539.37	13,898,030.99	0.98
THB	795,000,000	Ministry of Finance 3.25% 11/16.06.17	20,295,930.69	23,455,907.67	1.65
TRY	2,150,000	General Electric Capital Corp 15.75% EMTN 08/16.04.18	1,048,472.69	899,463.66	0.06
USD	37,000,000	US 0.5% T-Notes Ser AM-2016 13/15.06.16	28,442,500.62	34,528,891.94	2.43
USD	28,000,000	US 2.5% Ser E-2023 13/15.08.23	19,971,863.30	27,459,651.12	1.93
USD	13,000,000	US 2.5% T-Bonds 15/15.02.45	12,213,170.22	12,017,763.99	0.85
USD	56,000,000	US 2.75% T-Notes Ser B-2024 14/15.02.24	40,835,343.13	55,934,137.60	3.94
			101,462,877.27	129,940,444.65	9.15
<b>Total bonds</b>			287,391,011.59	328,742,651.29	23.16
Total investments in securities			1,244,045,036.29	1,364,818,591.44	96.16
Cash at banks				52,743,804.97	3.72
Bank overdrafts				-2,033,864.14	-0.14
Other net assets/(liabilities)				3,789,519.19	0.26
<b>Total</b>				1,419,318,051.46	100.00

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

## **KBC BONDS EMERGING MARKETS**

### **Investment policy and outlook**

from 1st October 2014 to 31st March 2015

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#### ***Review***

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

Over the period under review, the performance of the sub-fund has been quite volatile, although it ended the period almost unchanged. The positive impact from the bull flattening of the US yield curve was offset by a further widening of the credit spreads by 70 basis points from 300 to 370 basis points. As a result, the yield on hard currency emerging markets debt rose slightly from 5.40% in September to 5.57% at the end of the reporting period.

From an individual country perspective, the performance has been very divergent. Investment grade credits sharply outperformed sub-investment grade credits, as Ukraine and Venezuela were hit particularly hard. Ukraine continued to suffer from the conflict with Russia, while Venezuela was hurt severely by the plunge in oil prices. Within the investment grade credits, Brazil underperformed too due to the deteriorating economic outlook and corruption scandals within the country, which may start to threaten its investment grade rating.

#### ***Outlook***

Following many years of improving credit fundamentals, we do expect credit metrics to deteriorate amidst the current economic slowdown in emerging markets. Economic conditions are especially challenging for commodity exporting emerging markets. Therefore, we do expect credit spreads to widen further, while the outlook for higher US interest rates adds to the risks for this asset class.

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



## KBC BONDS EMERGING MARKETS

### Statement of net assets (in USD)

as at 31st March 2015

#### **Assets**

Securities portfolio at market value	234,158,454.67
Cash at banks	14,291,994.95
Other liquid assets	1,403,592.85
Receivable on sales of securities	2,237,540.02
Receivable on issues of shares	170,943.27
Income receivable on portfolio	4,821,709.10
Unrealised gain on futures contracts	154,062.50
Total assets	257,238,297.36

#### **Liabilities**

Expenses payable	376,938.15
Total liabilities	376,938.15
Net assets at the end of the period	256,861,359.21

Number of capitalisation shares outstanding	61,144.7368
Net asset value per capitalisation share	2,090.57
Number of distribution shares outstanding	195,364.1305
Net asset value per distribution share	634.09
Number of capitalisation shares "Institutional B Shares" outstanding	2,460.0000
Net asset value per capitalisation share "Institutional B Shares"	2,095.50

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

## KBC BONDS EMERGING MARKETS

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	9,451,527.24
Return on sukuk	233,343.60
Interest on bank accounts	26.70
Commissions received	1,528,356.72
Other income	7,199.59
Total income	11,220,453.85

#### **Expenses**

Management fees	1,934,832.79
Custodian fees	58,647.04
Banking charges and other fees	12,259.81
Transaction fees	7,123.90
Central administration costs	54,596.77
Professional fees	1,314.23
Other administration costs	13,537.77
Subscription duty ("taxe d'abonnement")	68,497.11
Other taxes	39,024.30
Interest paid on bank overdrafts	90.75
Other expenses	3,114.33
Total expenses	2,193,038.80

Net investment income	9,027,415.05
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#### **Net realised gain/(loss)**

- on securities portfolio	-5,472,314.44
- on futures contracts	696,384.12
- on foreign exchange	-4,929.88
Realised result	4,246,554.85

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

- on securities portfolio	-4,774,776.54
- on futures contracts	154,062.50
Result of operations	-374,159.19

Dividends paid	-12,216,974.18
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Reinvestments	1,522.84
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Subscriptions	8,019,474.38
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Redemptions	-159,482,573.52
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Total changes in net assets	-164,052,709.67
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Total net assets at the beginning of the period	420,914,068.88
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Total net assets at the end of the period	256,861,359.21
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMERGING MARKETS

### Statistical information (in EUR)

as at 31st March 2015

#### Total net assets

- as at 31.03.2015	256,861,359.21
- as at 30.09.2014	420,914,068.88
- as at 30.09.2013	594,478,972.96

#### Portfolio Turnover Rate (in %)

- as at 31.03.2015	1.59
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#### Number of capitalisation shares

- outstanding at the beginning of the period	87,185.6598
- issued	1,223.6546
- redeemed	-27,264.5776
- outstanding at the end of the period	61,144.7368

#### Net asset value per capitalisation share

- as at 31.03.2015	2,090.57
- as at 30.09.2014	2,086.55
- as at 30.09.2013	1,923.36

#### TER per capitalisation share (in %)

- as at 31.03.2015	1.36
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#### Number of distribution shares

- outstanding at the beginning of the period	340,371.0698
- issued	8,658.6090
- reinvested	2.4059
- redeemed	-153,667.9542
- outstanding at the end of the period	195,364.1305

#### Net asset value per distribution share

- as at 31.03.2015	634.09
- as at 30.09.2014	668.89
- as at 30.09.2013	648.61

#### TER per distribution share (in %)

- as at 31.03.2015	1.36
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#### Dividends paid to distribution shares

Ex-dividend date	01.10.2014
Dividend per share	36.00
Shares outstanding at dividend date	339,360.3940

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

- outstanding at the beginning of the period	5,415.8719
- issued	15.0000
- redeemed	-2,970.8719
- outstanding at the end of the period	2,460.0000

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

- as at 31.03.2015	2,095.50
- as at 30.09.2014	2,091.04
- as at 30.09.2013	1,926.43

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

- as at 31.03.2015	1.36
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMERGING MARKETS

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Investments in securities</b>					
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Bonds</b>					
USD	2,350,000	African Export-Import Bank 4.75% EMTN Reg S 14/29.07.19	2,324,291.00	2,368,600.25	0.93
USD	200,000	Bharti Airtel Intl Netherld BV 5.35% MTN Reg S 14/20.05.24	199,832.00	220,635.00	0.09
USD	3,500,000	BNDES 6.5% Ser Reg S 09/10.06.19	3,832,500.00	3,751,982.50	1.46
USD	3,000,000	Brazil 7.125% 06/20.01.37	3,528,702.13	3,568,050.00	1.39
USD	5,000,000	Brazil 8.25% 04/20.01.34	6,795,000.00	6,501,250.00	2.53
USD	3,000,000	Croatia 5.5% Reg S Sen 13/04.04.23	2,985,000.00	3,196,800.00	1.25
USD	10,000,000	Croatia 6.25% Reg S 12/27.04.17	10,731,923.07	10,612,000.00	4.13
USD	5,500,000	Croatia 6.375% Sen 11/24.03.21	5,599,017.86	6,075,850.00	2.37
USD	4,000,000	Croatia 6.625% Reg S 10/14.07.20	4,240,000.00	4,452,400.00	1.73
USD	4,000,000	Gabonese Republic 6.375% Sk Reg S 13/12.12.24	4,080,285.71	3,781,600.00	1.47
USD	2,100,000	Grupo Financiero Bancomer SA 6.75% Reg-S 12/30.09.22	2,261,866.36	2,374,386.00	0.92
USD	4,000,000	Hungary 5.375% Sen 13/21.02.23	3,740,000.00	4,474,800.00	1.74
USD	1,000,000	Hungary 5.375% Sen 14/25.03.24	1,011,703.08	1,122,450.00	0.44
USD	2,500,000	Hungary 5.75% 13/22.11.23	2,529,695.00	2,878,000.00	1.12
USD	1,500,000	Hungary 7.625% Sen 11/29.03.41	1,628,505.00	2,174,925.00	0.85
USD	2,000,000	Indonesia 5.875% Reg S Sen 14/15.01.24	2,077,882.00	2,320,000.00	0.91
USD	1,500,000	Indonesia 7.75% Sen Reg S 08/17.01.38	2,293,050.00	2,057,100.00	0.80
USD	6,350,000	Indonesia 8.5% 05/12.10.35	9,035,145.07	9,194,165.00	3.58
USD	2,300,000	MAF Global Securities Ltd VAR Reg S 29.10.13/29.04.Perpetual	2,382,800.00	2,462,023.50	0.96
USD	15,000,000	Mexico 5.75% Sen Tr 24 10/12.10.2110	13,890,362.72	16,490,250.00	6.42
USD	3,000,000	Northern Lights 3 BV 7% LPN 12/16.08.19	3,280,912.50	3,012,765.00	1.17
USD	2,050,000	Office Cherifien Phosphates SA 6.875% Sen 14/25.04.44	2,320,600.00	2,299,075.00	0.89
USD	5,750,000	Panama 9.375% Sen 99/01.04.29	7,287,872.81	8,804,400.00	3.43
USD	5,000,000	Peru 8.75% 03/21.11.33	6,803,441.44	7,970,000.00	3.10
USD	2,300,000	Perusahaan Gas Negara (PT) Tbk 5.125% Reg S Sen 14/16.05.24	2,277,851.00	2,444,681.50	0.95
USD	11,750,000	Russia 12.75% 98/24.06.28	20,168,818.26	18,091,475.00	7.04
USD	1,000,000	Russia 4.875% Reg S Sen 13/16.09.23	963,562.50	962,500.00	0.37
USD	22,709,500.67	Russia Step-up Sk 00/31.03.30	17,024,331.15	16,180,519.23	6.30
USD	3,000,000	South Africa 5.5% 10/09.03.20	3,297,613.65	3,303,000.00	1.29
USD	5,000,000	South Africa 5.875% Sen 07/30.05.22	5,550,000.00	5,700,500.00	2.22
USD	4,000,000	South Africa 6.875% 09/27.05.19	4,774,375.00	4,610,400.00	1.79
USD	2,500,000	State Oil Co Azerbaijan 6.95% Reg s 15/18.03.30	2,500,000.00	2,494,550.00	0.97
USD	2,500,000	Transnet Ltd 4% Reg-S Sen 12/26.07.22	2,238,375.00	2,439,475.00	0.95
USD	2,500,000	Turk Eximbank 5.875% Reg S Sen 12/24.04.19	2,695,250.00	2,629,300.00	1.02
USD	2,000,000	Turkey 5.75% 14/22.03.24	1,985,020.00	2,230,400.00	0.87
USD	5,000,000	Turkey 6.25% 12/26.09.22	5,250,000.00	5,704,000.00	2.22
USD	10,000,000	Turkey 7.375% 05/05.02.25	11,392,835.63	12,424,000.00	4.84
USD	10,000,000	Turkey 7.5% 09/07.11.19	11,354,791.92	11,701,000.00	4.56
USD	500,000	Turkiye Halk Bankasi AS 4.75% Reg S Sen 14/04.06.19	499,670.00	501,107.50	0.20
USD	1,800,000	Turkiye Halk Bankasi AS 4.875% Reg S Sen 12/19.07.17	1,913,400.00	1,852,713.00	0.72
USD	2,250,000	Turkiye Is Bankasi AS 5.5% Reg S Sen 13/21.04.19	2,370,030.75	2,327,692.50	0.90
USD	2,500,000	Ukraine 6.25% Reg S Sen 11/17.06.16	2,325,000.00	1,008,250.00	0.39
USD	4,000,000	Ukraine 6.58% Sen 06/21.11.16	3,720,000.00	1,601,200.00	0.62
USD	2,000,000	Venezuela 11.75% Reg S Sen 11/21.10.26	920,000.00	827,400.00	0.32
USD	2,000,000	Venezuela 11.95% Reg S Sen Sk 11/05.08.31	915,000.00	834,900.00	0.32
USD	2,000,000	Venezuela 12.75% Reg S Sen 10/23.08.22	1,015,000.00	891,600.00	0.35
USD	6,000,000	Venezuela 6% Reg S 05/09.12.20	4,312,500.00	2,103,600.00	0.82
USD	3,000,000	Venezuela 7.65% Sen Reg S 05/21.04.25	2,355,000.00	1,052,100.00	0.41
USD	5,000,000	Venezuela 7.75% REGS 09/13.10.19	1,940,000.00	1,837,500.00	0.72
USD	2,000,000	Venezuela 9.375% 04/13.01.34	850,000.00	743,800.00	0.29
USD	5,000	Venezuela VAR 90/15.04.20	0.00	45,000.00	0.02
USD	2,300,000	Yapi Ve Kredi Bankasi AS 5.25% Reg S Sen 13/03.12.18	2,394,875.00	2,357,615.00	0.92
<b>Total bonds</b>			<b>221,863,687.61</b>	<b>221,063,785.98</b>	<b>86.07</b>

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

## KBC BONDS EMERGING MARKETS

### Statement of investments and other net assets (in USD) (continued) as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Sukuk</b>					
USD	1,000,000	Hazine Mustesa Varlik Kiral SA 4.489% Sukuk 14/25.11.24	1,000,000.00	1,015,210.00	0.40
USD	5,000,000	Perusahaan Penerbit SBSN Ind III 4.35% Reg S Tr 3 14/10.09.24	5,037,500.00	5,147,225.00	2.00
<b>Total sukuk</b>			6,037,500.00	6,162,435.00	2.40
<b><u>Transferable securities dealt in on another regulated market</u></b>					
<b>Bonds</b>					
USD	2,279,000	Banco de Bogota SA 5.375% Reg S Sub 13/19.02.23	2,211,365.09	2,369,271.19	0.92
USD	2,500,000	Caixa Economica Federal 4.5% Reg S Sen 13/03.10.18	2,518,513.88	2,454,537.50	0.95
USD	1,000,000	Indonesia 6.625% 07/17.02.37	1,087,500.00	1,220,300.00	0.47
USD	2,500,000	Venezuela 8.25% REGS 09/13.10.24	1,734,994.71	888,125.00	0.35
<b>Total bonds</b>			7,552,373.68	6,932,233.69	2.69
Total investments in securities			235,453,561.29	234,158,454.67	91.16
Cash at banks				14,291,994.95	5.56
Other net assets/(liabilities)				8,410,909.59	3.28
Total				256,861,359.21	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

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#### **Review**

Following the ending of the quantitative easing programme in the US, it is now a question of waiting for the first policy rate hike by the Fed. That is expected to happen before the end of this year, though the Fed appears to be cautious about raising rates too soon. Economic growth is strong in the US but inflation remains low and pay rises are limited. Moreover, the USD has appreciated strongly.

In Europe, the ECB launched its own quantitative easing programme in January. Interest rates had already fallen in the run-up to the launch; German ten-year rates ended the reporting period at an improbably low 0.2%. Two-year rates had already turned negative at the start of the reporting period, but fell further to -0.24%.

High-risk assets performed strongly thanks to the additional measures taken by the ECB. The sharp fall in interest rates prompted investors to go in search of alternatives, with shares proving particularly popular. The improved economic data provided an added impetus to invest in more risky assets. The negative impact of political difficulties on European markets was limited. The crisis in Ukraine slipped to the background, though the situation in Greece remains unclear. However, the capital markets are convinced that a solution will be found, or that a Greek exit from the EUR would have a limited impact.

Emphasis was placed within the fund on subordinated paper, in both the financial and non-financial sectors. The sharp fall in interest rates is leading investors to go in search of segments with higher spreads. Company balance sheets are healthy and the financial sector is also stronger. The duration of the loans was extended because the ECB actions will keep interest rates lower than initially anticipated.

#### **Outlook**

The ECB will continue buying up government paper for some time yet. We think that will further support demand for government bonds, and therefore remain overweight in the subordinated debt segments.

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

## KBC BONDS CORPORATES EURO

### Statement of net assets (in EUR)

as at 31st March 2015

#### **Assets**

Securities portfolio at market value	822,597,732.17
Cash at banks	11,957,948.18
Other liquid assets	1,415,265.00
Receivable on sales of securities	1,468,560.00
Receivable on issues of shares	2,051,177.39
Income receivable on portfolio	12,290,656.23
Total assets	851,781,338.97

#### **Liabilities**

Payable on purchases of securities	1,591,984.00
Payable on redemptions of shares	901,792.15
Interest payable on bank overdrafts	13.08
Unrealised loss on futures contracts	498,100.00
Expenses payable	783,926.28
Total liabilities	3,775,815.51

Net assets at the end of the period	848,005,523.46
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Number of capitalisation shares outstanding	55,298.9981
Net asset value per capitalisation share	869.85

Number of distribution shares outstanding	371,277.3809
Net asset value per distribution share	426.73

Number of capitalisation shares "Institutional B Shares" outstanding	736,803.3192
Net asset value per capitalisation share "Institutional B Shares"	870.61

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

## KBC BONDS CORPORATES EURO

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	17,027,055.49
Commissions received	4,116,902.45
Total income	21,143,957.94

#### **Expenses**

Management fees	4,292,353.24
Custodian fees	135,405.28
Banking charges and other fees	3,016.91
Transaction fees	3,963.42
Central administration costs	126,686.02
Professional fees	3,849.83
Other administration costs	30,000.34
Subscription duty ("taxe d'abonnement")	90,904.14
Other taxes	423,062.41
Interest paid on bank overdrafts	2,201.52
Other expenses	8,432.70
Total expenses	5,119,875.81

Net investment income	16,024,082.13
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#### **Net realised gain/(loss)**

- on securities portfolio	21,310,093.85
- on futures contracts	-4,741,150.00
Realised result	32,593,025.98

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

- on securities portfolio	-2,726,339.80
- on futures contracts	-81,000.00
Result of operations	29,785,686.18

Dividends paid	-2,817,808.69
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Subscriptions	808,789,728.96
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Redemptions	-882,419,512.68
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Total changes in net assets	-46,661,906.23
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Total net assets at the beginning of the period	894,667,429.69
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Total net assets at the end of the period	848,005,523.46
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The accompanying notes are an integral part of these financial statements.



## KBC BONDS CORPORATES EURO

### Statistical information (in EUR)

as at 31st March 2015

<b>Total net assets</b>	
- as at 31.03.2015	848,005,523.46
- as at 30.09.2014	894,667,429.69
- as at 30.09.2013	930,207,698.49
<b>Portfolio Turnover Rate (in %)</b>	
- as at 31.03.2015	-5.70
<b>Number of capitalisation shares</b>	
- outstanding at the beginning of the period	52,868.2690
- issued	12,952.8699
- redeemed	-10,522.1408
- outstanding at the end of the period	55,298.9981
<b>Net asset value per capitalisation share</b>	
- as at 31.03.2015	869.85
- as at 30.09.2014	846.04
- as at 30.09.2013	772.13
<b>TER per capitalisation share (in %)</b>	
- as at 31.03.2015	1.03
<b>Number of distribution shares</b>	
- outstanding at the beginning of the period	433,861.0298
- issued	11,924.2680
- redeemed	-74,507.9169
- outstanding at the end of the period	371,277.3809
<b>Net asset value per distribution share</b>	
- as at 31.03.2015	426.73
- as at 30.09.2014	421.53
- as at 30.09.2013	395.82
<b>TER per distribution share (in %)</b>	
- as at 31.03.2015	1.02
<b>Dividends paid to distribution shares</b>	
Ex-dividend date	01.10.2014
Dividend per share	6.50
Shares outstanding at dividend date	433,509.0298
<b>Number of capitalisation shares "Institutional B Shares"</b>	
- outstanding at the beginning of the period	787,836.9130
- issued	927,248.8060
- redeemed	-978,282.3998
- outstanding at the end of the period	736,803.3192
<b>Net asset value per capitalisation share "Institutional B Shares"</b>	
- as at 31.03.2015	870.61
- as at 30.09.2014	846.69
- as at 30.09.2013	772.68
<b>TER per capitalisation share "Institutional B Shares" (in %)</b>	
- as at 31.03.2015	0.99

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

## KBC BONDS CORPORATES EURO

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Investments in securities</b>					
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Bonds</b>					
EUR	1,000,000	A2A SpA 3.625% EMTN Sen 13/13.01.22	1,017,600.00	1,159,045.00	0.14
EUR	4,200,000	A2A SpA 4.375% EMTN 13/10.01.21	4,578,200.00	4,976,349.00	0.59
EUR	5,000,000	ABN AMRO Bank NV 4.75% EMTN Sen 12/11.01.19	5,407,817.65	5,803,350.00	0.68
EUR	4,700,000	ABN AMRO Bank NV 7.125% EMTN 12/06.07.22	5,469,069.15	6,374,868.50	0.75
EUR	5,500,000	Accor SA 2.625% Sen 14/05.02.21	5,794,701.79	5,961,477.50	0.70
EUR	750,000	Achmea BV VAR EMTN Sub 15/04.02.Perpetual	749,760.00	799,736.25	0.09
EUR	1,300,000	Aegon NV VAR EMTN Sub 14/25.04.44	1,310,209.78	1,453,413.00	0.17
EUR	1,000,000	Aéroport de Paris 2.75% Sen 13/05.06.28	1,058,550.00	1,177,535.00	0.14
EUR	3,500,000	Aéroport de Paris 3.125% EMTN Sen 12/11.06.24	4,030,299.00	4,203,517.50	0.50
EUR	3,700,000	Allianz Finance II BV VAR EMTN 11/08.07.41	3,962,989.86	4,551,795.50	0.54
EUR	3,431,000	Allianz Finance II BV VAR Ser XW Sub 05/17.02.Perpetual	3,585,394.70	3,628,333.97	0.43
EUR	3,500,000	Allianz SE VAR 12/17.10.42	4,081,345.00	4,398,677.50	0.52
EUR	2,000,000	Allianz SE VAR Reg S Sub 13/24.10.Perpetual	2,207,500.00	2,340,470.00	0.28
EUR	1,800,000	America Movil SAB de CV 3% Sen 12/12.07.21	1,924,560.00	2,036,835.00	0.24
EUR	700,000	America Movil SAB de CV 3.259% Sen 13/22.07.23	730,190.82	830,343.50	0.10
EUR	1,500,000	America Movil SAB de CV 4.75% 10/28.06.22	1,741,500.00	1,902,525.00	0.22
EUR	6,500,000	America Movil SAB de CV VAR Ser A 13/06.09.73	6,968,762.67	7,091,565.00	0.84
EUR	1,000,000	America Movil SAB de CV VAR Sub Ser B 13/06.09.73	1,050,000.00	1,230,775.00	0.14
EUR	1,750,000	Anheuser-Busch InBev SA 8.625% EMTN 09/30.01.17	2,038,994.16	2,019,613.75	0.24
EUR	4,404,000	Aquarius + Inv Zurich VAR EMTN 13/02.10.43	4,367,561.40	5,199,164.22	0.61
EUR	2,500,000	ASR Nederland NV VAR Sub 14/30.09.Perpetual	2,513,340.00	2,714,312.50	0.32
EUR	2,000,000	Assicurazioni Generali SpA 2.875 EMTN Sen 14/14.01.20	2,112,796.67	2,202,280.00	0.26
EUR	5,500,000	Assicurazioni Generali SpA 4.125% EMTN Sen Sub 14/04.05.26	5,726,750.00	6,303,852.50	0.74
EUR	3,000,000	Assicurazioni Generali SpA VAR EMTN Sen 12/12.12.42	3,749,925.00	3,898,740.00	0.46
EUR	2,000,000	AT&T Inc 1.3% Sen 15/05.09.23	1,992,380.00	2,007,600.00	0.24
EUR	8,500,000	Atlantia SpA 4.5% EMTN 12/08.02.19	9,339,450.00	9,798,502.50	1.16
EUR	3,700,000	Axa SA VAR 14/07.11.Perpetual	3,302,575.43	4,084,097.00	0.48
EUR	1,500,000	Axa SA VAR EMTN Ser 33 Sub 13/04.07.43	1,882,500.00	1,850,985.00	0.22
EUR	1,500,000	Axa SA VAR Sub 10/16.04.40	1,370,091.69	1,749,525.00	0.21
EUR	4,000,000	BAA Funding Ltd VAR EMTN Reg S A8 Ser 1 08/15.02.20	4,504,900.00	4,479,640.00	0.53
EUR	7,500,000	Bank of America Corp 4.75% EMTN Sen 10/03.04.17	8,100,717.65	8,157,712.50	0.96
EUR	2,500,000	Barclays Bank Plc 6% EMTN Ser 164 Tr 1 08/23.01.18	2,636,502.38	2,851,687.50	0.34
EUR	3,500,000	Barclays Bank Plc 6.625% EMTN 11/30.03.22	4,086,262.68	4,577,072.50	0.54
EUR	2,000,000	BAT Intl Finance Plc 4.875% EMTN 09/24.02.21	2,472,900.00	2,478,640.00	0.29
EUR	1,600,000	Bayer AG VAR Reg S Sub 15/02.04.75	1,591,984.00	1,593,120.00	0.19
EUR	4,000,000	Bayer AG VAR Sub 14/01.07.74	4,127,250.00	4,383,380.00	0.51
EUR	3,000,000	BBVA Senior Finance SA 2.375% EMTN Sen 14/22.01.19	3,061,566.75	3,210,735.00	0.38
EUR	4,000,000	BBVA Subordinated Capital SA VAR Reg S Sub 14/11.04.24	4,105,367.50	4,235,680.00	0.50
EUR	3,025,000	BG Energy Capital Plc VAR Sen 12/30.11.72	3,256,578.18	3,350,399.25	0.39
EUR	3,000,000	BHP Billiton Finance Ltd 2.25% EMTN 12/25.09.20	3,200,810.00	3,270,555.00	0.39
EUR	3,500,000	BMW Finance NV 1.5% EMTN Ser 761 Sen 12/05.06.18	3,561,225.00	3,625,842.50	0.43
EUR	3,000,000	BNP Paribas Cardiff VAR Sub 14/25.11.Perpetual	3,176,100.00	3,197,055.00	0.38
EUR	5,000,000	BNP Paribas SA 2.25% Ser 16402 14/13.01.21	5,354,000.00	5,446,750.00	0.64
EUR	3,000,000	BNP Paribas SA 2.375% EMTN Sub 15/17.02.25	3,024,705.00	3,068,220.00	0.37
EUR	1,500,000	BNP Paribas SA VAR EMTN Sub 14/20.03.26	1,546,905.00	1,576,020.00	0.19
EUR	3,500,000	BPCE SA 3% EMTN Sen 14/19.07.24	3,825,423.00	4,154,080.00	0.49
EUR	2,000,000	BPCE SA 4.625% Sub 13/18.07.23	2,178,400.00	2,417,430.00	0.28
EUR	2,000,000	Bq Fédérative du Crédit Mutuel 3% EMTN Sub 14/21.05.24	2,099,220.00	2,209,350.00	0.26
EUR	2,000,000	Casino Guichard Perrachon 2.33% EMTN Sen 14/07.02.25	2,000,000.00	2,118,800.00	0.25
EUR	400,000	Casino Guichard Perrachon 3.248% EMTN 14/07.03.24	400,000.00	456,704.00	0.05
EUR	3,400,000	Casino Guichard Perrachon 3.311% EMTN Sen 13/25.01.23	3,524,250.00	3,884,313.00	0.45
EUR	2,000,000	Casino Guichard Perrachon 4.726% EMTN Sen 11/26.05.21	2,077,040.00	2,430,150.00	0.29
EUR	1,000,000	China Construction Bk Corp Ltd 1.5% EMTN Sen 15/11.02.20	999,380.00	1,017,065.00	0.12
EUR	3,800,000	Cie Fin et Ind des Autoroutes 5% 06/24.05.21	4,069,420.00	4,765,979.00	0.56
EUR	1,500,000	Citigroup Inc 2.125% EMTN Sen 14/10.09.26	1,492,935.00	1,603,770.00	0.19
EUR	5,000,000	Citigroup Inc 7.375% EMTN Sen 09/04.09.19	6,309,735.00	6,463,150.00	0.76
EUR	1,000,000	Citigroup Inc VAR EMTN Reg-S Ser 20 05/25.02.30	1,089,500.00	1,189,190.00	0.14
EUR	5,000,000	Cloverie Plc 1.75% EMTN Sen 14/16.09.24	5,107,280.00	5,313,000.00	0.63

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

## KBC BONDS CORPORATES EURO

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
EUR	5,870,000	CNOOC Curtis Fding No1 Pty Ltd 2.75% Reg S Sen 13/03.10.20	6,052,846.00	6,438,098.60	0.76
EUR	2,000,000	CNP Assurances VAR 06/22.12.Perpetual	2,097,500.00	2,086,660.00	0.25
EUR	1,400,000	CNP Assurances VAR Sub 14/05.06.45	1,409,871.00	1,559,971.00	0.18
EUR	1,000,000	CNP Assurances VAR Sub 14/18.11.Perpetual	1,076,000.00	1,064,765.00	0.13
EUR	2,200,000	Coca-Cola Co 0.75% Sen 15/09.03.23	2,195,072.00	2,205,973.00	0.26
EUR	4,000,000	Commonwealth Bank of Australia 1.625% EMTN 13/04.02.19	4,132,800.00	4,185,440.00	0.49
EUR	1,000,000	Credit Agricole SA 5.875% EMTN 09/11.06.19	1,163,026.19	1,203,600.00	0.14
EUR	4,000,000	CRH Finance BV 5% EMTN Reg S Ser 3 12/25.01.19	4,604,800.00	4,646,680.00	0.55
EUR	5,000,000	CS AG London 1.375% Sen 14/31.01.22	5,029,000.00	5,174,550.00	0.61
EUR	7,000,000	CS London 1.375% Sen 14/29.11.19	7,020,258.00	7,242,410.00	0.85
EUR	4,200,000	DAA Finance Plc 6.5872% 08/09.07.18	4,976,367.08	5,006,253.00	0.59
EUR	5,000,000	Daimler AG 4.125% EMTN 10/19.01.17	5,414,637.50	5,351,000.00	0.63
EUR	3,100,000	Danske Bank A/S VAR EMTN Reg S Sub 14/19.05.26	3,119,378.00	3,290,882.50	0.39
EUR	1,250,000	Danske Bank A/S VAR Reg S Sub 13/04.10.23	1,292,650.00	1,358,300.00	0.16
EUR	1,000,000	Delta Lloyd NV VAR EMTN 14/13.06.Perpetual	992,500.00	999,235.00	0.12
EUR	1,500,000	Deutsche Bank AG 1.25% EMTN Sen 14/08.09.21	1,491,030.00	1,529,317.50	0.18
EUR	2,500,000	Deutsche Bank AG 5% EMTN 10/24.06.20	2,457,333.33	2,933,712.50	0.35
EUR	1,250,000	DnB Bank ASA 4.75% EMTN Reg-S 12/08.03.22	1,240,077.27	1,341,437.50	0.16
EUR	4,900,000	E.On Intl Finance BV 5.75% EMTN 08/07.05.20	6,017,902.77	6,169,075.50	0.73
EUR	850,000	Eastern Creation II Inv Hgs Ltd 1% EMTN Reg S 15/19.03.18	848,028.00	851,334.50	0.10
EUR	4,100,000	Electricité de France 3.875% EMTN 12/18.01.22	4,615,506.16	4,971,393.50	0.59
EUR	6,000,000	Electricité de France 4% EMTN 10/12.11.25	5,890,560.00	7,650,030.00	0.90
EUR	1,000,000	Electricité de France 4.5% EMTN Sen 10/12.11.40	1,059,000.00	1,603,830.00	0.19
EUR	750,000	Electricité de France 5.625% EMTN Ser 56 Tr 1 03/21.02.33	799,125.00	1,230,510.00	0.14
EUR	4,500,000	Electricité de France VAR EMTN Sub 13/29.01.Perpetual	4,884,147.00	5,315,602.50	0.62
EUR	2,000,000	ELM BV VAR EMTN Lk Swiss Life Ser 100 07/12.04.Perpetual	2,150,000.00	2,146,840.00	0.25
EUR	7,000,000	Emirates Telecommunicat Corp 1.75% EMTN Sen 14/18.06.21	7,225,500.00	7,384,160.00	0.87
EUR	1,500,000	Enagas Financiaciones SAU 2.5% EMTN Sen 14/11.04.22	1,589,025.00	1,662,255.00	0.20
EUR	1,000,000	EnBW Energie Baden-Wuerttem AG VAR EMTN Reg S 14/02.04.76	992,360.00	1,034,960.00	0.12
EUR	4,828,000	Enel Finance Intl NV 1.966% Reg S Ser 78 /27.01.25	4,846,258.18	5,127,263.58	0.60
EUR	3,000,000	Enel Finance Intl SA 5% EMTN 09/14.09.22	3,330,000.00	3,842,745.00	0.45
EUR	2,250,000	ENEL SpA 5.625% EMTN Ser 36 07/21.06.27	2,318,160.00	3,289,173.75	0.39
EUR	1,000,000	ENI SpA 3.625% EMTN Sen 14/29.01.29	993,740.00	1,260,045.00	0.15
EUR	1,750,000	ENI SpA 3.75% EMTN 12/27.06.19	1,907,754.89	1,985,313.75	0.23
EUR	1,500,000	ENI SpA 3.75% EMTN Reg S Ser 12 13/12.09.25	1,777,395.00	1,878,900.00	0.22
EUR	1,250,000	ENI SpA 4.25% EMTN 12/03.02.20	1,427,625.00	1,465,475.00	0.18
EUR	3,000,000	Ferrovial Emisiones SA 3.375% EMTN 13/07.06.21	3,168,000.00	3,425,220.00	0.40
EUR	6,300,000	Gas Natural Capital Mks SA 5.125% EMTN R-S S7 T1 09/02.11.21	6,733,224.44	7,984,179.00	0.94
EUR	1,500,000	Gas Natural SDG SA 5% EMTN 12/13.02.18	1,667,439.00	1,694,452.50	0.20
EUR	2,000,000	GDF Suez 1.5% EMTN Ser 12/20.07.17	2,042,000.00	2,060,230.00	0.24
EUR	3,000,000	GDF Suez 2.625% EMTN Sen 12/20.07.22	3,334,200.00	3,427,695.00	0.40
EUR	2,500,000	GDF Suez FRN 13/10.07.Perpetual	2,458,550.00	2,659,762.50	0.31
EUR	3,000,000	GDF Suez SA VAR Ser NC10 14/02.06.Perpetual	3,056,968.50	3,271,200.00	0.39
EUR	3,000,000	GE Capital European Funding 2.625% EMTN Reg S 13/15.03.23	3,128,333.33	3,433,155.00	0.40
EUR	1,000,000	GE Capital European Funding 6.025% EMTN 08/01.03.38	1,521,270.00	1,862,755.00	0.22
EUR	6,319,000	GE Capital Trust IV VAR Ser REGS 10/15.09.66	5,813,010.52	6,588,568.54	0.78
EUR	5,000,000	General Electric Capital Corp 6% EMTN Sen 08/15.01.19	5,345,040.84	6,050,050.00	0.71
EUR	1,000,000	GlaxoSmithKline Capital Plc 5.625% EMTN Ser 11 07/13.12.17	1,175,920.00	1,147,845.00	0.14
EUR	2,500,000	Glencore Finance (Europe) SA 1.75% EMTN Sen 15/17.03.25	2,481,650.00	2,489,200.00	0.29
EUR	4,000,000	Goldman Sachs Group Inc 2.875% EMTN Reg S Sen 14/03.06.26	3,953,400.00	4,573,080.00	0.54
EUR	2,500,000	Goldman Sachs Group Inc 3.25% EMTN Sen 13/01.02.23	2,782,500.00	2,880,100.00	0.34
EUR	2,625,000	Goldman Sachs Group Inc 4.75% Sub 06/12.10.21	2,003,349.36	3,153,871.88	0.37
EUR	2,000,000	Goldman Sachs Group Inc 6.375% EMTN Sen 08/02.05.18	2,392,283.46	2,359,820.00	0.28
EUR	2,000,000	Hera SpA 3.25% EMTN Reg S Sen 13/04.10.21	2,068,900.00	2,293,030.00	0.27
EUR	1,000,000	Hera SpA 4.5% Sen 09/03.12.19	1,064,300.00	1,173,440.00	0.14
EUR	2,000,000	Hera SpA 5.2% EMTN Sen 13/29.01.28	2,248,400.00	2,799,550.00	0.33
EUR	3,000,000	HSBC Bank Plc 3.875% EMTN 11/24.10.18	3,225,489.75	3,374,370.00	0.39
EUR	5,000,000	HSBC France 1.875% EMTN Sen 13/16.01.20	5,275,000.00	5,316,825.00	0.63

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

## KBC BONDS CORPORATES EURO

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
EUR	4,500,000	HSBC Holdings Plc VAR EMTN 100124	4,785,275.00	4,818,037.50	0.57
EUR	8,000,000	Hutchison Wh Europe Fin 13 Ltd VAR Sub 13/10.05.Perpetual	8,063,866.67	8,264,920.00	0.97
EUR	2,000,000	Hutchison Whampoa Intl 14 1.375% Sen 14/31.10.21	1,994,960.00	2,046,620.00	0.24
EUR	2,500,000	Hutchison Whampoa Ltd 3.625% Sen 12/06.06.22	2,930,000.00	2,959,262.50	0.35
EUR	3,600,000	Iberdrola Intl BV 4.25% EMTN 12/11.10.18	3,846,730.29	4,074,444.00	0.48
EUR	4,250,000	Imperial Tobacco Finance Plc 4.5% EMTN Sen 11/05.07.18	4,710,387.14	4,790,345.00	0.56
EUR	3,000,000	ING Bank NV 3.5% EMTN Sub 13/21.11.23	2,991,750.00	3,222,285.00	0.38
EUR	4,000,000	ING Bank NV 4.25% EMTN Sen 12/13.01.17	4,183,105.00	4,288,900.00	0.51
EUR	5,200,000	ING Bank NV VAR EMTN Sub 14/25.02.26	5,358,834.50	5,752,708.00	0.68
EUR	1,500,000	Intesa Sanpaolo SpA 1.125% Reg S Sen 15/04.03.22	1,494,585.00	1,497,495.00	0.18
EUR	3,000,000	Intesa Sanpaolo SpA 2% EMTN Sen 14/18.06.21	3,120,000.00	3,160,305.00	0.37
EUR	6,500,000	Intesa Sanpaolo SpA 4.375% EMTN Reg S Sen 12/15.10.19	7,210,760.00	7,495,150.00	0.88
EUR	4,500,000	Intesa Sanpaolo SpA 4.75% EMTN Ser 356 GMTN 07/15.06.17	4,390,400.30	4,910,062.50	0.58
EUR	1,000,000	Intesa Sanpaolo Vita SpA VAR Sub 14/17.12.Perpetual	1,000,000.00	1,087,015.00	0.13
EUR	3,000,000	IPIC GMTN Ltd 3.625% EMTN Reg-S Sen 12/30.05.23	3,082,126.37	3,560,955.00	0.42
EUR	6,000,000	IPIC GMTN Ltd 5.875% EMTN 11/14.03.21	7,527,236.57	7,704,420.00	0.91
EUR	2,500,000	Johnson & Johnson 4.75% Sen 07/06.11.19	2,983,759.16	3,012,900.00	0.36
EUR	2,000,000	KBC Group NV VAR EMTN Reg S Sub 15/11.03.27	1,989,880.00	1,990,080.00	0.23
EUR	1,500,000	Kering 1.375% EMTN Sen 14/01.10.21	1,516,080.00	1,549,215.00	0.18
EUR	2,000,000	Koninklijke KPN NV 4.5% EMTN Sen 11/04.10.21	2,234,498.67	2,451,170.00	0.29
EUR	1,500,000	Linde Finance BV VAR 06/14.07.66	1,657,084.01	1,626,330.00	0.19
EUR	7,500,000	Lloyds Bank Plc 1% EMTN Sen 14/19.11.21	7,468,650.00	7,600,425.00	0.90
EUR	2,800,000	Lloyds Bank Plc 6.5% 10/24.03.20	3,287,467.93	3,489,486.00	0.41
EUR	5,500,000	Luxottica Group SpA 3.625% EMTN 12/19.03.19	6,165,500.00	6,194,402.50	0.73
EUR	2,000,000	Merck Fin Services GmbH 4.5% EMTN 10/24.03.20	2,395,400.00	2,389,740.00	0.28
EUR	2,500,000	Merck KGaA VAR Reg S Sub 14/12.12.74	2,629,150.00	2,696,037.51	0.32
EUR	5,000,000	Microsoft Corp 2.125% Sen 13/06.12.21	5,131,816.67	5,498,700.00	0.65
EUR	2,000,000	Microsoft Corp 3.125% Sen 13/06.12.28	2,247,000.00	2,522,160.00	0.30
EUR	1,800,000	Mondelez Intl Inc 1.625% Sen 15/08.03.27	1,780,830.00	1,815,903.00	0.21
EUR	5,000,000	Morgan Stanley 1.875% Sen 14/30.03.23	5,039,710.00	5,251,750.00	0.62
EUR	2,000,000	Morgan Stanley 5.375% EMTN 10/10.08.20	2,198,600.00	2,468,730.00	0.29
EUR	3,000,000	Morgan Stanley 6.5% Ser G 08/28.12.18	3,481,855.00	3,660,360.00	0.43
EUR	2,000,000	Morgan Stanley Group Inc 4.375% EMTN Ser G 06/12.10.16	1,700,236.36	2,124,300.00	0.25
EUR	3,000,000	Muenchener Rueckver AG REG 6.25% EMTN 12/26.05.42	3,870,000.00	3,883,215.00	0.46
EUR	3,500,000	Munich Reinsurance Co VAR EMTN 11/26.05.41	3,646,266.91	4,358,830.00	0.51
EUR	2,000,000	Munich Reinsurance Co VAR Sub 07/12.06.Perpetual	2,163,800.00	2,188,250.00	0.26
EUR	3,600,000	National Australia Bank Ltd VAR EMTN Sen 08/26.06.23	4,029,960.00	4,254,588.00	0.51
EUR	1,000,000	Nationwide Building Society VAR EMTN Sub 13/20.03.23	1,083,100.00	1,079,850.00	0.13
EUR	2,000,000	Nederlandse Gasunie NV 2.625% EMTN Reg S Ser 8 12/13.07.22	2,177,242.21	2,277,330.00	0.27
EUR	1,000,000	NN Group NV 1% EMTN Sen 15/18.03.22	997,580.00	997,185.00	0.12
EUR	2,000,000	NN Group NV VAR Sub 14/08.04.44	2,090,000.00	2,256,150.00	0.27
EUR	4,049,000	Nordea Bank AB 1.375% EMTN Reg S Ser 257 Sen 13/12.04.18	4,179,213.10	4,185,815.71	0.49
EUR	2,500,000	Nordea Bank AB 4% EMTN Sen 12/11.07.19	2,660,808.33	2,881,075.00	0.34
EUR	1,000,000	Novartis Finance SA 0.75% Reg S Sen 14/09.11.21	991,340.00	1,016,350.00	0.12
EUR	2,175,000	Nykredit Realkredit AS 1.75% EMTN Ser JCB 13/28.01.19	2,220,457.50	2,220,607.13	0.27
EUR	2,000,000	OMV AG VAR EMTN Perpetual	2,235,000.00	2,225,450.00	0.26
EUR	4,500,000	Orange 3% EMTN 12/15.06.22	4,761,640.59	5,201,392.50	0.61
EUR	1,000,000	Orange 8.125% EMTN Ser 55 Tr 1 03/28.01.33	1,505,500.00	1,900,740.00	0.22
EUR	3,300,000	Orange VAR Reg S Sub 14/01.10.Perpetual	3,263,700.00	3,768,864.00	0.44
EUR	1,500,000	Orange VAR Reg S Sub 14/07.02.Perpetual	1,541,100.00	1,609,282.50	0.19
EUR	500,000	Orange VAR Sub Sen 14/07.02.Perpetual	495,260.00	576,602.50	0.07
EUR	2,500,000	Petroleos Mexicanos 3.75% Reg S Sen 14/16.04.26	2,636,655.00	2,777,700.00	0.33
EUR	3,500,000	Petroleos Mexicanos 5.5% 05/24.02.25	4,051,993.75	4,440,100.00	0.53
EUR	5,500,000	Pfizer Inc 5.75% 09/03.06.21	7,154,097.50	7,211,875.00	0.85
EUR	3,000,000	Philip Morris Intl Inc 2.875% Sen 12/30.05.24	3,169,965.00	3,466,335.00	0.41
EUR	2,400,000	Philip Morris Intl Inc 2.875% Sen 14/14.05.29	2,383,584.00	2,848,488.00	0.34
EUR	2,000,000	Priceline Group Inc (The) 1.8% Sen 15/03.03.27	1,999,360.00	1,995,300.00	0.24
EUR	5,000,000	Priceline Group Inc (The) 2.375% 14/23.09.24	5,436,150.00	5,382,825.00	0.63
EUR	4,000,000	Procter & Gamble Co 2% Reg-S Sen 12/16.08.22	4,190,980.00	4,393,100.00	0.52
EUR	7,000,000	Rabobank Intl Equity Deriv 4% EMTN Sen 12/11.01.22	8,148,032.37	8,539,720.00	1.00
EUR	1,500,000	Rabobank Nederland NV 4.125% EMTN 12/14.09.22	1,598,667.50	1,768,935.00	0.21
EUR	8,600,000	Rabobank Nederland NV 4.125% EMTN Sen 10/14.01.20	9,526,410.40	10,036,673.00	1.18

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

## KBC BONDS CORPORATES EURO

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
EUR	5,700,000	Rabobank Nederland NV VAR 14/26.05.26	5,702,739.40	5,918,481.00	0.70
EUR	2,500,000	Red Electrica Financiacion SAU 4.875% EMTN Reg S 11/29.04.20	2,912,500.00	3,028,700.00	0.35
EUR	4,500,000	Repsol Intl Finance BV 3.625% EMTN Sen 13/07.10.21	5,118,428.57	5,192,505.00	0.61
EUR	3,000,000	Roche Holdings Inc 6.5% EMTN 09/04.03.21	4,014,153.75	4,044,225.00	0.48
EUR	6,000,000	Royal Bank of Scotland Gr Plc 5.375% EMTN Sen 09/30.09.19	6,724,946.67	7,243,470.00	0.85
EUR	1,000,000	Ryanair Ltd 1.125% EMTN Sen 15/10.03.23	994,080.00	993,835.00	0.12
EUR	3,300,000	Ryanair Ltd 1.875% EMTN Sen 14/17.06.21	3,358,602.00	3,478,464.00	0.41
EUR	9,000,000	Sabir Capital BV 2.75% Reg S Sen 13/20.11.20	9,502,654.09	9,856,035.00	1.16
EUR	2,000,000	Santander Consumer Fin SA 0.9% Reg S Sen 15/18.02.20	1,996,120.00	2,009,620.00	0.24
EUR	7,000,000	Santander Intl Debt SA 4% EMTN Sen 13/24.01.20	8,022,000.00	8,099,735.00	0.95
EUR	1,500,000	Santander Issuances SA Unipers 2.5% EMTN 15/18.03.25	1,485,645.00	1,536,210.00	0.18
EUR	3,950,000	Siemens Financieringsmaatsc NV VAR 06/14.09.66	3,816,909.41	4,198,632.75	0.49
EUR	4,500,000	Sinopec Gr Ov Dev (2013) Ltd 2.625% Reg S Sen 13/17.10.20	4,752,600.00	4,919,985.00	0.58
EUR	2,500,000	Skandinaviska Enskilda Banken VAR EMTN Reg s 14/28.05.26	2,518,115.00	2,637,712.50	0.31
EUR	1,600,000	Snam SpA 3.375% EMTN 13/29.01.21	1,801,280.00	1,819,464.00	0.21
EUR	3,100,000	Snam SpA 5% EMTN 12/18.01.19	3,567,477.30	3,606,617.50	0.43
EUR	3,000,000	SPP Infrastruct Financing BV 3.75% Reg S Sen 13/18.07.20	3,251,400.00	3,273,060.00	0.38
EUR	1,500,000	Suez Environnement Co VAR Sub 14/23.06.Perpetual	1,489,890.00	1,560,300.00	0.18
EUR	8,000,000	Svenska Handelsbanken AB 4.375% EMTN Sen 11/20.10.21	8,895,655.69	9,913,520.00	1.17
EUR	4,000,000	Svenska Handelsbanken AB VAR Sub 14/15.01.24	4,120,300.00	4,210,220.00	0.50
EUR	3,500,000	Telefonica Emisiones SA 2.242% EMTN Sen 14/27.05.22	3,500,000.00	3,788,960.00	0.45
EUR	2,000,000	Telefonica Emisiones SA 2.932% EMTN Reg S Sen 14/17.10.29	2,000,000.00	2,317,500.00	0.27
EUR	6,000,000	Telefonica Emisiones SA 3.987% EMTN Sen 13/23.01.23	6,166,471.76	7,257,990.00	0.86
EUR	2,000,000	Telefonica Emisiones SA 4.797% EMTN 12/21.02.18	2,100,780.00	2,244,720.00	0.26
EUR	1,500,000	Telenor ASA 2.75% EMTN Sen 12/27.06.22	1,491,855.00	1,718,880.00	0.20
EUR	2,455,000	Telstra Corp Ltd 3.5% EMTN Reg-S Sen 12/21.09.22	2,791,335.09	2,935,087.53	0.35
EUR	5,200,000	Telstra Corp Ltd 4.25% EMTN 10/23.03.20	6,108,571.94	6,155,162.00	0.73
EUR	1,500,000	Terna Rete Elettr Nazionale SpA 2.875% EMTN 12/16.02.18	1,573,125.00	1,603,477.50	0.19
EUR	2,500,000	Total Infrastruct Gaz France 4.339% Sen 11/07.07.21	2,868,000.00	3,017,112.50	0.36
EUR	4,600,000	Total SA VAR 15/29.12.49	4,600,000.00	4,668,862.00	0.55
EUR	1,350,000	TVO Power Co 2.5% EMTN Sen 14/17.03.21	1,348,864.50	1,425,404.25	0.17
EUR	6,000,000	Unibail-Rodamco SE 2.5% EMTN Sen 14/04.06.26	6,133,320.00	6,812,340.00	0.80
EUR	2,000,000	Unicredit SpA 3.25% EMTN Sen 14/14.01.21	2,012,468.59	2,241,500.00	0.27
EUR	6,550,000	Unicredit SpA 4.875% EMTN Ser 5Y 12/07.03.17	6,866,046.07	7,086,870.75	0.84
EUR	2,500,000	Vale SA 3.75% EMTN Sen 12/10.01.23	2,628,750.00	2,660,400.00	0.32
EUR	3,000,000	Valeo SA 3.25% EMTN Sen 14/22.01.24	3,235,500.00	3,547,890.00	0.42
EUR	1,200,000	Vattenfall AB VAR Reg S Sub 15/19.03.77	1,200,000.00	1,204,914.00	0.15
EUR	1,400,000	Verizon Communications Inc 3.25% EMTN 14/17.02.26	1,408,076.20	1,675,450.00	0.20
EUR	4,700,000	Volkswagen Intl Finance NV VAR 14/24.03.Perpetual	5,013,010.30	5,360,068.00	0.63
EUR	3,000,000	Volkswagen Intl Finance NV VAR Sub 31/09.04.Perpetual	2,976,390.00	3,201,240.00	0.38
EUR	6,500,000	Volkswagen Leasing GmbH 3.25% EMTN 11/10.05.18	6,963,633.44	7,082,985.00	0.83
EUR	3,000,000	Votorantim Cimentos SA 3.25% Reg S 14/25.04.21	2,976,351.43	3,017,280.00	0.36
EUR	3,000,000	Wells Fargo & Co 2.25% EMTN Reg S Sen 13/03.09.20	3,073,950.00	3,260,295.00	0.38
EUR	3,500,000	WPP Fin 2013 3% EMTN Reg S Ser1 13/20.11.23	3,835,226.11	4,087,457.50	0.48
EUR	2,200,000	WPP Fin Deutschland GmbH 1.625% EMTN Reg S Sen 15/23.03.30	2,171,136.00	2,187,009.00	0.26
<b>Total bonds</b>			<b>746,315,391.59</b>	<b>793,657,255.67</b>	<b>93.59</b>

### Transferable securities dealt in on another regulated market

#### **Bonds**

EUR	1,500,000	Abertis Infraestructuras SA 4.75% 12/25.10.19	1,773,150.00	1,772,505.00	0.21
EUR	700,000	Bayer Capital Corp BV 1.25% EMTN 14/13.11.23	697,102.00	730,604.00	0.09
EUR	7,000,000	BNP Paribas SA 2% EMTN Sen 13/28.01.19	7,259,053.90	7,410,725.00	0.87
EUR	500,000	GE Capital Trust II VAR Reg S Sub 10/15.09.67	488,650.00	547,382.50	0.06
EUR	1,000,000	IBM Corp 1.25% Sen 14/26.05.23	997,780.00	1,034,115.00	0.12
EUR	3,400,000	NGG Finance Plc VAR Sub 13/18.06.76	3,593,307.20	3,741,105.00	0.44
<b>Total bonds</b>			<b>14,809,043.10</b>	<b>15,236,436.50</b>	<b>1.79</b>

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

## KBC BONDS CORPORATES EURO

### Statement of investments and other net assets (in EUR) (continued) as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Open-ended investment funds</u></b>					
<b>Investment funds (UCI)</b>					
EUR	14,000	KBC Participation Europe Fin Bond Opp Cap	5,464,382.51	13,704,040.00	1.62
<b>Total investment funds (UCI)</b>			5,464,382.51	13,704,040.00	1.62
Total investments in securities			766,588,817.20	822,597,732.17	97.00
Cash at banks				11,957,948.18	1.41
Other net assets/(liabilities)				13,449,843.11	1.59
Total				848,005,523.46	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

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#### **Review**

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

The fund recorded a strong performance during the first half of the financial year, helped by the appreciation of most currencies against the euro and by rising bond prices.

This positive result was mainly the result of the quantitative easing programme in the euro area, where the ECB finally decided to begin a large-scale European government bond purchase programme. This caused the euro to depreciate against most other currencies, while interest rates fell further. The Swiss franc, in particular, appreciated strongly over the reporting period after the Swiss central bank ceased its interventions in the exchange rate market. Sterling also strengthened thanks to the relatively robust performance of the British economy. The Swedish krona, and especially the Norwegian krone, were the proverbial exceptions to the rule, both depreciating slightly against the euro. The main reason for this was the aggressive monetary policy in Sweden in response to the low inflation rate, and the sharp fall in the oil price in Norway. The combination of the ECB's quantitative easing programme and low inflation led to a further fall in bond yields in the various countries.

#### **Outlook**

We expect the good performance of the sub-fund to be maintained in the second half of the financial year thanks to a further appreciation of the majority of currencies against the euro, while interest rates could remain low as a result of the ECB's government bond purchase programme.

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

## KBC BONDS EUROPE EX-EMU

### Statement of net assets (in EUR)

as at 31st March 2015

#### Assets

Securities portfolio at market value	45,443,729.61
Cash at banks	105,477.81
Other liquid assets	46,933.00
Receivable on issues of shares	1,105.82
Income receivable on portfolio	640,911.95
Unrealised gain on futures contracts	8,300.00
Total assets	46,246,458.19

#### Liabilities

Payable on redemptions of shares	35,022.07
Expenses payable	44,327.50
Total liabilities	79,349.57
Net assets at the end of the period	46,167,108.62

Number of capitalisation shares outstanding	7,088.8643
Net asset value per capitalisation share	1,112.34
Number of distribution shares outstanding	48,496.1529
Net asset value per distribution share	533.34
Number of capitalisation shares "Institutional B Shares" outstanding	11,148.0000
Net asset value per capitalisation share "Institutional B Shares"	1,113.81

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



## KBC BONDS EUROPE EX-EMU

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	827,617.54
Interest on bank accounts	52.71
Commissions received	3,915.44
Other income	4,849.50
Total income	836,435.19

#### **Expenses**

Management fees	173,356.98
Custodian fees	7,773.68
Banking charges and other fees	714.49
Transaction fees	21.25
Central administration costs	7,292.90
Professional fees	177.84
Other administration costs	5,369.74
Subscription duty ("taxe d'abonnement")	9,082.91
Other taxes	17,542.80
Interest paid on bank overdrafts	779.48
Other expenses	1,023.60
Total expenses	223,135.67

Net investment income	613,299.52
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#### **Net realised gain/(loss)**

- on securities portfolio	269,260.42
- on futures contracts	35,650.00
- on forward foreign exchange contracts	-8,950.19
- on foreign exchange	7,037.30
Realised result	916,297.05

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

- on securities portfolio	3,645,866.67
- on futures contracts	8,300.00
- on forward foreign exchange contracts	-16.90

Result of operations	4,570,446.82
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Dividends paid	-673,314.93
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Subscriptions	643,167.80
---------------	------------

Redemptions	-6,021,257.63
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Total changes in net assets	-1,480,957.94
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Total net assets at the beginning of the period	47,648,066.56
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Total net assets at the end of the period	46,167,108.62
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS EUROPE EX-EMU

### Statistical information (in EUR)

as at 31st March 2015

<b>Total net assets</b>	
- as at 31.03.2015	46,167,108.62
- as at 30.09.2014	47,648,066.56
- as at 30.09.2013	54,162,446.79
<b>Portfolio Turnover Rate (in %)</b>	
- as at 31.03.2015	6.46
<b>Number of capitalisation shares</b>	
- outstanding at the beginning of the period	7,789.8477
- issued	180.7642
- redeemed	-881.7476
- outstanding at the end of the period	7,088.8643
<b>Net asset value per capitalisation share</b>	
- as at 31.03.2015	1,112.34
- as at 30.09.2014	1,007.97
- as at 30.09.2013	921.72
<b>TER per capitalisation share (in %)</b>	
- as at 31.03.2015	0.99
<b>Number of distribution shares</b>	
- outstanding at the beginning of the period	56,128.5773
- issued	289.0000
- redeemed	-7,921.4244
- outstanding at the end of the period	48,496.1529
<b>Net asset value per distribution share</b>	
- as at 31.03.2015	533.34
- as at 30.09.2014	495.27
- as at 30.09.2013	462.62
<b>TER per distribution share (in %)</b>	
- as at 31.03.2015	0.99
<b>Dividends paid to distribution shares</b>	
Ex-dividend date	01.10.2014
Dividend per share	12.00
Shares outstanding at dividend date	56,109.5773
<b>Number of capitalisation shares "Institutional B Shares"</b>	
- outstanding at the beginning of the period	11,889.0000
- issued	274.0000
- redeemed	-1,015.0000
- outstanding at the end of the period	11,148.0000
<b>Net asset value per capitalisation share "Institutional B Shares"</b>	
- as at 31.03.2015	1,113.81
- as at 30.09.2014	1,009.11
- as at 30.09.2013	922.39
<b>TER per capitalisation share "Institutional B Shares" (in %)</b>	
- as at 31.03.2015	0.95

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

## KBC BONDS EUROPE EX-EMU

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Investments in securities</b>					
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Bonds</b>					
BGN	2,000,000	KBC Ifima SA 7.6% EMTN Ser 3595 08/30.07.15	1,022,421.21	1,047,434.56	2.27
CHF	1,000,000	EIB 3.375% Sen 07/15.10.27	1,057,905.88	1,336,779.58	2.89
CHF	250,000	KFW AG 2.125% 06/15.02.16	221,292.42	245,643.44	0.53
CHF	2,200,000	KFW AG 2.5% EMTN 05/25.08.25	2,154,960.77	2,637,227.91	5.71
CHF	300,000	KFW AG 2.75% Sen 07/16.02.37	331,876.65	425,232.51	0.92
			3,766,035.72	4,644,883.44	10.05
CZK	7,500,000	Czech Republic 3.85% Ser 61 10/29.09.21	342,809.29	337,489.85	0.73
CZK	54,000,000	Czech Republic 4.6% Ser 41 03/18.08.18	2,313,119.42	2,261,867.74	4.90
CZK	22,000,000	Czech Republic 5.7% Ser 58 09/25.05.24	1,155,996.61	1,192,003.33	2.58
CZK	15,000,000	KBC Ifima SA 3.87% EMTN Sub 05/18.05.16	502,094.70	570,167.90	1.23
			4,314,020.02	4,361,528.82	9.44
DKK	10,325,000	Denmark 1.5% 12/15.11.23	1,378,766.05	1,544,661.03	3.35
DKK	6,100,000	Denmark 3% T-Bond 11/15.11.21	919,663.27	978,448.41	2.12
			2,298,429.32	2,523,109.44	5.47
GBP	1,800,000	Italia 6% EMTN 98/04.08.28	3,042,309.52	3,176,280.64	6.88
GBP	450,000	United Kingdom 2.25% Sen 13/07.09.23	575,457.03	658,681.59	1.43
GBP	3,875,000	United Kingdom 3.75% T-Stock 09/07.09.19	5,405,702.30	5,999,767.37	13.00
GBP	4,500,000	United Kingdom 4.25% T-Stock 09/07.09.39	6,666,439.50	8,558,598.62	18.54
			15,689,908.35	18,393,328.22	39.85
NOK	7,000,000	Norway 3% Ser 476 14/14.03.24	902,343.74	918,715.40	1.99
NOK	13,000,000	Norway 3.75% 10/25.05.21	1,967,711.47	1,727,450.13	3.74
NOK	5,000,000	Norway 4.25% 06/19.05.17	761,609.79	619,060.28	1.34
NOK	8,100,000	Norway 4.5% 08/22.05.19	1,112,541.72	1,068,047.61	2.31
			4,744,206.72	4,333,273.42	9.38
PLN	5,500,000	Poland 4% Ser DS1023 12/25.10.23	1,392,734.73	1,537,437.67	3.33
PLN	10,000,000	Poland Government Bd 5.5% Ser 1019 08/25.10.19	2,403,513.81	2,846,542.89	6.17
			3,796,248.54	4,383,980.56	9.50
SEK	14,500,000	Sweden 2.25% Ser 1056 11/01.06.32	1,781,048.31	1,946,711.05	4.22
SEK	12,500,000	Sweden 3.5% Ser 1054 10/01.06.22	1,654,999.04	1,667,580.44	3.61
SEK	8,500,000	Sweden 4.5% Ser 1049 04/12.08.15	1,040,832.11	933,931.46	2.02
			4,476,879.46	4,548,222.95	9.85
SKK	35,000,000	Rabobank Nederland NV 4.2% EMTN Ser 1559A 06/08.03.26	943,403.65	1,207,968.20	2.62
Total investments in securities			41,051,552.99	45,443,729.61	98.43
Cash at banks				105,477.81	0.23
Other net assets/(liabilities)				617,901.20	1.34
Total				46,167,108.62	100.00

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

## **KBC BONDS CONVERTIBLES**

### **Investment policy and outlook**

from 1st October 2014 to 31st March 2015

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#### ***Review***

The reporting period was a buoyant one for the stock markets. The launch of the quantitative easing programme by the European Central Bank brought the last of the major central banks into action. The total programme is equivalent to 12% of European GDP, compared with 22% in the now expired Fed programme in the US and 39% in the ongoing Japanese programme. European stock markets rallied strongly in anticipation of the flood of newly printed euros. The yield on government bonds, which will be bought up in large quantities by the ECB, steadily declined. Germany can now borrow for ten years at 0.2%, and the Belgian government is still only paying 0.44% for the same period. Countries in Southern Europe saw their interest rates drop even further. The underlying economic numbers are now also looking better in Europe. One possible fly in the ointment is Greece. The consensus is that a solution will be found which keeps Greece in the euro area, but given the complexity of the situation, the risk of surprises cannot be ruled out.

Somewhat unexpectedly, we have seen spreads on government bonds widening in recent months, reflecting the fact that investors are demanding a higher coupon for these bonds. One possible explanation lies in the surfeit of new issues, combined with the low absolute levels for long-dated bonds issued by financially healthy companies. There is a dearth of buyers for these latter bonds. Spreads on corporate bonds also diverged in the US, where companies are having to contend with the strong dollar and sharply falling oil price. These trends have a positive or negative impact on businesses, depending on the sector in which they operate. However, the strong growth of the US shale gas industry in recent years means that many businesses are being affected directly or indirectly by the very low oil price.

Convertible bonds performed reasonably well in this environment. The rise on the stock markets had a positive effect on prices, as did narrowing yields on government bonds. This limited the negative impact of the widening credit spreads. The duration of the fund is however on the low side, at roughly two years. The US dollar strengthened substantially, providing a strong boost for the fund, which has a position of roughly 50% in the currency.

#### ***Outlook***

Over the next few months we will be looking in particular for confirmation of economic recovery outside the US. Within the US, we are starting to see the first tentative signs of rising wages, a clear harbinger of a fundamentally stronger economy. In this climate, we expect US government bond yields to rise only slightly toward the end of the year. The European Central Bank is likely to continue pursuing a policy that provides further support for the economy and thus keeps interest rates low.

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

## KBC BONDS CONVERTIBLES

### Statement of net assets (in EUR)

as at 31st March 2015

#### Assets

Securities portfolio at market value	129,376,620.29
Cash at banks	1,582,907.56
Other liquid assets	296,240.09
Receivable on sales of securities	379,254.84
Receivable on issues of shares	2,722.73
Income receivable on portfolio	358,383.82
Unrealised gain on futures contracts	5,485.15
Total assets	132,001,614.48

#### Liabilities

Bank overdrafts	323,835.22
Payable on treasury transactions	451,028.00
Payable on redemptions of shares	221,446.16
Unrealised loss on forward foreign exchange contracts	9,839.48
Expenses payable	169,892.15
Total liabilities	1,176,041.01

Net assets at the end of the period	130,825,573.47
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Number of capitalisation shares outstanding	48,817.4343
Net asset value per capitalisation share	879.50

Number of distribution shares outstanding	78,223.1432
Net asset value per distribution share	689.51

Number of capitalisation shares "Euro Hedged" outstanding	11,739.5537
Net asset value per capitalisation share "Euro Hedged"	726.98

Number of distribution shares "Euro Hedged" outstanding	44,412.5907
Net asset value per distribution share "Euro Hedged"	572.37

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

## KBC BONDS CONVERTIBLES

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	795,257.83
Interest on bank accounts	778.28
Commissions received	26,925.27
Other income	1,504.00
Total income	824,465.38

#### **Expenses**

Management fees	653,554.09
Custodian fees	19,480.51
Banking charges and other fees	1,273.52
Transaction fees	481.34
Central administration costs	18,283.35
Professional fees	456.54
Other administration costs	7,055.16
Subscription duty ("taxe d'abonnement")	30,786.15
Other taxes	52,940.41
Interest paid on bank overdrafts	6,377.98
Other expenses	1,513.52
Total expenses	792,202.57

Net investment income	32,262.81
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#### **Net realised gain/(loss)**

- on securities portfolio	5,936,072.97
- on futures contracts	102,457.45
- on forward foreign exchange contracts	-3,654,625.80
- on foreign exchange	185,122.67
Realised result	2,601,290.10

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

- on securities portfolio	12,959,875.63
- on futures contracts	17,508.18
- on forward foreign exchange contracts	-9,839.48

Result of operations	15,568,834.43
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Dividends paid	-1,264,794.37
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Subscriptions	13,541,528.50
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Redemptions	-14,978,631.97
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Total changes in net assets	12,866,936.59
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Total net assets at the beginning of the period	117,958,636.88
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Total net assets at the end of the period	130,825,573.47
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS CONVERTIBLES

### Statistical information (in EUR)

as at 31st March 2015

<b>Total net assets</b>	
- as at 31.03.2015	130,825,573.47
- as at 30.09.2014	117,958,636.88
- as at 30.09.2013	132,011,559.73
<b>Portfolio Turnover Rate (in %)</b>	
- as at 31.03.2015	84.58
<b>Number of capitalisation shares</b>	
- outstanding at the beginning of the period	39,912.6251
- issued	14,013.2008
- redeemed	-5,108.3916
- outstanding at the end of the period	48,817.4343
<b>Net asset value per capitalisation share</b>	
- as at 31.03.2015	879.50
- as at 30.09.2014	749.91
- as at 30.09.2013	694.37
<b>TER per capitalisation share (in %)</b>	
- as at 31.03.2015	1.33
<b>Number of distribution shares</b>	
- outstanding at the beginning of the period	85,312.1627
- issued	2,044.8711
- redeemed	-9,133.8906
- outstanding at the end of the period	78,223.1432
<b>Net asset value per distribution share</b>	
- as at 31.03.2015	689.51
- as at 30.09.2014	597.44
- as at 30.09.2013	564.15
<b>TER per distribution share (in %)</b>	
- as at 31.03.2015	1.34
<b>Dividends paid to distribution shares</b>	
Ex-dividend date	01.10.2014
Dividend per share	9.50
Shares outstanding at dividend date	85,121.1627
<b>Number of capitalisation shares "Euro Hedged"</b>	
- outstanding at the beginning of the period	13,262.8564
- issued	3.8877
- redeemed	-1,527.1904
- outstanding at the end of the period	11,739.5537
<b>Net asset value per capitalisation share "Euro Hedged"</b>	
- as at 31.03.2015	726.98
- as at 30.09.2014	688.30
- as at 30.09.2013	662.67
<b>TER per capitalisation share "Euro Hedged" (in %)</b>	
- as at 31.03.2015	1.33
<b>Number of distribution shares "Euro Hedged"</b>	
- outstanding at the beginning of the period	50,694.5907
- issued	643.0000
- redeemed	-6,925.0000
- outstanding at the end of the period	44,412.5907

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

## KBC BONDS CONVERTIBLES

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

as at 31st March 2015

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

- as at 31.03.2015	572.37
- as at 30.09.2014	550.96
- as at 30.09.2013	541.41

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

- as at 31.03.2015	1.34
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#### Dividends paid to distribution shares "Euro Hedged"

Ex-dividend date	01.10.2014
Dividend per share	9.00
Shares outstanding at dividend date	50,682.5907

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



## KBC BONDS CONVERTIBLES

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Investments in securities</b>					
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Bonds</b>					
EUR	500,000	Abengoa SA 6.25% Conv EMTN Reg S Ser ABG 13/17.01.19	482,500.00	648,397.50	0.50
EUR	400,000	Acciona SA 3% Conv Reg S Ser ANA 14/30.01.19	458,500.00	508,458.00	0.39
EUR	400,000	ACS Actividades Fin 2 BV 1.625% Conv Iberdrola 14/27.03.19	438,400.00	451,646.00	0.35
EUR	400,000	ACS Actividades Finance BV 2.625% Conv Iberdrola 13/22.10.18	445,000.00	477,828.00	0.37
EUR	600,000	Adidas AG 0.25% Conv 12/14.06.19	645,705.00	709,047.00	0.54
EUR	80,000	Air France KLM 2.03% Conv 13/15.02.23	834,946.58	920,343.57	0.70
EUR	249,998	Alcatel-Lucent 0% Conv Ser ALU 14/30.01.19	1,047,890.78	1,140,740.87	0.87
EUR	150,001	Alcatel-Lucent 0.125% Conv Sen 14/30.01.20	616,689.21	683,129.63	0.52
EUR	500,000	Amorim Energia BV 3.375% Conv GalpEner B Reg S 13/03.06.18	536,875.00	490,685.00	0.37
EUR	7,987	Cap Gemini SA 0% Conv 13/01.01.19	572,676.98	704,892.69	0.54
EUR	600,000	CEZ MH BV 0% EMTN Conv MOL Hungarian 14/04.08.17	630,600.00	601,497.00	0.46
EUR	500,000	Deutsche Wohnen AG 0.875% Conv Ser DWNI 14/08.09.21	497,750.00	639,510.00	0.49
EUR	6,015	Fonciere des Regions 0.875% Conv 13/01.04.19	636,467.43	635,931.98	0.49
EUR	7,000	Fonciere des Regions 3.34% Conv Ser FDR 11/01.01.17	585,717.84	741,193.23	0.57
EUR	500,000	Fresenius Medical Care AG & Co KGaA 1.125% Sen 14/31.01.20	501,250.00	612,022.50	0.47
EUR	600,000	Fresenius SE & Co KGaA 0% Conv Reg S 14/24.09.19	638,100.00	750,927.00	0.57
EUR	1,300,000	GBL Verwaltung SA 1.25% Conv GDF Reg S Sen 13/07.02.17	1,324,375.00	1,458,418.00	1.11
EUR	400,000	Immofinanz AG 1.5% Conv Buwog 14/11.09.19	424,600.00	479,828.00	0.37
EUR	170,000	Immofinanz AG 4.25% Conv 11/08.03.18	672,430.32	818,644.56	0.63
EUR	800,000	Industriavaerden AB 1.875% Conv EMTN 11/27.02.17	838,186.67	898,888.00	0.69
EUR	600,000	Marine Harvest ASA 0.875% Conv Reg S Ser MHG 14/06.05.19	660,300.00	714,873.00	0.55
EUR	8,000	Michelin SA 0% Conv 07/01.01.17	1,100,000.00	1,124,716.00	0.86
EUR	6,000	Misarte 3.25% Conv PPR SA Ser PP 10/01.01.16	982,302.50	1,106,625.92	0.84
EUR	400,000	Oci NV 3.875% Conv Reg S Sen 13/25.09.18	479,960.00	486,318.00	0.37
EUR	600,000	OHL Investment SA 4% Conv OHL Mexico SAB Reg S 13/25.04.18	651,000.00	574,008.00	0.44
EUR	1,150,000	Parpublica Part Pub SGPS SA 5.25% Conv GalpEner 10/28.09.17	1,101,762.95	1,280,709.00	0.98
EUR	30,000	Peugeot SA 4.45% Conv 09/01.01.16	818,319.77	857,605.95	0.66
EUR	1,000,000	RAG-Stiftung 0% Conv 14/31.12.18	1,021,000.00	1,099,435.00	0.84
EUR	500,000	RAG-Stiftung 0% EMTN Conv Evonik Indust AG Reg S 15/18.02.21	546,800.00	557,792.50	0.43
EUR	5,944	Rallye SA 1% EMTN Conv Casino Guich Reg S 13/02.10.20	633,127.30	662,800.19	0.50
EUR	500,000	Sargerpar SA 0.375% Conv Gr Bxl Lambert Reg S 13/09.10.18	510,300.00	563,750.00	0.43
EUR	700,000	Solidium Oy 0.5% Conv Sen TeliaSonera AB 12/29.09.15	711,375.00	704,046.00	0.54
EUR	700,000	Steinhoff Finance Hg GmbH 4% Conv Reg S Ser SHF 14/30.01.21	827,625.00	1,076,631.50	0.82
EUR	25,044	Suez Environnement Co 0% Conv Ser SEV 14/27.02.20	518,410.80	536,041.78	0.41
EUR	8,007	Technip SA 0.5% Conv 10/01.01.16	771,675.90	665,936.89	0.51
EUR	2,864	Unibail-Rodamco SE 0% Conv Ormane 14/01.07.21	855,024.00	928,557.49	0.71
EUR	4,500	Unibail-Rodamco SE 0.75% Conv 12/01.01.18	1,029,055.19	1,282,626.65	0.98
			26,046,699.22	28,594,502.40	21.87
GBP	500,000	British Land (Jersey) Ltd 1.5% Conv 12/10.09.17	615,362.84	855,283.30	0.65
GBP	400,000	Intu (JE) Ltd 2.5% Conv Reg S Sen 12/04.10.18	504,640.58	624,725.91	0.48
			1,120,003.42	1,480,009.21	1.13
HKD	4,000,000	ASM Pacific Technology Ltd 2% Conv Sen 14/28.03.19	402,105.07	518,055.57	0.40
HKD	8,000,000	Hengan Intl Group Co Ltd 0% Conv Reg S Sen 13/27.06.18	797,360.04	1,022,461.14	0.78
HKD	4,000,000	Logo Star Ltd 1.5% Conv Fosun Intl Reg S Sen 13/22.11.18	407,661.23	722,952.00	0.55
HKD	6,000,000	Shenzhou Intl Group Ltd 0.5% Conv Sen 14/18.06.19	596,740.23	789,898.23	0.60
HKD	6,000,000	Shine Power International Ltd 0% Conv Sen 14/28.07.19	570,485.76	695,998.08	0.53
HKD	5,000,000	Tong Jie Ltd 0% Conv Shanghai Ind Hgs Ltd Reg S 13/18.02.18	500,988.32	609,311.03	0.47
			3,275,340.65	4,358,676.05	3.33

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

## KBC BONDS CONVERTIBLES

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
JPY	40,000,000	ABC-Mart Inc 0% Conv Reg S Sen 13/05.02.18	348,920.40	478,503.67	0.37
JPY	50,000,000	Advantest Corp 0% Conv Reg S Sen 14/14.03.19	361,069.26	434,699.15	0.33
JPY	50,000,000	Asics Corp 0% Conv Sen 14/01.03.19	392,347.17	510,476.29	0.39
JPY	40,000,000	Ebara Corp 0% Conv Ser 6 13/19.03.18	326,819.91	368,375.95	0.28
JPY	30,000,000	GS Yuasa Corp 0% Conv 14/13.03.19	220,522.50	236,822.26	0.18
JPY	60,000,000	Kawasaki Kisen Kaisha Ltd 0% Sen Conv 13/26.09.18	467,254.07	546,587.62	0.42
JPY	30,000,000	Nagoya Railroad Co Ltd 0% Conv Reg S 13/03.10.23	240,763.32	299,840.17	0.23
JPY	60,000,000	Nagoya Railroad Co Ltd 0% Conv Reg S Sen 14/11.12.24	473,746.07	505,051.58	0.39
JPY	40,000,000	Resorttrust Inc 0% Conv Reg S Sen 14/01.12.21	327,487.19	365,371.50	0.28
JPY	60,000,000	SBI Holdings Inc 0% Conv Sen 13/02.11.17	461,620.16	518,911.68	0.40
JPY	60,000,000	Takashimaya Co Ltd 0% Conv Reg S 13/11.12.18	454,588.24	501,613.92	0.38
JPY	30,000,000	Takashimaya Co Ltd 0% Conv Reg S Sen 13/11.12.20	232,068.09	262,340.35	0.20
JPY	30,000,000	Teijin Ltd 0% Conv Reg S Sen 14/12.12.18	271,817.67	269,280.88	0.21
JPY	30,000,000	Teijin Ltd 0% Conv Sen 14/10.12.21	259,607.86	276,408.89	0.21
JPY	70,000,000	Terumo Corp 0% Conv Reg S 14/06.12.21	559,373.19	599,372.90	0.46
JPY	70,000,000	Terumo Corp 0% Conv Reg S Sen 14/04.12.19	554,686.48	595,259.05	0.45
JPY	60,000,000	Toppan Printing Co Ltd 0% Conv Reg S Sen 13/19.12.16	443,873.32	483,771.17	0.37
JPY	60,000,000	Toppan Printing Co Ltd 0% Conv Sen 13/19.12.19	447,692.50	497,808.28	0.38
JPY	70,000,000	Toray Industries Inc 0% 14/31.08.21	556,566.69	708,384.62	0.54
JPY	60,000,000	Toray Industries Inc 0% Conv 14/30.08.19	460,833.43	572,113.86	0.44
JPY	120,000,000	Yamada Denki Co Ltd 0% Conv Reg S Sen 14/28.06.19	886,219.93	1,054,541.18	0.81
			8,747,877.45	10,085,534.97	7.72
SGD	1,000,000	Capitaland Ltd 1.85% Conv Reg S 13/19.06.20	551,620.87	661,246.65	0.51
SGD	1,000,000	Capitaland Ltd 1.95% Conv Reg S Sen 13/17.10.23	595,458.11	719,323.71	0.55
SGD	500,000	Capitaland Ltd 2.875% Conv 09/03.09.16	327,488.27	343,827.75	0.26
SGD	700,000	Indah Capital Ltd 0% Reg S Conv IHH Healthcare 13/24.10.18	407,466.21	557,685.11	0.43
SGD	500,000	Ruby Assets Pte Ltd 1.6% Conv AsceREIT Uts 10/01.02.17	348,589.39	412,761.37	0.32
			2,230,622.85	2,694,844.59	2.07
USD	400,000	Advanced Semicond Engineer Inc 0% Conv Reg S 13/05.09.18	323,294.13	483,539.99	0.37
USD	300,000	AYC Finance Ltd 0.5% Conv 14/02.05.19	239,544.97	324,103.13	0.25
USD	2,400,000	Billion Express Inv Ltd 0.75% Conv ChiUniHk 10/18.10.15	1,919,948.04	2,245,742.24	1.72
USD	1,000,000	China Ov Fin Inv Cayman IV Ltd 0% Conv Ch Ov L&I 14/04.02.21	731,707.32	1,050,342.35	0.80
USD	1,400,000	DP World Ltd 1.75% Conv Sen 14/19.06.24	1,176,983.11	1,410,707.54	1.08
USD	750,000	ENN Energy Hgs Ltd 0% Conv Sen 13/26.02.18	629,998.85	797,758.40	0.61
USD	500,000	Epistar Corp 0% Conv Ser 2448 13/07.08.18	435,280.43	486,832.18	0.37
USD	300,000	Gunma Bank Ltd (The) 0% Conv Reg S Sen 14/11.10.19	254,216.82	310,905.03	0.24
USD	600,000	HKEx International Ltd 0.5% Conv HKExcCle Reg S 12/23.10.17	501,642.93	704,022.54	0.54
USD	600,000	Holdgrove Limited 1% Conv Cherepovets MK Severst 12/24.09.17	484,177.99	567,044.57	0.43
USD	300,000	Joyo Bank Ltd (The) 0% Conv Sen 14/24.04.19	218,810.40	280,836.56	0.21
USD	1,700,000	Lukoil Intl Fin BV 2.625% Conv Sen 10/16.06.15	1,429,837.49	1,568,942.66	1.20
USD	600,000	National Bank of Abu Dhabi 1% EMTN Conv Reg-S 13/12.03.18	471,823.59	592,177.56	0.45
USD	500,000	Olam Intl Ltd 6% Conv 09/15.10.16	426,610.86	486,764.63	0.37
USD	400,000	Qiagen NV 0.375% Conv Reg S Ser QGEN 14/19.03.19	377,060.68	412,397.41	0.31
USD	500,000	Semiconduct Manufact Intl Corp 0% Conv Reg S Sen 13/07.11.18	412,331.34	513,747.73	0.39
USD	2,000,000	Siemens Financierings NV 1.65% cum Wts Ser WW 12/16.08.19	1,633,827.84	2,138,683.68	1.63
USD	2,000,000	Siemens Financieringsmaatsc NV 1.05% Cum Wts 12/16.08.17	1,608,592.05	2,063,021.09	1.58
USD	500,000	Siliconware Prec Ind Co Ltd 0% Conv Reg S Sen 14/31.10.19	475,853.82	521,116.49	0.40
USD	1,000,000	STMicroelectronics NV 0% Conv Sen 14/03.07.19	829,463.48	991,415.53	0.76
USD	400,000	STMicroelectronics NV 1% Conv 14/03.07.21	413,139.86	404,654.15	0.31
USD	2,000,000	Tesla Motors Inc 1.25% Conv Sen 14/01.03.21	1,437,682.67	1,572,322.89	1.20
USD	500,000	Yamaguchi Financial Group Inc 0% Conv Reg S 13/20.12.18	401,932.22	531,459.31	0.41
USD	500,000	Zhen Ding Technology Hg Ltd 0% Conv Reg S 14/26.06.19	380,528.70	502,806.37	0.38
			17,214,289.59	20,961,344.03	16.01
<b>Total bonds</b>			<b>58,634,833.18</b>	<b>68,174,911.25</b>	<b>52.13</b>

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

## KBC BONDS CONVERTIBLES

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Transferable securities dealt in on another regulated market</b>					
<b>Bonds</b>					
EUR	900,000	Caixabank SA 1% Conv 13/25.11.17	907,650.00	1,044,661.50	0.80
EUR	6,498	Crédit Agricole SA 0% Conv Eurazeo Reg S Sen 13/06.12.16	505,869.30	490,478.79	0.37
EUR	1,300,000	ENI SpA 0.25% EMTN Sen Conv Galp Energia SGPS B 12/30.11.15	1,339,796.25	1,299,850.50	0.99
EUR	1,800,000	ENI SpA 0.625% Conv Snam Sen 13/18.01.16	1,833,886.37	1,955,628.00	1.49
EUR	1,400,000	Magyar Nemzeti Vagyon Zrt 3.375% Conv Chemi Wks 13/02.04.19	1,468,124.62	1,483,965.00	1.13
EUR	600,000	Marine Harvest ASA 2.375% Conv 13/08.05.18	717,800.00	797,997.00	0.61
EUR	500,000	Solidium Oy 0% Conv Sampo Plc A Reg S Sen 14/04.09.18	574,375.00	567,975.00	0.43
EUR	6,500	Technip SA 0.25% Conv 11/01.01.17	693,386.78	630,621.35	0.48
			8,040,888.32	8,271,177.14	6.30
GBP	400,000	J Sainsbury Plc 1.25% Conv Reg S Ser SBRY 14/21.11.19	541,152.75	584,059.56	0.45
JPY	40,000,000	Cyberdine Inc 0% Conv Reg S 14/12.12.17	334,786.44	346,385.19	0.26
JPY	40,000,000	Fukuyama Transporting Co Ltd 0% Conv 12/22.03.17	393,502.92	380,472.97	0.29
JPY	30,000,000	Shionogi & Co Ltd 0% Conv Sen 14/17.12.19	246,696.73	273,369.50	0.21
			974,986.09	1,000,227.66	0.76
USD	1,000,000	Akamai Technologies Inc 0% Conv Sen 14/15.02.19	727,235.16	1,004,140.85	0.77
USD	1,000,000	American Realty Cap Prop Inc 3% Conv Sen 13/01.08.18	763,926.22	908,118.68	0.69
USD	675,000	Ares Capital Corp 5.75% Conv 11/01.02.16	556,898.72	650,677.49	0.50
USD	400,000	BES Finance Ltd 3.5% EMTN Conv Sen BBradesco 12/06.12.15	328,557.78	371,018.68	0.28
USD	600,000	Brocade Communication Syst Inc 1.375% Conv Sen 15/01.01.20	558,734.35	591,073.64	0.45
USD	1,250,000	Cemex SAB de CV 3.25% Ser 144A Conv CemexSAB 11/15.03.16	1,216,919.23	1,308,968.74	1.00
USD	800,000	Cemex SAB de CV 3.75% Conv 11/15.03.18	806,458.58	880,365.18	0.67
USD	2,000,000	Citrix Systems Inc 0.5% Conv Ser 144A 14/15.04.19	1,547,618.52	1,969,462.95	1.51
USD	1,600,000	Cobalt Intl Energy Inc 3.125% Conv 14/15.05.24	1,291,274.67	1,096,121.85	0.84
USD	1,000,000	Ctrip.Com Intl Ltd 1.25% Conv Sen 14/15.10.18	709,077.03	976,049.18	0.75
USD	900,000	General Cable Corp 4.5% Conv 09/15.11.29	820,466.21	675,983.04	0.52
USD	625,000	Hologic Inc 2% Conv Sen 10/15.12.37	570,965.48	858,429.59	0.66
USD	500,000	Hologic Inc 2% Conv Ser 2012 12/01.03.42	379,228.66	577,083.24	0.44
USD	800,000	Illumina Inc 0% Conv 144A Sen 14/15.06.19	662,190.86	826,739.95	0.63
USD	800,000	Illumina Inc 0.50% Conv Ser 144A 14/15.06.21	711,573.94	864,256.37	0.66
USD	2,300,000	Intel Corp VAR Conv Sub 06/15.12.35	2,063,845.46	2,675,066.37	2.04
USD	600,000	Isis Pharmaceuticals Inc 1% Conv Ser 144A 14/15.11.21	628,583.86	650,525.87	0.50
USD	1,000,000	Jarden Corp 1.125% Conv Sen 14/15.03.34	708,625.97	1,109,599.88	0.85
USD	800,000	Jazz Investments I Ltd 1.875% Conv Jazz Pharma 14/15.08.21	716,376.31	871,448.14	0.67
USD	1,000,000	JDS Uniphase Corp 0.625% Conv Sen 14/15.08.33	812,042.08	965,769.25	0.74
USD	600,000	Lam Research Corp 0.5% Conv Sen 12/15.05.16	504,461.61	686,804.23	0.52
USD	1,200,000	Liberty Media Corp 1.375% Conv Sen 13/15.10.23	921,809.48	1,123,502.73	0.86
USD	1,800,000	LinkedIn Corp 0.5% Conv Ser 144A 14/01.11.19	1,478,081.14	1,837,997.11	1.40
USD	2,000,000	Microchip Technology Inc 1.625% Conv Ser 144A 15/15.02.25	1,968,142.93	1,958,246.77	1.50
USD	300,000	Mitsui OSK Lines Ltd 0% Conv Sen 14/24.04.18	217,716.35	269,102.89	0.21
USD	300,000	Mitsui OSK Lines Ltd 0% Conv Sen 14/24.04.20	245,305.01	270,747.59	0.21
USD	1,800,000	NVIDIA Corp 1% Conv Sen 13/01.12.18	1,429,859.94	1,977,241.60	1.51
USD	1,600,000	NXP Semiconductor NV 1% Conv Ser 144A 14/01.12.19	1,415,615.97	1,790,786.72	1.37
USD	800,000	Palo Alto Networks Inc 0% Conv Ser 144A 14/01.07.19	795,019.53	1,061,429.97	0.81
USD	1,200,000	Priceline Group Inc (The) 0.35% Conv Sen 13/15.06.20	910,276.57	1,276,363.13	0.98
USD	1,400,000	Priceline Group Inc (The) 0.9% Conv Ser 144A 14/15.09.21	1,106,709.30	1,258,754.48	0.96
USD	800,000	Qihoo 360 Technology Co Ltd 1.75% Conv ADR Reg S 14/15.08.21	577,338.38	581,055.85	0.44
USD	1,000,000	Red Hat Inc 0.25% Conv Ser 144A Sen 14/01.10.19	876,968.07	1,164,343.93	0.89
USD	1,800,000	Salesforce.com Inc 0.25% Conv Sen 14/01.04.18	1,554,121.55	2,007,173.13	1.53
USD	1,950,000	SanDisk Corp 0.5% Conv 13/15.10.20	1,477,385.24	1,823,094.23	1.39
USD	600,000	ServiceNow Inc 0% Sen Conv 14/01.11.18	458,991.96	687,463.78	0.53
USD	700,000	Shizuoka Bank (The) Ltd 0% Conv Reg S Sen 13/25.04.18	618,665.85	639,938.05	0.49
USD	1,000,000	SolarCity Corp 1.625% Conv Sen 14/01.11.19	725,131.21	831,109.98	0.64

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

## KBC BONDS CONVERTIBLES

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
USD	750,000	Starwood Property Trust Inc 4% Conv Sen 13/15.01.19	603,893.28	802,771.44	0.61
USD	900,000	Starwood Property Trust Inc 4.55% Conv Sen 13/01.03.18	757,511.56	921,798.87	0.70
USD	900,000	SunEdison Inc 0.25% Conv Ser 144A 14/15.01.20	769,246.89	897,161.95	0.69
USD	500,000	SunEdison Inc 2.375% Conv Ser 144A 15/15.04.22	554,568.23	550,556.61	0.42
USD	1,000,000	Tesla Motors Inc 0.25% Conv Sen 14/01.03.19	704,326.58	817,639.39	0.62
USD	750,000	Teva Pharm Fin LLC 0.25% Conv Sen Ser C 06/01.02.26	603,446.62	1,039,205.37	0.79
USD	1,000,000	Twitter Inc 0.25% Conv Ser 144A 14/15.09.19	748,816.10	915,613.21	0.70
USD	1,400,000	Twitter Inc 1% Conv Sen 144A 14/15.09.21	1,098,935.42	1,282,667.10	0.98
USD	700,000	Vipshop Holdings Ltd 1.5% Sen Conv 14/15.03.19	514,316.59	1,018,079.56	0.78
USD	2,000,000	Yahoo Inc 0% Conv 13/01.12.18	1,612,474.16	2,024,696.07	1.55
<b>Total bonds</b>			<u>41,829,734.61</u>	<u>51,346,244.68</u>	<u>39.25</u>
<b>Total investments in securities</b>			<u>51,386,761.77</u>	<u>61,201,709.04</u>	<u>46.76</u>
<b>Total investments in securities</b>			<u>110,021,594.95</u>	<u>129,376,620.29</u>	<u>98.89</u>
<b>Cash at banks</b>				1,582,907.56	1.21
<b>Bank overdrafts</b>				-323,835.22	-0.25
<b>Other net assets/(liabilities)</b>				189,880.84	0.15
<b>Total</b>				<u><u>130,825,573.47</u></u>	<u><u>100.00</u></u>

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

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

### **Investment policy and outlook**

from 1st October 2014 to 31st March 2015

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#### ***Review***

The European economy began the reporting period with what can best be described as a fragile recovery in economic activity. As the fourth quarter progressed, the positive signals from leading indicators such as consumer and producer confidence were confirmed by the hard data. The euro area economy grew by 0.3% in the fourth quarter compared with the previous three months, when it stood at 0.2%. The strongest growth was recorded in Germany, Spain and Ireland, while France and Italy limped along behind.

The news on inflation was less good. The collapse in the oil price, which virtually halved, dragged the consumer price index below zero. Although the fall in energy prices was a blessing for consumers, who saw their purchasing power increase, fears grew of a downward spiral in prices and economic activity. In a bid to eliminate this risk as far as possible, in January 2015 the European Central Bank announced a large-scale programme to purchase government bonds and loans issued by supranational organisations and government agencies.

The market for inflation-linked bonds was volatile during the reporting period. The negative inflation figures had a negative impact on these bonds during the fourth quarter of 2014, as negative inflation rates reduce the coupons and capital repayment. The forecast inflation premium – the projected future inflation rate – was also lowered. When the ECB announced its purchase programme which will also include inflation-linked bonds, sentiment was completely transformed: future inflation projections were raised again and higher inflation figures due to a recovery in oil prices led to a revival in the interest in these bonds.

Issuers of inflation-linked bonds – Germany, France, Italy and Spain – took advantage of this renewed interest by issuing new bonds, mostly with long maturities of ten years or more. Overall, interest rates fell during the first half of the financial year.

#### ***Investment Policy***

At the end of 2014 and the start of the new financial year, the fund was neutrally positioned in terms of interest-rate risk, with Spanish and Italian bonds overweight. Following the ECB announcement, the duration of the fund was increased to around 100% of the market average, while the weighting of Italy was reduced in favour of Spain.

#### ***Outlook***

Assuming there is no repeat of the collapse in the oil price, inflation in the euro area will return to positive territory in the months ahead. The inflation forecasts could also move upwards as the recovery in growth progresses. We accordingly remain fairly optimistic regarding inflation-linked bonds. We continue to prefer Spain and Italy over France and Germany, which are significantly more expensive.

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

## KBC BONDS INFLATION - LINKED BONDS

### Statement of net assets (in EUR)

as at 31st March 2015

#### **Assets**

Securities portfolio at market value	184,663,093.28
Cash at banks	6,767,854.23
Receivable on issues of shares	174,413.39
Income receivable on portfolio	903,060.65
Total assets	192,508,421.55

#### **Liabilities**

Payable on redemptions of shares	3,389,047.96
Expenses payable	95,496.72
Total liabilities	3,484,544.68

Net assets at the end of the period	189,023,876.87
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Number of capitalisation shares outstanding	36,979.4070
Net asset value per capitalisation share	1,010.49

Number of distribution shares outstanding	43,762.9817
Net asset value per distribution share	737.97

Number of capitalisation shares "Institutional B Shares" outstanding	1,006.8650
Net asset value per capitalisation share "Institutional B Shares"	1,013.75

Number of capitalisation shares "Institutional Shares" outstanding	797,101.8869
Net asset value per capitalisation share "Institutional Shares"	148.46

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

## KBC BONDS INFLATION - LINKED BONDS

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	1,337,423.38
Commissions received	3,722.61
Other income	31,473.03
Total income	1,372,619.02

#### **Expenses**

Management fees	445,743.51
Custodian fees	19,738.57
Banking charges and other fees	320.07
Central administration costs	18,369.17
Professional fees	677.84
Other administration costs	8,516.15
Subscription duty ("taxe d'abonnement")	23,401.69
Other taxes	55,821.10
Other expenses	1,937.52
Total expenses	574,525.62

Net investment income	798,093.40
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#### **Net realised gain/(loss)**

- on securities portfolio	4,449,417.55
Realised result	5,247,510.95

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

- on securities portfolio	4,733,858.09
Result of operations	9,981,369.04

Dividends paid	-304,448.88
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Subscriptions	29,806,971.01
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Redemptions	-31,701,268.42
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Total changes in net assets	7,782,622.75
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Total net assets at the beginning of the period	181,241,254.12
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Total net assets at the end of the period	189,023,876.87
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS INFLATION - LINKED BONDS

### Statistical information (in EUR)

as at 31st March 2015

<b>Total net assets</b>	
- as at 31.03.2015	189,023,876.87
- as at 30.09.2014	181,241,254.12
- as at 30.09.2013	170,826,320.03
<b>Portfolio Turnover Rate (in %)</b>	
- as at 31.03.2015	45.08
<b>Number of capitalisation shares</b>	
- outstanding at the beginning of the period	45,574.5607
- issued	675.6954
- redeemed	-9,270.8491
- outstanding at the end of the period	36,979.4070
<b>Net asset value per capitalisation share</b>	
- as at 31.03.2015	1,010.49
- as at 30.09.2014	955.87
- as at 30.09.2013	877.91
<b>TER per capitalisation share (in %)</b>	
- as at 31.03.2015	0.73
<b>Number of distribution shares</b>	
- outstanding at the beginning of the period	50,746.4801
- issued	1,253.1575
- redeemed	-8,236.6559
- outstanding at the end of the period	43,762.9817
<b>Net asset value per distribution share</b>	
- as at 31.03.2015	737.97
- as at 30.09.2014	704.09
- as at 30.09.2013	653.13
<b>TER per distribution share (in %)</b>	
- as at 31.03.2015	0.73
<b>Dividends paid to distribution shares</b>	
Ex-dividend date	01.10.2014
Dividend per share	6.00
Shares outstanding at dividend date	50,741.4801
<b>Number of capitalisation shares "Institutional B Shares"</b>	
- outstanding at the beginning of the period	1,671.0000
- issued	1,462.0000
- redeemed	-2,126.1350
- outstanding at the end of the period	1,006.8650
<b>Net asset value per capitalisation share "Institutional B Shares"</b>	
- as at 31.03.2015	1,013.75
- as at 30.09.2014	958.89
- as at 30.09.2013	880.45
<b>TER per capitalisation share "Institutional B Shares" (in %)</b>	
- as at 31.03.2015	0.69

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



## KBC BONDS INFLATION - LINKED BONDS

**Statistical information (in EUR) (continued)**  
as at 31st March 2015

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

- outstanding at the beginning of the period	714,792.8869
- issued	186,885.0000
- redeemed	-104,576.0000
- outstanding at the end of the period	797,101.8869

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

- as at 31.03.2015	148.46
- as at 30.09.2014	140.38
- as at 30.09.2013	128.75

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

- as at 31.03.2015	0.63
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS INFLATION - LINKED BONDS

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Investments in securities</u></b>					
<b><u>Transferable securities admitted to an official stock exchange listing</u></b>					
<b>Bonds</b>					
EUR	8,000,000	Deutschland ILB 11/15.04.18	8,806,827.14	8,811,059.94	4.66
EUR	5,000,000	Deutschland ILB Sen 15/15.04.26	5,590,000.00	5,643,074.95	2.99
EUR	5,000,000	Deutschland ILB Ser I/L 12/15.04.23	5,212,585.94	5,610,195.52	2.97
EUR	2,500,000	Deutschland ILB Ser I/L 14/15.04.30	2,532,750.00	3,104,395.44	1.64
EUR	4,500,000	Deutschland VAR Lk Inflation Index 09/15.04.20	5,591,581.04	5,562,719.26	2.94
EUR	4,000,000	Espana ILB Sen 14/30.11.19	4,052,545.45	4,133,091.69	2.19
EUR	3,500,000	Espana ILB Sen 14/30.11.24	3,630,588.50	4,075,600.01	2.16
EUR	3,800,000	France ILB OAT 10/25.07.19	4,223,168.56	4,433,111.62	2.35
EUR	2,600,000	France ILB OAT 12/25.07.18	2,591,994.86	2,793,666.61	1.48
EUR	2,000,000	France ILB OAT 13/25.07.24	2,164,752.65	2,221,150.66	1.18
EUR	3,000,000	France ILB OAT 13/25.07.30	2,987,297.63	3,656,549.43	1.93
EUR	10,000,000	France ILB OAT 15/01.03.25	10,477,170.40	10,893,355.20	5.76
EUR	6,000,000	France ILB Ser OAT 10/25.07.22	6,908,404.96	7,415,112.83	3.92
EUR	1,000,000	France ILB Ser OAT 11/25.07.27	1,364,503.45	1,408,229.81	0.75
EUR	2,000,000	France ILB Ser OAT 99/25.07.29	3,200,882.69	4,053,274.46	2.14
EUR	3,200,000	France VAR OAT Inflation Index 02/25.07.32	4,738,018.66	6,618,379.16	3.50
EUR	4,000,000	France VAR OAT Inflation Index 07/25.07.40	4,700,798.50	7,524,763.41	3.98
EUR	2,000,000	France VAR OAT Inflation Index 08/25.07.23	2,522,785.30	2,752,290.36	1.46
EUR	11,800,000	France VAR OAT Lk Eurozone Inflation 04/25.07.20	15,189,770.03	16,735,600.91	8.85
EUR	6,800,000	France VAR OAT Lk French Inflation 05/25.07.17	7,336,636.37	8,040,915.15	4.25
EUR	3,400,000	Italia ILB 09/15.09.41	2,958,644.48	5,387,434.32	2.85
EUR	2,800,000	Italia ILB BPT 11/15.09.26	2,572,317.93	3,916,127.65	2.07
EUR	8,500,000	Italia ILB Ser CPI 10/15.09.21	8,389,443.29	10,457,119.73	5.53
EUR	3,500,000	Italia ILB Ser CPI 11/15.09.16	3,698,888.63	3,851,343.82	2.04
EUR	3,500,000	Italia ILB Ser CPI 13/15.09.18	3,695,025.55	3,762,993.80	1.99
EUR	4,000,000	Italia ILB Ser ICPI 14/23.04.20	4,000,000.00	4,218,619.31	2.23
EUR	4,500,000	Italia VAR BTP Lk CPI Ex Tobacco Index Sen 04/15.09.35	4,424,358.09	7,560,421.07	4.00
EUR	4,800,000	Italia VAR Lk CPI 06/15.09.17	5,002,625.71	5,881,013.11	3.11
EUR	7,600,000	Italia VAR Sen Lk CPI 07/15.09.23	7,450,049.71	10,516,027.79	5.56
EUR	2,400,000	Italia VAR Ser CPI Lk European inflation 08/15.09.19	2,354,205.65	2,944,613.51	1.56
<b>Total bonds</b>			<b>148,368,621.17</b>	<b>173,982,250.53</b>	<b>92.04</b>
<b><u>Transferable securities dealt in on another regulated market</u></b>					
<b>Bonds</b>					
EUR	4,000,000	Espana ILB Sen 15/30.11.30	4,309,962.93	4,352,875.37	2.30
EUR	3,900,000	France ILB Ser BTNi 11/25.07.16	4,009,970.60	4,153,614.76	2.20
EUR	1,800,000	Italia ILB BOT 14/15.09.24	1,792,914.57	2,174,352.62	1.15
<b>Total bonds</b>			<b>10,112,848.10</b>	<b>10,680,842.75</b>	<b>5.65</b>
Total investments in securities			<b>158,481,469.27</b>	<b>184,663,093.28</b>	<b>97.69</b>
Cash at banks				<b>6,767,854.23</b>	<b>3.58</b>
Other net assets/(liabilities)				<b>-2,407,070.64</b>	<b>-1.27</b>
<b>Total</b>				<b>189,023,876.87</b>	<b>100.00</b>

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

### Investment policy and outlook

from 1st October 2014 to 31st March 2015

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#### **Review**

The economic situation in Europe at the start of the fourth quarter of 2014 was significantly different on the two sides of the English Channel. The economy in the UK was running with a reasonable head of steam thanks to domestic demand and buoyed up by a less restrictive fiscal policy and an aggressive monetary policy by the Bank of England, which kept interest rates at around zero and held a substantial proportion of the stock of government bonds.

Some countries in the euro area did perform reasonably well, with Spain and Ireland standing out alongside Germany. But in the other Member States, with heavyweights France and Italy playing the lead roles, the hard data gave little cause for great optimism despite some improvement in the confidence indicators.

The combination of the weakening euro and the collapse of the oil price provided the impetus that consumers in particular sorely needed to relax the purse strings. Retail sales began to pick up significantly from the start of 2015, with sales of big-ticket items such as cars also showing a clear improvement. GNP growth in the euro area stood at 0.3% Q4 compared with the previous quarter, a slight acceleration.

The European Central Bank actively continued to pursue its monetary policy, deploying an ever wider arsenal of resources. In the autumn of 2014 it began purchasing mortgage bonds and Asset Backed Securities. It had cut its deposit interest rate 2-0.2%, meaning that banks had to pay for the privilege of depositing their surplus cash with the ECB. With cheap money assured for three years, this prompted the commercial banks to drive up lending in a bid to kick-start growth in the euro area. Then, in early 2015, ECB President Mario Draghi brought out his famous bazooka: a government bond purchase programme to the tune of no less than 1100 billion euros for a maximum of 18 months. Just about everyone was surprised by the size of the programme.

By contrast, the Bank of England took a fairly neutral stance during the reporting period, with the planned interest rate hike being pushed back until later in 2015. Inflation in both the euro area and the UK remained below expectations, and with weak wage growth the risk of inflation was clearly regarded as less pressing than an extended period of deflation.

#### **Investment Policy**

The interest rate risk in the KBC Bonds Europe fund remained below the market average; loans from core countries such as Germany and France, which were felt to be too expensive, were avoided in favour of EUR-denominated issues by good sovereign debtors offering a higher return. Countries from both within and outside the euro area were well represented, with a relatively strong focus on Central Europe.

The aim for the investments in GBP was to maintain a fairly neutral positioning compared with the market benchmark.

#### **Outlook**

Investments in the core countries of the euro area remain an attractive because of the extremely low interest rates. We continue to prefer good-quality debtors which offer an additional return, and still choose peripheral countries such as Italy and Spain over core markets such as the Benelux, Germany and France.

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

## KBC BONDS EUROPE

### Statement of net assets (in EUR)

as at 31st March 2015

#### Assets

Securities portfolio at market value	33,508,436.61
Cash at banks	421,230.37
Receivable on issues of shares	243.90
Income receivable on portfolio	386,810.32
Total assets	34,316,721.20

#### Liabilities

Payable on redemptions of shares	9,565.02
Expenses payable	28,536.98
Total liabilities	38,102.00

Net assets at the end of the period	34,278,619.20
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Number of capitalisation shares outstanding	41,793.1199
Net asset value per capitalisation share	285.50

Number of distribution shares outstanding	100,650.8643
Net asset value per distribution share	129.87

Number of capitalisation shares "Institutional B Shares" outstanding	32,445.0000
Net asset value per capitalisation share "Institutional B Shares"	285.89

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

## KBC BONDS EUROPE

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	650,577.26
Interest on bank accounts	112.02
Commissions received	1,042.89
Other income	1,434.20
Total income	653,166.37

#### **Expenses**

Management fees	121,883.01
Custodian fees	5,874.69
Banking charges and other fees	413.89
Central administration costs	5,509.23
Professional fees	134.04
Other administration costs	5,276.74
Subscription duty ("taxe d'abonnement")	6,764.22
Other taxes	8,065.03
Interest paid on bank overdrafts	53.28
Other expenses	945.82
Total expenses	154,919.95

Net investment income	498,246.42
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#### **Net realised gain/(loss)**

- on securities portfolio	887,878.37
- on forward foreign exchange contracts	-1,868.53
- on foreign exchange	12,144.33
Realised result	1,396,400.59

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

- on securities portfolio	1,095,792.74
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Result of operations	2,492,193.33
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Dividends paid	-282,030.65
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Subscriptions	1,019,863.73
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Redemptions	-5,339,646.12
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Total changes in net assets	-2,109,619.71
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Total net assets at the beginning of the period	36,388,238.91
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Total net assets at the end of the period	34,278,619.20
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS EUROPE

### Statistical information (in EUR)

as at 31st March 2015

<b>Total net assets</b>	
- as at 31.03.2015	34,278,619.20
- as at 30.09.2014	36,388,238.91
- as at 30.09.2013	38,658,147.07
<b>Portfolio Turnover Rate (in %)</b>	
- as at 31.03.2015	32.67
<b>Number of capitalisation shares</b>	
- outstanding at the beginning of the period	48,135.9995
- issued	3,217.2700
- redeemed	-9,560.1496
- outstanding at the end of the period	41,793.1199
<b>Net asset value per capitalisation share</b>	
- as at 31.03.2015	285.50
- as at 30.09.2014	265.72
- as at 30.09.2013	238.05
<b>TER per capitalisation share (in %)</b>	
- as at 31.03.2015	0.91
<b>Number of distribution shares</b>	
- outstanding at the beginning of the period	112,930.2600
- issued	986.7841
- redeemed	-13,266.1798
- outstanding at the end of the period	100,650.8643
<b>Net asset value per distribution share</b>	
- as at 31.03.2015	129.87
- as at 30.09.2014	123.37
- as at 30.09.2013	113.51
<b>TER per distribution share (in %)</b>	
- as at 31.03.2015	0.92
<b>Dividends paid to distribution shares</b>	
Ex-dividend date	01.10.2014
Dividend per share	2.50
Shares outstanding at dividend date	112,812.2600
<b>Number of capitalisation shares "Institutional B Shares"</b>	
- outstanding at the beginning of the period	36,332.0000
- issued	0.0000
- redeemed	-3,887.0000
- outstanding at the end of the period	32,445.0000
<b>Net asset value per capitalisation share "Institutional B Shares"</b>	
- as at 31.03.2015	285.89
- as at 30.09.2014	266.03
- as at 30.09.2013	238.23
<b>TER per capitalisation share "Institutional B Shares" (in %)</b>	
- as at 31.03.2015	0.88

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

## KBC BONDS EUROPE

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Investments in securities</u></b>					
<b><u>Transferable securities admitted to an official stock exchange listing</u></b>					
<b>Bonds</b>					
EUR	1,400,000	Czech Republic 4.125% EMTN Sen 05/18.03.20	1,417,045.95	1,668,100.00	4.87
EUR	1,950,000	Deutschland 3% 10/04.07.20	2,159,332.32	2,269,897.50	6.62
EUR	800,000	EIB 4.625% EMTN Ser INTL 04/15.04.20	907,840.00	989,400.00	2.89
EUR	1,200,000	Espana 4.2% 05/31.01.37	1,598,400.00	1,698,600.00	4.95
EUR	2,050,000	Espana 5.85% 11/31.01.22	2,113,220.93	2,727,832.50	7.96
EUR	2,500,000	France 3.5% 10/25.04.20	2,859,625.00	2,938,750.00	8.57
EUR	500,000	IBRD 3.875% EMTN Ser GDIF 09/20.05.19	527,345.00	581,942.50	1.70
EUR	1,550,000	Ireland 3.9% T-Bonds 13/20.03.23	1,917,873.00	1,954,705.00	5.70
EUR	4,600,000	Italia 5% BTP 11/01.03.22	4,711,290.96	5,862,470.00	17.10
EUR	750,000	Italia 5.25% BTP Sen 02/01.08.17	786,557.66	837,375.00	2.44
EUR	400,000	Netherlands 4% 05/15.01.37	521,743.37	681,840.00	1.99
EUR	500,000	Oesterreich 4.15% 07/15.03.37	524,019.00	855,100.00	2.49
EUR	1,200,000	Poland 3.625% EMTN 06/01.02.16	1,196,690.61	1,236,540.00	3.61
EUR	1,150,000	Slovakia 4.35% Ser 216 10/14.10.25	1,235,888.57	1,606,607.50	4.69
			22,476,872.37	25,909,160.00	75.58
GBP	1,000,000	EIB 8.75% 95/25.08.17	1,927,957.68	1,642,340.00	4.79
GBP	525,000	United Kingdom 4.25% T-Stock 08/07.12.49	746,068.31	1,069,059.54	3.12
GBP	760,000	United Kingdom 4.25% T-Stock 09/07.09.39	969,572.88	1,445,452.21	4.22
GBP	1,300,000	United Kingdom 6% T-Stock 98/07.12.28	2,402,180.32	2,719,919.39	7.93
			6,045,779.19	6,876,771.14	20.06
SKK	20,000,000	Intesa Sanpaolo SpA 5% EMTN Ser 62 03/24.03.18	669,189.40	722,505.47	2.11
Total investments in securities			29,191,840.96	33,508,436.61	97.75
Cash at banks				421,230.37	1.23
Other net assets/(liabilities)				348,952.22	1.02
Total				34,278,619.20	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

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#### **Review**

The climate for US corporate bonds was shaped by the strong dollar, low oil price and speculation about the first hike in interest rates by the Fed. Following the ending of the quantitative easing programme in the US, it is now a question of waiting for the first policy rate hike by the Fed. That is expected to happen before the end of this year, though the Fed appears to be cautious about raising rates too quickly. Economic growth is relatively strong in the US but inflation remains low and pay rises are limited. Government bond yields have since fallen further, making a substantial positive contribution to the fund return. With a duration of around 6 years the sub-fund is less sensitive to movements in US government interest rates.

Meanwhile, US businesses are having to contend with the strong dollar and sharply falling oil price. These trends have a positive or negative impact on businesses, depending on the sector in which they operate. However, the strong growth of the US shale gas industry in recent years means that many businesses are being affected directly or indirectly by the very low oil price. In this climate, we saw spreads – the additional interest received by investors for taking the extra risk – increase. Investors in high-yield bonds, in particular, issued by companies with a less robust financial position, demanded a higher return and thus a bigger spread. The general widening of spreads made a negative contribution to the fund result.

#### **Outlook**

Over the next few months we will be looking in particular for confirmation of economic recovery outside the US. Within the US, we are starting to see the first tentative signs of rising wages, a clear harbinger of a fundamentally stronger economy. In this climate, we expect US government bond yields to rise only slightly toward the end of the year. The European Central Bank is likely to continue pursuing a policy that provides further support for the economy and thus keeps interest rates low.

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



## KBC BONDS CORPORATES USD

### Statement of net assets (in USD)

as at 31st March 2015

#### Assets

Securities portfolio at market value	278,928,249.27
Cash at banks	5,957,199.26
Other liquid assets	300,761.90
Receivable on issues of shares	661,948.73
Income receivable on portfolio	3,016,017.20
Total assets	288,864,176.36

#### Liabilities

Interest payable on bank overdrafts	21.79
Unrealised loss on futures contracts	75,625.00
Expenses payable	277,257.20
Total liabilities	352,903.99

Net assets at the end of the period	288,511,272.37
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Number of capitalisation shares outstanding	44,208.8964
Net asset value per capitalisation share	1,055.00

Number of distribution shares outstanding	108,915.6484
Net asset value per distribution share	528.45

Number of capitalisation shares "Institutional B Shares" outstanding	174,441.5416
Net asset value per capitalisation share "Institutional B Shares"	1,056.59

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

## KBC BONDS CORPORATES USD

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	9,041,592.80
Interest on bank accounts	4.00
Commissions received	2,176,380.16
Other income	1,250.00
Total income	11,219,226.96

#### **Expenses**

Management fees	1,533,905.14
Custodian fees	64,045.21
Banking charges and other fees	2,025.93
Transaction fees	1,884.29
Central administration costs	59,919.76
Professional fees	1,516.03
Other administration costs	15,102.19
Subscription duty ("taxe d'abonnement")	39,840.51
Other taxes	138,067.24
Interest paid on bank overdrafts	874.33
Other expenses	3,922.61
Total expenses	1,861,103.24

Net investment income	9,358,123.72
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#### **Net realised gain/(loss)**

- on securities portfolio	-1,796,216.53
- on futures contracts	-131,531.25
- on foreign exchange	-12,889.55
Realised result	7,417,486.39

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

- on securities portfolio	5,687,057.78
- on futures contracts	-48,125.00

Result of operations	13,056,419.17
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Dividends paid	-1,992,102.86
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Subscriptions	289,990,094.12
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Redemptions	-401,082,841.70
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Total changes in net assets	-100,028,431.27
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Total net assets at the beginning of the period	388,539,703.64
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Total net assets at the end of the period	288,511,272.37
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS CORPORATES USD

### Statistical information (in USD)

as at 31st March 2015

<b>Total net assets</b>	
- as at 31.03.2015	288,511,272.37
- as at 30.09.2014	388,539,703.64
- as at 30.09.2013	393,634,390.76
<b>Portfolio Turnover Rate (in %)</b>	
- as at 31.03.2015	-16.74
<b>Number of capitalisation shares</b>	
- outstanding at the beginning of the period	69,285.8700
- issued	4,436.2871
- redeemed	-29,513.2607
- outstanding at the end of the period	44,208.8964
<b>Net asset value per capitalisation share</b>	
- as at 31.03.2015	1,055.00
- as at 30.09.2014	1,019.34
- as at 30.09.2013	960.08
<b>TER per capitalisation share (in %)</b>	
- as at 31.03.2015	0.94
<b>Number of distribution shares</b>	
- outstanding at the beginning of the period	132,664.8573
- issued	22,150.5288
- redeemed	-45,899.7377
- outstanding at the end of the period	108,915.6484
<b>Net asset value per distribution share</b>	
- as at 31.03.2015	528.45
- as at 30.09.2014	525.53
- as at 30.09.2013	510.00
<b>TER per distribution share (in %)</b>	
- as at 31.03.2015	0.94
<b>Dividends paid to distribution shares</b>	
Ex-dividend date	01.10.2014
Dividend per share	15.00
Shares outstanding at dividend date	132,806.8573
<b>Number of capitalisation shares "Institutional B Shares"</b>	
- outstanding at the beginning of the period	243,161.5416
- issued	264,349.0000
- redeemed	-333,069.0000
- outstanding at the end of the period	174,441.5416
<b>Net asset value per capitalisation share "Institutional B Shares"</b>	
- as at 31.03.2015	1,056.59
- as at 30.09.2014	1,020.70
- as at 30.09.2013	960.96
<b>TER per capitalisation share "Institutional B Shares" (in %)</b>	
- as at 31.03.2015	0.91

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

## KBC BONDS CORPORATES USD

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Investments in securities</b>					
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Bonds</b>					
USD	500,000	Abbott Laboratories 6.15% Sen 07/30.11.37	666,068.42	683,817.50	0.24
USD	1,250,000	Abu Dhabi National Energy Co 5.875% Ser REG S 06/27.10.16	1,364,330.77	1,336,450.00	0.46
USD	500,000	America Movil SAB de CV 6.125% Sen 10/30.03.40	622,915.00	625,735.00	0.22
USD	1,000,000	American Express Co 6.15% Sen 07/28.08.17	1,153,922.49	1,110,660.00	0.39
USD	1,000,000	Amgen Inc 5.75% Ser Sen 10/15.03.40	1,155,113.60	1,227,580.00	0.43
USD	740,000	Anadarko Petroleum Corp 6.375% Sen 10/15.09.17	866,579.16	823,716.20	0.29
USD	390,000	Apache Corp 6% Sen 07/15.01.37	468,577.45	467,103.00	0.16
USD	870,000	Associates Corp of North Amer 6.95% Sen 98/01.11.18	1,009,600.04	1,014,537.45	0.35
USD	500,000	AstraZeneca Plc 6.45% Sen 07/15.09.37	682,029.40	691,345.00	0.24
USD	3,333	AT&T Inc 2.5% Sen 10/15.08.15	3,428.89	3,354.36	0.00
USD	3,000,000	AT&T Inc 5.8% Sen 09/15.02.19	3,502,860.74	3,401,415.00	1.18
USD	1,110,000	Bank of America Corp 5.625% Ser L 10/01.07.20	1,266,603.10	1,278,686.70	0.44
USD	2,360,000	Bank of America Corp 5.7% Sen 12/24.01.22	2,725,758.95	2,759,772.20	0.96
USD	1,000,000	Bank of America Corp 6.875% MTN Tr 677 08/25.04.18	1,177,623.50	1,144,665.00	0.40
USD	340,000	Bank of America Corp 7.75% Sub 08/14.05.38	425,600.59	492,552.90	0.17
USD	1,780,000	Bank of China (Hong Kong) Ltd 5.55% Ser REGS 10/11.02.20	1,946,838.34	1,982,519.50	0.69
USD	2,000,000	Bank of India London Branch 3.625% Reg S Sen 13/21.09.18	1,939,940.00	2,063,970.00	0.72
USD	1,500,000	Bank of New York Mellon Corp 3.55% MTN Tr 47 Sen 11/23.09.21	1,570,102.66	1,602,052.50	0.56
USD	1,200,000	Bank of Nova Scotia 4.375% Sen 11/13.01.21	1,310,645.91	1,332,636.00	0.46
USD	1,500,000	Barclays Bank Plc 6.75% Sen 09/22.05.19	1,815,859.13	1,777,920.00	0.62
USD	1,500,000	BHP Billiton Finance USA Ltd 2.875% Sen 12/24.02.22	1,447,440.00	1,524,067.50	0.53
USD	3,060,000	BNP Paribas US MTN Program LLC 5% BKNT Tr 714 11/15.01.21	3,417,393.56	3,475,471.50	1.20
USD	1,500,000	Boston Scientific Corp 2.65% Sen 13/01.10.18	1,517,055.00	1,527,427.50	0.53
USD	2,500,000	BP Capital Markets Plc 2.75% 13/10.05.23	2,357,198.04	2,448,500.00	0.85
USD	500,000	British Telecommunications Plc 5.95% Sen 07/15.01.18	578,500.00	559,275.00	0.19
USD	1,000,000	BT Group Plc VAR 00/15.12.30	1,580,125.91	1,644,605.00	0.57
USD	1,000,000	Burlington North Santa Fe LLC 3.85% Sen 13/01.09.23	1,036,130.00	1,081,125.00	0.37
USD	440,000	Burlington North Santa Fe LLC 5.65% 07/01.05.17	512,928.36	481,043.20	0.17
USD	500,000	Capital One Bank 1.3% Sen 14/05.06.17	501,982.00	500,800.00	0.17
USD	500,000	Chevron Corp 1.104% Sen 12/05.12.17	497,650.00	500,560.00	0.17
USD	500,000	Chevron Corp 3.191% 13/24.06.23	495,765.00	521,000.00	0.18
USD	1,280,000	Citigroup Inc 6.125% Sen 07/21.11.17	1,470,058.14	1,423,897.60	0.49
USD	1,680,000	Citigroup Inc 6.125% Sub 06/25.08.36	1,886,304.31	2,038,117.20	0.71
USD	750,000	CNOOC Finance 2013 Ld 4.25% Sen 13/09.05.43	644,752.50	755,812.50	0.26
USD	1,000,000	Coca-Cola Co 3.2% Sen 13/01.11.23	1,059,400.00	1,051,075.00	0.36
USD	1,520,000	Coca-Cola Co 3.3% GI Sen 11/01.09.21	1,672,896.87	1,623,633.60	0.56
USD	310,000	Coca-Cola Enterprises Inc 3.5% Sen 10/15.09.20	324,622.34	329,813.65	0.11
USD	1,000,000	ConocoPhillips 6.5% Sen 09/01.02.39	1,284,722.34	1,352,440.00	0.47
USD	1,760,000	Consolidated Edison Co of New York 5.85% Ser-A 08/01.04.2018	2,036,548.07	1,995,505.60	0.69
USD	2,000,000	Crédit Agricole SA VAR Reg S Sub 13/19.09.33	2,236,500.00	2,277,740.00	0.79
USD	2,500,000	CVS Health Corp 5.75% Sen 07/01.06.17	2,852,579.41	2,745,025.00	0.95
USD	610,000	Daimler Fin North America LLC 8.5% 01/18.01.31	919,547.24	962,787.40	0.33
USD	2,500,000	Deere and Co 3.9% Sen 12/09.06.42	2,446,610.34	2,620,050.00	0.91
USD	500,000	Deutsche Telekom Intl Fin BV 4.875% Reg S Sen 12/06.03.42	549,950.00	562,840.00	0.20
USD	760,000	Deutsche Telekom Intl Fin BV VAR 00/15.06.30	1,130,169.14	1,163,225.60	0.40
USD	1,210,000	DirecTV Hgs Llc Fin Co Inc 5% Sen 11/01.03.21	1,328,705.54	1,346,336.75	0.47
USD	500,000	Dow Chemical Co 4.375% Sen 12/15.11.42	462,707.50	505,067.50	0.18
USD	1,500,000	Du Pont de Nemours (EI) & Co 2.8% Sen 13/15.02.23	1,408,485.00	1,500,517.50	0.52
USD	700,000	Duke Energy Corp 1.625% Sen 12/15.08.17	706,247.71	707,497.00	0.25
USD	250,000	EMC Corp 3.375% Sen 13/01.06.23	243,952.50	258,620.00	0.09
USD	700,000	EnCana Corp 5.9% Sen 07/01.12.17	809,756.92	787,220.00	0.27
USD	1,500,000	Enterprise Products Operat LLC 6.3% Sen 07/15.09.17	1,759,736.12	1,673,955.00	0.58
USD	1,000,000	EQT Corp 4.875% Sen 11/15.11.21	1,060,689.90	1,063,805.00	0.37
USD	1,160,000	Exelon Generation Co LLC 6.2% Sen 07/01.10.17	1,361,912.52	1,286,515.40	0.45
USD	1,050,000	Florida Power Corp 6.4% Sen 08/15.06.38	1,397,420.98	1,497,914.25	0.52
USD	500,000	Gap Inc 5.95% Sen 11/12.04.21	559,815.00	572,075.00	0.20

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

## KBC BONDS CORPORATES USD

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
USD	500,000	General Electric Capital Corp 3.1% GMTN Ser A 13/09.01.23	481,090.00	515,215.00	0.18
USD	2,100,000	General Electric Capital Corp 5.5% Sen 10/08.01.20	2,435,397.90	2,429,437.50	0.84
USD	1,410,000	General Electric Capital Corp 5.875% Tr 806 08/14.01.38	1,577,078.18	1,827,599.70	0.63
USD	500,000	General Mills Inc 5.65% Sen 09/15.02.19	586,650.00	567,425.00	0.20
USD	1,610,000	GlaxoSmithKline Capital Plc 2.85% Sen 12/08.05.22	1,633,334.67	1,636,339.60	0.57
USD	500,000	Goldman Sachs Group Inc 5.75% Sen 12/24.01.22	564,780.00	583,410.00	0.20
USD	1,070,000	Goldman Sachs Group Inc 6.125% Sen 03/15.02.33	1,221,373.73	1,366,823.35	0.47
USD	590,000	Goldman Sachs Group Inc 6.75% 07/01.10.37	640,319.41	772,150.70	0.27
USD	1,000,000	Heineken NV 3.4% Reg S Sen 12/01.04.22	1,046,800.00	1,038,855.00	0.36
USD	500,000	Hess Corp 7.3% Sen 01/15.08.31	622,196.56	616,852.50	0.21
USD	1,200,000	Hewlett-Packard Co 4.65% Sen 11/09.12.21	1,234,337.45	1,315,020.00	0.46
USD	500,000	Historic TW Inc 9.15% Sen 93/01.02.23	684,770.00	685,777.50	0.24
USD	680,000	Home Depot Inc 5.875% Sen 06/16.12.36	847,617.90	902,264.80	0.31
USD	2,590,000	HSBC Holdings Plc 4% Sen 12/30.03.22	2,736,527.40	2,789,002.65	0.97
USD	1,550,000	HSBC Holdings Plc 5.1% Sen 11/05.04.21	1,739,138.81	1,768,309.75	0.61
USD	1,810,000	Ingersoll Rand Global Hg Co Ltd 6.875% Sen 08/15.08.18	2,180,893.78	2,104,966.65	0.73
USD	500,000	Intel Corp 4.8% Sen 11/01.10.41	523,010.00	563,885.00	0.20
USD	2,500,000	Intl Paper Co 7.95% Sen 08/15.06.18	3,086,861.15	2,955,662.50	1.02
USD	1,000,000	IOI Investment Bhd 4.375% EMTN Sen 12/27.06.22	1,037,730.00	1,031,075.00	0.36
USD	1,000,000	IPIC GMTN Ltd 5% Reg S 10/15.11.20	1,087,300.00	1,128,730.00	0.39
USD	1,725,000	Jefferies Group Inc 5.125% Sen 13/20.01.23	1,806,870.40	1,800,184.13	0.62
USD	2,000,000	Johnson & Johnson 3.375% Sen 13/05.12.23	2,131,046.67	2,158,740.00	0.75
USD	1,000,000	Johnson & Johnson 5.55% 07/15.08.17	1,137,800.00	1,108,775.00	0.38
USD	1,000,000	Johnson Controls Inc 3.625% Sen 14/02.07.24	1,043,990.00	1,039,105.00	0.36
USD	5,180,000	JPMorgan Chase & Co 6% Sen 07/15.01.18	5,914,492.27	5,796,161.00	2.01
USD	700,000	JPMorgan Chase & Co 6.4% Sen 07/02.10.17	838,045.61	781,914.00	0.27
USD	500,000	JPMorgan Chase & Co 6.4% Sen 08/15.05.38	620,694.15	670,037.50	0.23
USD	220,000	Kellogg Co 7.45% Ser B 01/01.04.31	294,883.86	297,135.30	0.10
USD	1,190,000	Kinder Morgan Energy Part LP 6.95% DMTN 07/15.01.38	1,437,352.42	1,415,725.15	0.49
USD	1,590,000	Lloyds Bank Plc 5.8% MTN Reg S Tr 2 10/13.01.20	1,797,386.48	1,852,453.35	0.64
USD	1,200,000	Lukoil Intl Fin BV 6.356% Sen 07/07.06.17	1,279,711.12	1,242,654.00	0.43
USD	500,000	Macquarie Bank Ltd 6.625% EMTN Reg S Sub 11/07.04.21	573,445.00	589,067.50	0.20
USD	1,500,000	Macy's Retail Holdings Inc 2.875% Sen 12/15.02.23	1,395,000.00	1,497,045.00	0.52
USD	500,000	Marathon Oil Corp 2.8% Sen 12/01.11.22	491,570.00	488,512.50	0.17
USD	200,000	Marathon Oil Corp 5.9% Sen 08/15.03.18	228,902.11	221,815.00	0.08
USD	978,000	Mondelez Intl Inc 6.875% Reg S Sen 12/26.01.39	1,262,434.73	1,304,667.65	0.45
USD	2,000,000	Morgan Stanley 4.875% MTN Sub Ser F 12/01.11.22	2,125,366.32	2,189,730.00	0.76
USD	1,760,000	Morgan Stanley 6.25% MTN Ser F 06/09.08.26	2,103,207.38	2,207,295.20	0.77
USD	500,000	Morgan Stanley 6.375% Ser F 12/24.07.42	588,950.00	670,875.00	0.23
USD	330,000	New York Life Insurance Co 6.75% Reg S 09/15.11.39	462,145.76	475,558.05	0.16
USD	1,200,000	Nippon Life Insurance Company VAR Reg S 12/18.10.42	1,229,080.49	1,292,304.00	0.45
USD	1,000,000	Noble Energy Inc 5.25% Sen 13/15.11.43	1,066,926.67	1,058,600.00	0.37
USD	200,000	Nomura Holdings Inc 6.7% Sen 10/04.03.20	241,412.00	239,408.00	0.08
USD	2,000,000	Nordea Bank AB 4.875% MTN Reg S Sub Tr 1 11/13.05.21	2,145,140.00	2,200,470.00	0.76
USD	600,000	Norfolk Southern Corp 3.25% Sen 11/01.12.21	623,462.71	627,471.00	0.22
USD	800,000	Orange VAR 02/01.03.31	1,184,031.00	1,237,024.00	0.43
USD	1,100,000	Pernod-Ricard 4.45% Reg S Sen 11/15.01.22	1,143,739.67	1,194,259.00	0.41
USD	1,000,000	Petrobras Global Finance BV 6.875% Sen 09/20.01.40	994,378.00	901,435.00	0.31
USD	1,000,000	Petrobras Global Finance BV 7.875% Sen 09/15.03.19	1,119,632.66	1,017,730.00	0.35
USD	1,500,000	Petroleos Mexicanos 5.5% Ser B 12/27.06.44	1,526,055.00	1,509,367.50	0.52
USD	1,050,000	Petronas Capital Ltd 5.25% Ser REGS 09/12.08.19	1,171,758.42	1,176,735.00	0.41
USD	680,000	Pfizer Inc 5.95% Sen 07/01.04.37	863,568.14	881,909.00	0.31
USD	270,000	Pfizer Inc 7.2% Sen 09/15.03.39	413,997.85	400,512.60	0.14
USD	350,000	Philip Morris Intl Inc 6.375% Sen 08/16.05.38	452,486.47	470,051.75	0.16
USD	1,730,000	Procter & Gamble Co 4.7% Sen 09/15.02.19	1,954,285.46	1,939,174.30	0.67
USD	500,000	QWest Corp 6.875% 93/15.09.33	500,181.50	503,942.50	0.17
USD	1,200,000	Rabobank Nederland NV 5.25% MTN Sen Tr 57 11/24.05.41	1,338,641.26	1,459,812.00	0.51
USD	750,000	Reliance Holdings USA Inc 5.4% Reg S 12/14.02.22	778,182.21	824,006.25	0.29
USD	1,700,000	Rio Tinto Finance USA Ltd 6.5% Sen 08/15.07.18	2,022,059.51	1,953,784.50	0.68
USD	500,000	Rogers Communications Inc 6.8% Sen 08/15.08.18	595,595.56	580,250.00	0.20
USD	2,500,000	Royal Bank of Scotland Plc 5.625% Sen 10/24.08.20	2,844,508.33	2,904,700.00	1.01
USD	500,000	SABIC Capital II BV 2.625% Reg S Sen 13/03.10.18	497,495.00	509,925.00	0.18
USD	1,950,000	Sanofi 4% Sen 11/29.03.21	2,141,271.67	2,147,632.50	0.74
USD	1,260,000	Shell Intl Finance BV 6.375% Sen 08/15.12.38	1,645,394.83	1,744,369.20	0.60

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

## KBC BONDS CORPORATES USD

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
USD	750,000	Sinopec Gr Overs Dev 2012 Ltd 4.875% Reg S Sen 12/17.05.42	709,342.50	844,537.50	0.30
USD	2,000,000	Société Générale 5.2% EMTN Reg-S Tr 1 11/15.04.21	2,250,230.00	2,293,080.00	0.80
USD	2,000,000	Southern Copper Corp 5.25% Sen 12/08.11.42	1,818,635.00	1,831,570.00	0.64
USD	1,300,000	Statoil ASA 2.45% Sen 12/17.01.23	1,204,118.50	1,281,442.50	0.44
USD	2,000,000	Sumitomo Mitsui Banking Corp 3% Sen 13/18.01.23	1,981,640.11	2,015,060.00	0.70
USD	1,000,000	Thermo Fisher Scientific Inc 4.15% Sen 13/01.02.24	1,033,820.00	1,079,695.00	0.37
USD	650,000	Time Warner Cable Inc 6.75% Sen 09/15.06.39	849,249.80	836,670.25	0.29
USD	930,000	Time Warner Inc 7.625% 01/15.04.31	1,252,514.58	1,312,332.30	0.45
USD	1,000,000	Toyota Motor Credit Corp 3.3% MTN Ser B Tr 858 12/12.01.22	1,017,021.56	1,058,835.00	0.37
USD	1,930,000	Union Pacific Corp 4% Sen 10/01.02.21	2,107,022.17	2,127,805.70	0.74
USD	500,000	United Health Group Inc 4.375% Sen 12/15.03.42	499,606.89	549,492.50	0.19
USD	2,500,000	United Technologies Corp 4.5% Sen 10/15.04.20	2,843,018.32	2,805,437.50	0.97
USD	2,830,000	Vale Overseas Ltd 5.625% Sen 09/15.09.19	3,081,433.44	3,017,237.65	1.04
USD	3,000,000	Verizon Communications Inc 2.55% Sen 14/17.06.19	3,052,237.50	3,072,465.00	1.06
USD	500,000	Vodafone Group Plc 4.375% Tr 4 13/19.02.43	493,315.00	494,207.50	0.17
USD	500,000	Vodafone Group Plc 6.15% 07/27.02.37	589,362.11	611,580.00	0.21
USD	1,760,000	Wal-Mart Stores Inc 6.5% Sen 07/15.08.37	2,314,781.88	2,478,731.20	0.86
USD	500,000	Weatherford Intl Ltd 7% Sen 08/15.03.38	592,565.00	478,495.00	0.17
USD	5,000,000	Wells Fargo & Co 5.625% Sen 07/11.12.17	5,655,299.92	5,554,650.00	1.93
USD	1,000,000	Wells Fargo & Co 5.75% MTN Sen Tr 32 08/01.02.18	1,187,075.38	1,118,695.00	0.39
USD	1,000,000	Western Union Co (The) 5.93% 07/01.10.16	1,098,922.14	1,066,445.00	0.37
USD	800,000	Weyerhaeuser Co 4.625% Sen 13/15.09.23	836,560.00	883,060.00	0.31
<b>Total bonds</b>			<b>189,692,213.83</b>	<b>192,176,499.79</b>	<b>66.62</b>

### Transferable securities dealt in on another regulated market

#### Bonds

USD	1,500,000	AbbVie Inc 1.75% Ser B 13/06.11.17	1,510,410.00	1,506,817.50	0.52
USD	2,200,000	Aetna Inc 2.75% Sen 12/15.11.22	2,093,979.42	2,201,683.00	0.76
USD	500,000	Alpek SA de CV 4.5% Reg-S Sen 12/20.11.22	485,850.00	513,150.00	0.18
USD	2,030,000	America Movil SAB de CV 5% Sen 10/16.10.19	2,271,900.07	2,284,633.05	0.79
USD	2,300,000	American Honda Finance Corp 7.625% Ser REGS Tr 8 08/01.10.18	2,880,712.20	2,758,597.00	0.96
USD	620,000	Anheuser Bush Inbe WldWide Inc 8.2% Sen Gtd 11/15.01.39	973,287.27	979,736.40	0.34
USD	2,910,000	Anthem Inc 3.125% Sen Tr1 12/15.05.22	2,918,117.73	2,959,426.35	1.03
USD	500,000	AON Corp 5% Sen 10/30.09.20	568,565.00	565,003.25	0.20
USD	1,750,000	AT&T Inc 5.35% Sen 11/01.09.40	1,840,215.59	1,914,736.25	0.66
USD	500,000	Bank of America Funding Corp 5.65% MTN Ser L 08/01.05.18	563,067.89	554,427.50	0.19
USD	1,500,000	Bank of Montreal 2.55% MTN Ser B Tr 201 12/06.11.22	1,431,286.55	1,496,730.00	0.52
USD	250,000	Berkshire Hathaway Energy Co 6.125% Sen 06/01.04.36	302,828.50	326,963.75	0.11
USD	1,000,000	Boston Prop Ltd Part 3.85% Sen 12/01.02.23	1,040,861.66	1,057,265.00	0.37
USD	400,000	Bristol Myers Squibb Co 3.25% Sen 12/01.08.42	354,406.07	370,914.00	0.13
USD	400,000	CDP Financial Inc 5.6% Reg S Sen 09/25.11.39	504,379.79	533,088.00	0.18
USD	2,000,000	Cencosud SA 4.875% Reg-S Sen 12/20.01.23	1,895,000.00	1,979,880.00	0.69
USD	2,330,000	Cisco Systems Inc 4.95% Sr 09/15.02.19	2,681,196.00	2,623,486.80	0.91
USD	1,780,000	Comcast Corp 6.95% Sen 07/15.08.37	2,406,208.51	2,541,199.20	0.88
USD	2,500,000	Commonwealth Bk of Austr NY Br 2.5% MTN Sen Tr 4 13/20.09.18	2,571,675.00	2,569,687.50	0.89
USD	2,210,000	Deutsche Bk AG London 6% Sen 07/01.09.17	2,586,591.68	2,436,834.40	0.84
USD	700,000	Discovery Communications LLC 4.375% Sen 11/15.06.21	766,025.68	755,643.00	0.26
USD	1,700,000	Eaton Corp 2.75% Sen 13/02.11.22	1,682,085.40	1,706,247.50	0.59
USD	2,500,000	Energy Treansfer Partner LP 3.6% Sen 13/01.02.23	2,408,163.65	2,485,337.50	0.86
USD	1,800,000	Express Scripts Hg Co 3.9% Sen 13/15.02.22	1,882,190.98	1,913,886.00	0.66
USD	1,960,000	Florida Power & Light Co 4.05% 12/01.06.42	1,978,067.60	2,138,683.40	0.74
USD	1,200,000	General Electric Capital Corp 6.75% 02/15.03.32	1,595,112.78	1,663,596.00	0.58
USD	500,000	Gerdau Trade Inc 4.75% Reg S Sen 13/15.04.23	451,250.00	469,245.00	0.16
USD	1,820,000	Goldman Sachs Group Inc 6.15% Sen 08/01.04.18	2,072,484.70	2,046,153.20	0.71
USD	1,900,000	Gr Televisa SA 6.625% Sen 05/18.03.25	2,362,565.31	2,385,526.00	0.83
USD	1,000,000	Halliburton Co 4.75% Sen 13/01.08.43	996,365.00	1,103,375.00	0.38
USD	1,290,000	IBM Corp 4% Sen 12/20.06.42	1,327,726.35	1,300,603.80	0.45
USD	500,000	Kraft Foods Group Inc 3.5% Ser B 13/06.06.22	506,419.82	518,765.00	0.18
USD	1,000,000	Liberty Mutual Group Inc 4.95% Reg S Sen 12/01.05.22	1,067,972.50	1,110,617.50	0.39
USD	1,000,000	Lorillard Tobacco Co 3.75% Sen 13/20.05.23	1,023,380.00	1,018,040.00	0.35
USD	500,000	Marathon Oil Corp 6% Sen 07/01.10.17	587,230.83	551,277.50	0.19

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

## KBC BONDS CORPORATES USD

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
USD	2,500,000	Metlife Inc 4.368% Ser D 13/15.09.23	2,660,872.08	2,776,575.00	0.96
USD	2,480,000	Microsoft Corp 4.2% Sen 09/01.06.19	2,795,223.90	2,748,720.40	0.95
USD	500,000	Mylan Inc 2.6% Ser B 14/24.06.18	509,305.00	510,522.50	0.18
USD	2,000,000	Newmont Mining Corp 4.875% Sen 12/15.03.42	1,673,015.00	1,778,910.00	0.62
USD	1,470,000	Oracle Corp 6.125% Sen 09/08.07.39	1,866,991.71	1,960,355.25	0.68
USD	500,000	Pacificorp 6% 09/15.01.39	619,481.52	674,180.00	0.23
USD	200,000	Pepsico Inc 3.6% Sen 12/13.08.42	184,331.49	195,041.00	0.07
USD	790,000	Petroleos Mexicanos 5.75% Sen 09/01.03.18	887,294.91	868,763.00	0.30
USD	750,000	Petroleos Mexicanos 8% Sen GI 09/03.05.19	953,677.00	899,670.00	0.31
USD	890,000	PG & E Corp 6.05% 04/01.03.34	1,114,154.83	1,165,366.00	0.40
USD	1,000,000	Phillips 66 4.3% Sen 12/01.04.22	1,099,394.40	1,093,445.00	0.38
USD	3,000,000	PNC Funding Corp 3.3% Sen 12/08.03.22	3,012,605.00	3,151,185.00	1.09
USD	2,300,000	Republic Services Inc 3.8% Sen 11/15.05.18	2,494,770.96	2,441,208.50	0.85
USD	300,000	SabMiller Holdings Inc 4.95% Reg-S Sen 12/15.01.42	328,190.90	338,874.00	0.12
USD	2,000,000	Simon Property Group LP 5.65% Sen 10/01.02.20	2,363,301.32	2,315,270.00	0.80
USD	1,000,000	State Street Corp 3.1% Sen 13/15.05.23	935,880.00	1,013,360.00	0.35
USD	1,000,000	Suncor Energy Inc 6.1% Sen 08/01.06.18	1,165,085.83	1,128,475.00	0.39
USD	1,500,000	Time Warner Cable Inc 5.85% Sen 07/01.05.17	1,735,332.25	1,632,435.00	0.57
USD	500,000	Time Warner Inc 4% Sen 11/15.01.22	536,985.00	535,937.50	0.19
USD	1,000,000	Transcanada Pipelines Ltd 6.2% Sen 07/15.10.37	1,209,978.15	1,270,110.00	0.44
USD	1,000,000	Tyson Foods Inc 4.5% 12/15.06.22	1,111,930.00	1,105,855.00	0.38
USD	1,772,000	UBS AG Stamford 4.875% BKNT Sen 10/04.08.20	2,014,821.37	2,006,506.48	0.70
USD	500,000	Weatherford Intl Ltd 6.5% Sen 06/01.08.36	528,505.00	462,532.50	0.16
USD	1,000,000	Western Gas Partners LP 4% Sen	977,080.00	1,023,070.00	0.35
USD	300,000	Wyndham Worlwide Corp 4.25% Sen 12/01.03.22	306,739.57	314,127.00	0.11
<b>Total bonds</b>			<b>85,672,526.72</b>	<b>86,751,749.48</b>	<b>30.06</b>
<b>Bonds in default of payment</b>					
USD	2,500,000	Lehman Brothers Hgs Inc 6.75% 07/28.12.17	2,506,000.00	0.00	0.00
<b>Total bonds in default of payment</b>			<b>2,506,000.00</b>	<b>0.00</b>	<b>0.00</b>
Total investments in securities			<b>277,870,740.55</b>	<b>278,928,249.27</b>	<b>96.68</b>
Cash at banks				5,957,199.26	2.06
Other net assets/(liabilities)				3,625,823.84	1.26
<b>Total</b>				<b>288,511,272.37</b>	<b>100.00</b>

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

## **KBC BONDS EMERGING EUROPE**

### **Investment policy and outlook**

from 1st October 2014 to 31st March 2015

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#### ***Review***

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

At the start of the reporting period, the euro area was in the very early stages of an economic recovery. Economic growth in the main trading partner of the countries of Central and Eastern Europe was weak, at just 0.3% compared with the third quarter of 2014.

In combination with a dramatic fall in the oil price in the fourth quarter, this prompted fears of deflation. The ECB responded to this by launching an enormous programme to buy up loans issued by governments, agencies and supranational institutions. The financial markets had been speculating about such a move for some time, but the size of the programme – 1100 billion euros – and its duration, potentially until September 2016, surprised many. The financial markets reacted accordingly: bond yields across Europe fell sharply, including in Eastern Europe. The huge ECB debt purchase programme also caused a sharp depreciation of the euro against local currencies. The ECB actions put extra pressure on central banks in Eastern Europe to ease their monetary policy further. This led the Polish central bank to cut its policy rate by 50 basis points to 1.5%, while the Hungarian central bank followed with a rate cut of 15 basis points to 1.95%. Turkish banks also followed suit, cutting the rate by 25 basis points to 7.50%.

The movements in interest rates and exchange rates combined to deliver a positive return for the fund over the reporting period. The positive impact of these market movements was reinforced by the investment policy of higher interest exposure and underweighting of the euro versus overweighting of Central European currencies.

#### ***Outlook***

We expect the sub-fund to perform better in the second half of the financial year. On the one hand, we expect the euro to weaken further due to the ECB debt purchase programme, while at the same time this quantitative easing will lead to further falls in interest rates. This will cause interest rate spreads between the European core and Central European countries to widen, making bonds issued by Emerging Europe more attractive.

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



## KBC BONDS EMERGING EUROPE

### Statement of net assets (in EUR)

as at 31st March 2015

#### Assets

Securities portfolio at market value	87,650,490.73
Cash at banks	4,905,077.79
Other liquid assets	748,353.51
Receivable on sales of securities	2,609,212.80
Receivable on treasury transactions	1,094,905.68
Income receivable on portfolio	1,620,518.42
Interest receivable on bank accounts	81.77
Total assets	98,628,640.70

#### Liabilities

Bank overdrafts	1,107,373.46
Payable on purchases of securities	1,058,296.22
Payable on redemptions of shares	207,948.74
Interest payable on bank overdrafts	10.58
Unrealised loss on futures contracts	23,311.39
Unrealised loss on forward foreign exchange contracts	803,807.16
Expenses payable	127,767.91
Total liabilities	3,328,515.46

Net assets at the end of the period	95,300,125.24
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Number of capitalisation shares outstanding	26,892.8809
Net asset value per capitalisation share	971.92

Number of distribution shares outstanding	140,579.3008
Net asset value per distribution share	487.17

Number of distribution shares "USD frequent dividend" outstanding	1,427.7976
Net asset value per distribution share "USD frequent dividend"	USD 508.97

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

## KBC BONDS EMERGING EUROPE

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	2,805,002.95
Interest on bank accounts	1,743.24
Commissions received	8,794.99
Other income	9,363.77
Total income	2,824,904.95

#### **Expenses**

Management fees	595,610.90
Custodian fees	16,825.51
Banking charges and other fees	3,185.48
Transaction fees	2,771.77
Central administration costs	15,780.49
Professional fees	380.53
Other administration costs	6,863.00
Subscription duty ("taxe d'abonnement")	24,262.64
Other taxes	33,040.39
Interest paid on bank overdrafts	2,326.20
Other expenses	1,401.92
Total expenses	702,448.83

Net investment income	2,122,456.12
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#### **Net realised gain/(loss)**

- on securities portfolio	1,855,647.69
- on futures contracts	291,355.27
- on forward foreign exchange contracts	-1,979,462.56
- on foreign exchange	-11,350.95
Realised result	2,278,645.57

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

- on securities portfolio	5,986,040.55
- on futures contracts	-35,186.44
- on forward foreign exchange contracts	-380,088.74

Result of operations	7,849,410.94
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Dividends paid	-2,833,519.13
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Reinvestments	557.25
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Subscriptions	1,076,690.51
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Redemptions	-13,754,443.95
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Total changes in net assets	-7,661,304.38
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Total net assets at the beginning of the period	102,961,429.62
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Total net assets at the end of the period	95,300,125.24
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMERGING EUROPE

### Statistical information (in EUR)

as at 31st March 2015

<b>Total net assets</b>	
- as at 31.03.2015	95,300,125.24
- as at 30.09.2014	102,961,429.62
- as at 30.09.2013	115,634,227.22
<b>Portfolio Turnover Rate (in %)</b>	
- as at 31.03.2015	118.57
<b>Number of capitalisation shares</b>	
- outstanding at the beginning of the period	34,260.9127
- issued	760.5246
- redeemed	-8,128.5564
- outstanding at the end of the period	26,892.8809
<b>Net asset value per capitalisation share</b>	
- as at 31.03.2015	971.92
- as at 30.09.2014	898.75
- as at 30.09.2013	855.72
<b>TER per capitalisation share (in %)</b>	
- as at 31.03.2015	1.42
<b>Number of distribution shares</b>	
- outstanding at the beginning of the period	152,425.0744
- issued	735.2874
- reinvested	1.2323
- redeemed	-12,582.2933
- outstanding at the end of the period	140,579.3008
<b>Net asset value per distribution share</b>	
- as at 31.03.2015	487.17
- as at 30.09.2014	468.95
- as at 30.09.2013	466.39
<b>TER per distribution share (in %)</b>	
- as at 31.03.2015	1.42
<b>Dividends paid to distribution shares</b>	
Ex-dividend date	01.10.2014
Dividend per share	18.50
Shares outstanding at dividend date	152,341.0744
<b>Number of distribution shares "USD frequent dividend"</b>	
- outstanding at the beginning of the period	1,538.7996
- issued	12.5770
- redeemed	-123.5790
- outstanding at the end of the period	1,427.7976
<b>Net asset value per distribution share "USD frequent dividend"</b>	
- as at 31.03.2015	USD 508.97
- as at 30.09.2014	USD 565.99
- as at 30.09.2013	USD 602.06
<b>TER per distribution share "USD frequent dividend" (in %)</b>	
- as at 31.03.2015	1.45

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

## KBC BONDS EMERGING EUROPE

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

as at 31st March 2015

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

Ex-dividend date	01.10.2014
Dividend per share	USD 2.00
Shares outstanding at dividend date	1,534.6071
Ex-dividend date	03.11.2014
Dividend per share	USD 2.00
Shares outstanding at dividend date	1,536.8360
Ex-dividend date	01.12.2014
Dividend per share	USD 2.00
Shares outstanding at dividend date	1,532.2044
Ex-dividend date	02.01.2015
Dividend per share	USD 2.00
Shares outstanding at dividend date	1,516.6760
Ex-dividend date	02.02.2015
Dividend per share	USD 2.00
Shares outstanding at dividend date	1,518.6555
Ex-dividend date	02.03.2015
Dividend per share	USD 2.00
Shares outstanding at dividend date	1,487.8870

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

## KBC BONDS EMERGING EUROPE

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Investments in securities</b>					
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Bonds</b>					
BGN	4,000,000	KBC Ifima SA 7.6% EMTN Ser 3595 08/30.07.15	2,044,842.41	2,094,869.13	2.20
EUR	24,000	Slovenia 4% 07/22.03.18	22,489.20	26,618.40	0.03
HUF	300,000,000	Hungary 3.5% Ser B 14/24.06.20	1,039,961.86	1,041,543.87	1.09
HUF	550,000,000	Hungary 4% Ser 18/B 14/25.04.18	1,786,743.75	1,935,454.80	2.03
HUF	195,000,000	Hungary 5.5% Ser B 13/24.06.25	660,251.92	775,506.90	0.81
HUF	450,000,000	Hungary 6% Ser 23/A 07/24.11.23	1,663,637.13	1,819,875.02	1.91
HUF	539,210,000	Hungary 6.5% Ser 19/A 08/24.06.19	1,823,609.24	2,091,810.29	2.19
HUF	855,000,000	Hungary 6.75% Ser 17/A 01/24.11.17	3,122,421.75	3,219,925.51	3.38
HUF	250,000,000	Hungary 6.75% Ser 28/A 11/22.10.28	1,005,840.58	1,133,033.75	1.19
HUF	100,000,000	Hungary 7% Ser 22A 11/24.06.22	290,346.05	416,407.41	0.44
			11,392,812.28	12,433,557.55	13.04
PLN	33,000,000	Poland 2.5% Ser PS0718 13/25.07.18	7,533,982.47	8,295,923.44	8.70
PLN	25,000,000	Poland 3.25% Ser DS0725 13/25.07.25	6,401,485.37	6,681,695.54	7.01
PLN	6,000,000	Poland 4% Ser DS1023 12/25.10.23	1,484,990.82	1,677,204.73	1.76
PLN	15,000,000	Poland 4.75% Ser 1016 11/25.10.16	3,754,773.58	3,863,147.81	4.05
PLN	31,100,000	Poland 5.25% Ser 1017 06/25.10.17	7,920,129.64	8,326,540.08	8.74
PLN	14,250,000	Poland 5.75% Ser WS0922 02/23.09.22	3,553,403.34	4,373,893.71	4.59
			30,648,765.22	33,218,405.31	34.85
TRY	3,000,000	Akbank T.A.S. 7.5% Reg S Sen 13/05.02.18	1,282,774.99	996,743.01	1.05
TRY	3,000,000	SB Capital SA 7.4% LPN Reg S Ser 15 13/04.03.18	1,246,289.49	910,850.76	0.96
TRY	22,000,000	Turkey 10% 10/17.06.15	7,667,003.85	7,908,581.30	8.30
TRY	5,000,000	Turkey 10.4% Sen 14/20.03.24	1,890,115.30	2,029,805.45	2.13
TRY	16,000,000	Turkey 7.1% 13/08.03.23	5,763,462.61	5,334,074.00	5.60
TRY	2,000,000	Turkey 9% Sen 14/24.07.24	746,908.22	749,565.99	0.79
TRY	10,500,000	Turkey 9.5% 12/12.01.22	3,634,488.38	3,996,250.13	4.19
TRY	3,000,000	Turkiye Garanti Bankasi AS 7.375% Reg S Sen 13/07.03.18	1,269,873.28	990,403.35	1.04
			23,500,916.12	22,916,273.99	24.06
USD	1,000,000	CEZ AS 4.25% Reg S 12/03.04.22	748,179.86	1,012,073.22	1.06
USD	4,000,000	Hungary 5.375% Sen 14/25.03.24	3,020,177.62	4,182,588.85	4.39
USD	1,000,000	Poland 3% Sen 12/17.03.23	959,453.08	958,032.52	1.01
USD	3,000,000	Poland 5% Sen 11/23.03.22	2,943,904.65	3,214,774.79	3.37
USD	2,500,000	Turkey 5.75% 14/22.03.24	1,972,153.55	2,597,233.22	2.72
USD	1,200,000	Turkiye Is Bankasi AS 5.1% Reg-S Sen 11/01.02.16	902,867.45	1,143,054.63	1.20
			10,546,736.21	13,107,757.23	13.75
<b>Total bonds</b>			78,156,561.44	83,797,481.61	87.93
<b>Transferable securities dealt in on another regulated market</b>					
<b>Bonds</b>					
TRY	2,000,000	BNP Paribas Fortis Funding 10% EMTN 06/07.04.16	938,777.00	724,731.14	0.76
USD	3,000,000	Slovakia 4.375% Reg-S Sen 12/21.05.22	2,362,031.71	3,128,277.98	3.28
<b>Total bonds</b>			3,300,808.71	3,853,009.12	4.04
Total investments in securities			81,457,370.15	87,650,490.73	91.97
Cash at banks				4,905,077.79	5.15
Bank overdrafts				-1,107,373.46	-1.16
Other net assets/(liabilities)				3,851,930.18	4.04
<b>Total</b>				95,300,125.24	100.00

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

## KBC BONDS GLOBAL EMERGING OPPORTUNITIES

### Statement of net assets (in EUR)

as at 31st March 2015

#### **Assets**

Securities portfolio at market value	179,619,061.80
Cash at banks	11,130,605.00
Receivable on sales of securities	1,437,662.97
Income receivable on portfolio	2,019,625.43
	<hr/>
Total assets	194,206,955.20

#### **Liabilities**

Bank overdrafts	1,282,362.55
Interest payable on bank overdrafts	2,422.26
Expenses payable	263,161.41
	<hr/>
Total liabilities	1,547,946.22

Net assets at the end of the period	<hr/> 192,659,008.98 <hr/>
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Number of capitalisation shares outstanding	1,189.0000
Net asset value per capitalisation share	761.14

Number of capitalisation shares "Institutional B Shares" outstanding	251,588.0000
Net asset value per capitalisation share "Institutional B Shares"	762.17

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

## KBC BONDS GLOBAL EMERGING OPPORTUNITIES

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	4,426,880.93
Interest on bank accounts	1,083.85
Commissions received	99,623.25
Other income	10,136.40
Total income	4,537,724.43

#### **Expenses**

Management fees	1,265,992.76
Custodian fees	35,280.35
Banking charges and other fees	13.85
Transaction fees	32,660.58
Central administration costs	33,109.75
Professional fees	798.24
Other administration costs	8,211.36
Subscription duty ("taxe d'abonnement")	10,264.88
Other taxes	88,220.66
Interest paid on bank overdrafts	2,422.26
Other expenses	1,573.27
Total expenses	1,478,547.96

Net investment income	3,059,176.47
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#### **Net realised gain/(loss)**

- on securities portfolio	387,544.17
- on forward foreign exchange contracts	-28,070.23
- on foreign exchange	917,012.97
Realised result	4,335,663.38

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

- on securities portfolio	17,169,421.20
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Result of operations	21,505,084.58
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Subscriptions	13,674.21
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Redemptions	-40,579,349.12
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Total changes in net assets	-19,060,590.33
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Total net assets at the beginning of the period	211,719,599.31
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Total net assets at the end of the period	192,659,008.98
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS GLOBAL EMERGING OPPORTUNITIES

### Statistical information (in EUR)

as at 31st March 2015

#### Total net assets

- as at 31.03.2015	192,659,008.98
- as at 30.09.2014	211,719,599.31
- as at 30.09.2013	198,614,886.27

#### Portfolio Turnover Rate (in %)

- as at 31.03.2015	98.41
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#### Number of capitalisation shares

- outstanding at the beginning of the period	3,017.0000
- issued	19.0000
- redeemed	-1,847.0000
- outstanding at the end of the period	1,189.0000

#### Net asset value per capitalisation share

- as at 31.03.2015	761.14
- as at 30.09.2014	687.41
- as at 30.09.2013	635.91

#### TER per capitalisation share (in %)

- as at 31.03.2015	1.43
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#### Number of capitalisation shares "Institutional B Shares"

- outstanding at the beginning of the period	304,587.0000
- issued	0.0000
- redeemed	-52,999.0000
- outstanding at the end of the period	251,588.0000

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

- as at 31.03.2015	762.17
- as at 30.09.2014	688.29
- as at 30.09.2013	636.48

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

- as at 31.03.2015	1.39
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The accompanying notes are an integral part of these financial statements.



## KBC BONDS GLOBAL EMERGING OPPORTUNITIES

### Statement of investments and other net assets (in EUR) as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Investments in securities</u></b>					
<b><u>Transferable securities admitted to an official stock exchange listing</u></b>					
<b>Bonds</b>					
CNY	11,500,000	Asian Development Bank 2.85% EMTN Ser HK 10/21.10.20	1,348,063.17	1,652,312.54	0.86
CNY	16,000,000	China 1.8% Sen 10/01.12.15	1,978,485.26	2,380,337.98	1.24
CNY	40,000,000	China 1.85% Reg S Sen 12/29.06.15	4,865,445.47	5,986,397.95	3.11
CNY	55,000,000	China 2.56% Reg S Sen 12/29.06.17	7,323,039.28	8,081,004.62	4.19
CNY	12,000,000	IBRD 2.375% Ser gdlF 14/26.09.16	1,645,201.84	1,762,443.06	0.91
CNY	200,000,000	Intl Finance Corp 2% GMTN Ser 1303 14/18.01.17	24,185,114.97	28,971,938.54	15.04
CNY	40,000,000	Swedish Export Credit 2.375% Sen 12/01.06.15	5,074,909.91	5,995,624.30	3.11
			46,420,259.90	54,830,058.99	28.46
HKD	50,000,000	Kommunalbanken A/S 1.44% EMTN Reg S Sen 14/10.10.18	5,620,584.31	6,055,981.41	3.14
INR	250,000,000	Asian Development Bank 6.35% EMTN Ser 787-00-1 14/17.08.16	3,450,594.99	3,727,920.92	1.93
INR	250,000,000	EBRD 5% Dual Currency 13/28.05.15	2,852,112.68	3,722,324.34	1.93
INR	738,000,000	EBRD 6% Sen 14/03.03.16	10,679,448.94	10,988,686.94	5.70
INR	192,000,000	EBRD 6.2% EMTN 14/27.06.15	2,620,958.55	2,857,713.53	1.48
INR	300,000,000	Intl Finance Corp 7.75% EMTN Ser 1279 Tr 4 13/03.12.16	3,555,649.89	4,564,953.26	2.37
			23,158,765.05	25,861,598.99	13.41
KRW	30,000,000,000	Korea 3.25% Ser 0325-1506(12-2) 12/10.06.15	21,621,108.22	25,332,110.15	13.15
KRW	4,800,000,000	Korea 3.25% Ser 03250-1809 (13-5) 13/10.09.18	4,122,311.36	4,232,411.07	2.20
			25,743,419.58	29,564,521.22	15.35
MXN	620,000	Mexico 10% Bonos M30 06/20.11.36	4,422,000.98	5,375,475.64	2.79
MXN	1,700,000	Mexico 8% T-Bills Ser M 09/11.06.20	10,818,701.46	11,632,410.63	6.04
MXN	1,200,000	Mexico 8.5% Ser M 10 09/13.12.18	8,100,311.49	8,208,067.76	4.26
			23,341,013.93	25,215,954.03	13.09
THB	200,000,000	Ministry of Finance 2.8% Sen 10/10.10.17	4,889,419.96	5,847,394.66	3.04
ZAR	26,000,000	EBRD 0% EMTN Reg S Sen 98/31.12.29	517,704.16	589,827.51	0.31
ZAR	45,000,000	EIB 7.5% EMTN 13/15.01.20	3,135,210.51	3,439,016.57	1.78
			3,652,914.67	4,028,844.08	2.09
<b>Total bonds</b>			132,826,377.40	151,404,353.38	78.58
<b><u>Transferable securities dealt in on another regulated market</u></b>					
<b>Bonds</b>					
MYR	28,000,000	Malaysia 3.314% Ser 12/0005 12/31.10.17	6,920,081.82	7,042,969.80	3.66
MYR	4,000,000	Malaysia 4.262% Ser 06/0001 06/15.09.16	974,358.43	1,020,682.34	0.53
MYR	42,000,000	Malaysia 4.378% Ser 0902 09/29.11.19	9,788,007.37	10,922,644.33	5.67
			17,682,447.62	18,986,296.47	9.86
PHP	50,000,000	Philippines 4.95% 10/15.01.21	922,872.35	1,114,733.19	0.58
THB	275,000,000	Ministry of Finance 3.25% 11/16.06.17	6,968,163.63	8,113,678.76	4.21
<b>Total bonds</b>			25,573,483.60	28,214,708.42	14.65
Total investments in securities			158,399,861.00	179,619,061.80	93.23
Cash at banks				11,130,605.00	5.78
Bank overdrafts				-1,282,362.55	-0.67
Other net assets/(liabilities)				3,191,704.73	1.66
<b>Total</b>				192,659,008.98	100.00

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

## KBC BONDS EMU SHORT

### Statement of net assets (in EUR)

as at 31st March 2015

#### **Assets**

Securities portfolio at market value	927,479,600.00
Cash at banks	11,639,842.86
Receivable on issues of shares	2,627,007.59
Income receivable on portfolio	11,356,004.95
Total assets	953,102,455.40

#### **Liabilities**

Payable on redemptions of shares	999,938.83
Interest payable on bank overdrafts	829.89
Expenses payable	408,331.02
Total liabilities	1,409,099.74

Net assets at the end of the period	951,693,355.66
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Number of capitalisation shares "Institutional B Shares" outstanding	887,458.3500
Net asset value per capitalisation share "Institutional B Shares"	1,072.38

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

## KBC BONDS EMU SHORT

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	15,200,453.72
Interest on bank accounts	1.88
Commissions received	701,947.95
Total income	15,902,403.55

#### **Expenses**

Management fees	2,995,560.44
Custodian fees	139,101.78
Banking charges and other fees	328.90
Central administration costs	131,085.94
Professional fees	3,869.90
Other administration costs	7,452.77
Subscription duty ("taxe d'abonnement")	49,444.50
Interest paid on bank overdrafts	829.89
Other expenses	7,419.95
Total expenses	3,335,094.07

Net investment income	12,567,309.48
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#### **Net realised gain/(loss)**

- on securities portfolio	-4,828,955.45
Realised result	7,738,354.03

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

- on securities portfolio	-3,597,652.95
Result of operations	4,140,701.08

Subscriptions	1,488,629,911.15
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Redemptions	-1,319,162,006.27
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Total changes in net assets	173,608,605.96
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Total net assets at the beginning of the period	778,084,749.70
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Total net assets at the end of the period	951,693,355.66
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMU SHORT

### Statistical information (in EUR)

as at 31st March 2015

#### Total net assets

- as at 31.03.2015	951,693,355.66
- as at 30.09.2014	778,084,749.70
- as at 30.09.2013	133,568,328.61

#### Portfolio Turnover Rate (in %)

- as at 31.03.2015	19.26
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#### Number of capitalisation shares "Institutional B Shares"

- outstanding at the beginning of the period	727,414.3500
- issued	1,393,287.0000
- redeemed	-1,233,243.0000
- outstanding at the end of the period	887,458.3500

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

- as at 31.03.2015	1,072.38
- as at 30.09.2014	1,069.66
- as at 30.09.2013	1,045.30

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

- as at 31.03.2015	0.64
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMU SHORT

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Investments in securities</u></b>					
<b><u>Transferable securities admitted to an official stock exchange listing</u></b>					
<b>Bonds</b>					
EUR	7,500,000	Belgium 3.25% OLO Ser 47 06/28.09.16	7,985,378.42	7,883,625.00	0.83
EUR	12,800,000	Belgium 3.5% Ser 63 11/28.06.17	13,980,335.21	13,852,800.00	1.46
EUR	46,100,000	Deutschland 0.5% Ser 163 12/07.04.17	46,705,795.10	46,791,500.00	4.92
EUR	14,000,000	Deutschland 0.5% Ser 164 12/13.10.17	14,219,520.00	14,264,600.00	1.50
EUR	66,000,000	Deutschland 1.25% Ser 161 11/14.10.16	67,677,808.00	67,514,700.00	7.09
EUR	15,000,000	Deutschland 4% Ser 07 07/04.01.18	16,842,350.00	16,762,875.00	1.76
EUR	15,650,000	Deutschland 6% Ser 2 86/20.06.16	17,310,912.27	16,840,573.75	1.77
EUR	7,000,000	Espana 0.5% 14/31.10.17	6,992,503.64	7,050,050.00	0.74
EUR	35,000,000	Espana 2.1% 13/30.04.17	36,416,310.86	36,412,250.00	3.83
EUR	26,600,000	Espana 3.3% Sen 13/30.07.16	27,929,862.94	27,765,080.00	2.92
EUR	41,100,000	Espana 3.8% 06/31.01.17	44,071,559.29	43,894,800.00	4.61
EUR	30,000,000	Espana 4.25% 11/31.10.16	32,383,767.00	31,995,000.00	3.36
EUR	30,000,000	Espana 4.5% 12/31.01.18	33,550,500.00	33,598,500.00	3.53
EUR	19,000,000	France 1% BTAN 12/25.07.17	19,489,295.24	19,513,950.00	2.05
EUR	33,000,000	France 1.75% BTAN 12/25.02.17	34,386,475.59	34,206,150.00	3.59
EUR	34,500,000	France 2.5% 10/25.07.16	36,151,004.00	35,710,087.50	3.75
EUR	8,850,000	France 3.25% OAT 06/25.04.16	9,398,140.98	9,171,918.75	0.96
EUR	29,000,000	France 4.25% OAT 07/25.10.17	32,508,479.31	32,279,900.00	3.39
EUR	30,000,000	France 5% OAT 01/25.10.16	32,958,774.83	32,430,750.00	3.41
EUR	29,500,000	Ireland 4.6% T-Bonds 99/18.04.16	31,181,500.00	30,896,825.00	3.25
EUR	24,000,000	Ireland 5.5% T-Bonds 12/18.10.17	27,477,960.00	27,388,800.00	2.88
EUR	30,000,000	Italia 0.75% BTP Sen 14/15.01.18	30,219,000.00	30,411,000.00	3.19
EUR	30,000,000	Italia 1.5% BTP Sen 14/15.12.16	30,533,929.27	30,702,000.00	3.23
EUR	14,000,000	Italia 2.25% BTP Sen 13/15.05.16	14,354,107.05	14,342,300.00	1.51
EUR	20,500,000	Italia 3.5% BTP 12/01.11.17	22,169,871.43	22,218,412.50	2.33
EUR	25,750,000	Italia 3.75% BTP 06/01.08.16	27,189,363.36	27,005,312.50	2.84
EUR	47,000,000	Italia 4% BTP 07/01.02.17	50,511,168.47	50,301,750.00	5.28
EUR	20,000,000	Italia 4.75% BTP 11/15.09.16	21,696,865.14	21,347,500.00	2.24
EUR	30,500,000	Italia 4.75% BTP 12/01.05.17	33,754,722.03	33,365,475.00	3.51
EUR	32,000,000	Italia 5.25% BTP Sen 02/01.08.17	35,835,200.00	35,728,000.00	3.75
EUR	13,000,000	Netherlands 0.5% CTr 14/15.04.17	13,149,404.21	13,185,900.00	1.39
EUR	18,400,000	Netherlands 2.5% 11/15.01.17	19,486,528.37	19,291,940.00	2.03
EUR	9,000,000	Netherlands 4% 06/15.07.16	9,687,125.53	9,488,025.00	1.00
EUR	14,000,000	Netherlands 4.5% 07/15.07.17	15,632,840.00	15,507,800.00	1.63
EUR	11,000,000	Oesterreich 3.2% Sen 10/20.02.17	11,850,403.62	11,701,250.00	1.23
EUR	6,000,000	Oesterreich 4.3% 07/15.09.17	6,713,480.00	6,658,200.00	0.70
Total investments in securities			932,402,241.16	927,479,600.00	97.46
Cash at banks				11,639,842.86	1.22
Other net assets/(liabilities)				12,573,912.80	1.32
Total				951,693,355.66	100.00

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

## KBC BONDS EMU SHORT MEDIUM

### Statement of net assets (in EUR)

as at 31st March 2015

#### **Assets**

Securities portfolio at market value	18,248,229.50
Cash at banks	52,084.20
Other liquid assets	9,024.05
Receivable on issues of shares	48,553.86
Income receivable on portfolio	228,154.63
Total assets	18,586,046.24

#### **Liabilities**

Expenses payable	12,198.67
Total liabilities	12,198.67
Net assets at the end of the period	18,573,847.57

Number of capitalisation shares "Institutional B Shares" outstanding	15,674.6153
Net asset value per capitalisation share "Institutional B Shares"	1,184.96

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

## KBC BONDS EMU SHORT MEDIUM

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	266,786.95
Commissions received	2,477.42
Total income	269,264.37

#### **Expenses**

Management fees	67,678.54
Custodian fees	3,214.76
Banking charges and other fees	201.35
Central administration costs	3,021.14
Professional fees	104.15
Other administration costs	612.47
Subscription duty ("taxe d'abonnement")	965.94
Interest paid on bank overdrafts	30.43
Other expenses	236.83
Total expenses	76,065.61

Net investment income	193,198.76
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#### **Net realised gain/(loss)**

- on securities portfolio	112,176.89
Realised result	305,375.65

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

- on securities portfolio	-90,551.19
Result of operations	214,824.46

Subscriptions	4,472,605.43
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Redemptions	-5,387,657.99
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Total changes in net assets	-700,228.10
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Total net assets at the beginning of the period	19,274,075.67
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Total net assets at the end of the period	18,573,847.57
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS EMU SHORT MEDIUM

### Statistical information (in EUR)

as at 31st March 2015

#### Total net assets

- as at 31.03.2015	18,573,847.57
- as at 30.09.2014	19,274,075.67
- as at 30.09.2013	99,884,335.00

#### Portfolio Turnover Rate (in %)

- as at 31.03.2015	104.17
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#### Number of capitalisation shares "Institutional B Shares"

- outstanding at the beginning of the period	16,444.6153
- issued	3,808.0000
- redeemed	-4,578.0000
- outstanding at the end of the period	15,674.6153

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

- as at 31.03.2015	1,184.96
- as at 30.09.2014	1,172.06
- as at 30.09.2013	1,104.11

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

- as at 31.03.2015	0.83
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The accompanying notes are an integral part of these financial statements.



## KBC BONDS EMU SHORT MEDIUM

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Investments in securities</u></b>					
<b><u>Transferable securities admitted to an official stock exchange listing</u></b>					
<b>Bonds</b>					
EUR	200,000	Belgium 1.25% Ser 69 13/22.06.18	199,866.00	208,760.00	1.12
EUR	150,000	Belgium 3% Ser 67 12/28.09.19	170,012.50	170,422.50	0.92
EUR	90,000	Belgium 4% OLO Ser 52 08/28.03.18	103,739.12	101,101.50	0.54
EUR	90,000	Belgium 4% Ser 55 09/28.03.19	104,234.53	104,586.75	0.56
EUR	1,020,000	Deutschland 1% Ser 168 14/22.02.19	1,048,101.48	1,066,818.00	5.74
EUR	200,000	Deutschland 3.25% Ser 09 09/04.01.20	233,042.00	232,425.00	1.26
EUR	730,000	Deutschland 3.5% Ser 09 09/04.07.19	847,043.67	844,190.25	4.55
EUR	240,000	Deutschland 3.75% 08/04.01.19	273,427.20	275,676.00	1.48
EUR	200,000	Deutschland 4.25% Ser 08 08/04.07.18	233,831.20	229,275.00	1.23
EUR	430,000	Espana 1.4% 14/31.01.20	441,270.30	447,286.00	2.41
EUR	820,000	Espana 2.75% Sen 14/30.04.19	879,590.02	896,834.00	4.83
EUR	400,000	Espana 3.75% 13/31.10.18	431,798.30	448,340.00	2.41
EUR	730,000	Espana 4.1% Sen 08/30.07.18	774,294.17	821,177.00	4.42
EUR	560,000	Espana 4.3% Sen 09/31.10.19	649,728.00	656,488.00	3.54
EUR	340,000	France 1% OAT 13/25.05.18	340,111.72	351,934.00	1.90
EUR	690,000	France 1% OAT 13/25.11.18	682,155.25	717,255.00	3.86
EUR	1,000,000	France 3.75% T-Bond 09/25.10.19	1,171,941.43	1,172,400.00	6.31
EUR	540,000	France 4.25% 08/25.10.18	627,913.20	623,713.50	3.36
EUR	750,000	France 4.25% OAT 03/25.04.19	883,084.86	881,193.75	4.74
EUR	560,000	Ireland 4.4% Sen 08/18.06.19	659,915.20	662,620.00	3.57
EUR	250,000	Ireland 4.5% T-Bonds 07/18.10.18	288,503.27	289,775.00	1.56
EUR	360,000	Ireland 5.9% T-Bond 09/18.10.19	452,997.90	454,527.00	2.45
EUR	760,000	Italia 2.5% BTP Sen 14/01.05.19	796,299.80	821,636.00	4.42
EUR	455,000	Italia 3.5% 13/01.06.18	464,387.63	499,999.50	2.69
EUR	500,000	Italia 3.5% BTP Sen 13/01.12.18	531,347.05	556,200.00	3.00
EUR	500,000	Italia 4.25% BTP 03/01.02.19	549,327.73	573,400.00	3.09
EUR	475,000	Italia 4.25% BTP 09/01.03.20	560,604.50	559,526.25	3.01
EUR	930,000	Italia 4.25% BTP 09/01.09.19	1,070,612.50	1,083,008.25	5.83
EUR	440,000	Italia 4.5% BTP 04/01.02.20	517,866.80	522,610.00	2.81
EUR	50,000	Italia 4.5% BTP 08/01.03.19	56,502.50	57,832.50	0.31
EUR	850,000	Italia 4.5% BTP 08/01.08.18	913,070.00	967,215.00	5.21
EUR	570,000	Netherlands 1.25% Ser 144A 13/15.01.19	590,596.25	599,440.50	3.23
EUR	100,000	Netherlands 4% 08/15.07.18	113,805.00	113,637.50	0.61
EUR	60,000	Oesterreich 0.25% Sen 14/18.10.19	60,112.12	60,717.00	0.33
EUR	150,000	Oesterreich 4.35% 08/15.03.19	176,519.32	176,208.75	0.95
Total investments in securities			17,897,652.52	18,248,229.50	98.25
Cash at banks				52,084.20	0.28
Other net assets/(liabilities)				273,533.87	1.47
Total				18,573,847.57	100.00

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

## KBC BONDS STRATEGIC EMERGING MARKETS

### Statement of net assets (in EUR)

as at 31st March 2015

#### **Assets**

Securities portfolio at market value	197,517,774.99
Cash at banks	18,870,251.62
Income receivable on portfolio	2,728,093.70
Unrealised gain on forward foreign exchange contracts	8,605.96
Total assets	219,124,726.27

#### **Liabilities**

Payable on purchases of securities	7,615,318.47
Expenses payable	220,557.15
Total liabilities	7,835,875.62

Net assets at the end of the period	211,288,850.65
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Number of capitalisation shares "Institutional B Shares" outstanding	194,544.0000
Net asset value per capitalisation share "Institutional B Shares"	1,086.07

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

## KBC BONDS STRATEGIC EMERGING MARKETS

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

from 1st October 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	4,026,235.30
Interest on bank accounts	2,557.54
Commissions received	53,310.40
Other income	3,147.71
Total income	4,085,250.95

#### **Expenses**

Management fees	1,237,965.18
Custodian fees	34,102.27
Banking charges and other fees	13.90
Transaction fees	7,785.25
Central administration costs	32,021.29
Professional fees	778.52
Other administration costs	1,846.61
Subscription duty ("taxe d'abonnement")	10,456.24
Interest paid on bank overdrafts	448.28
Other expenses	1,554.98
Total expenses	1,326,972.52

Net investment income	2,758,278.43
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#### **Net realised gain/(loss)**

- on securities portfolio	-1,813,517.64
- on forward foreign exchange contracts	129,712.08
- on foreign exchange	-32,212.14
Realised result	1,042,260.73

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

- on securities portfolio	19,447,021.90
- on forward foreign exchange contracts	39,689.23
Result of operations	20,528,971.86

Subscriptions	6,597,047.24
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Redemptions	-14,727,114.58
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Total changes in net assets	12,398,904.52
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Total net assets at the beginning of the period	198,889,946.13
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Total net assets at the end of the period	211,288,850.65
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS STRATEGIC EMERGING MARKETS

### Statistical information (in EUR)

as at 31st March 2015

#### Total net assets

- as at 31.03.2015	211,288,850.65
- as at 30.09.2014	198,889,946.13
- as at 30.09.2013	200,256,568.39

#### Portfolio Turnover Rate (in %)

- as at 31.03.2015	170.62
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#### Number of capitalisation shares "Institutional B Shares"

- outstanding at the beginning of the period	201,987.0000
- issued	6,748.0000
- redeemed	-14,191.0000
- outstanding at the end of the period	194,544.0000

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

- as at 31.03.2015	1,086.07
- as at 30.09.2014	984.67
- as at 30.09.2013	943.11

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

- as at 31.03.2015	1.29
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The accompanying notes are an integral part of these financial statements.

## KBC BONDS STRATEGIC EMERGING MARKETS

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

as at 31st March 2015

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Investments in securities</u></b>					
<b><u>Transferable securities admitted to an official stock exchange listing</u></b>					
<b>Bonds</b>					
CNY	38,000,000	China 2.56% Reg S Sen 12/29.06.17	5,353,067.05	5,583,239.56	2.64
HKD	140,000,000	Kommunalbanken A/S 1.44% EMTN Reg S Sen 14/10.10.18	14,215,221.87	16,956,747.95	8.03
INR	85,600,000	EBRD 6% Sen 14/03.03.16	1,238,700.31	1,274,568.56	0.60
INR	310,000,000	EIB 5.75% EMTN Reg S Sen 14/09.10.17	3,965,019.65	4,580,937.11	2.17
INR	200,000,000	IADB 6% EMTN Ser 481 14/05.09.17	2,573,254.92	2,971,725.62	1.41
INR	420,000,000	Intl Finance Corp 6.3% EMTN 14/25.11.24	5,498,367.43	5,967,550.87	2.82
INR	473,000,000	Intl Finance Corp 7.8% EMTN Ser GDIF Tr 68 14/03.06.19	7,363,302.24	7,434,103.16	3.52
			20,638,644.55	22,228,885.32	10.52
KRW	9,000,000,000	Korea 2.75% Ser 02750-1606 13/10.06.16	6,781,247.77	7,653,575.03	3.62
KRW	22,800,000,000	Korea 2.75% Ser 1709 12/10.09.17	17,780,503.52	19,634,803.63	9.29
KRW	4,600,000,000	Korea 2.75% Ser 1803 13/10.03.18	3,458,485.97	3,978,576.58	1.88
KRW	10,000,000,000	Korea 2.75% Ser KTB02750-1706 14/10.06.17	7,509,918.59	8,593,624.43	4.07
			35,530,155.85	39,860,579.67	18.86
MXN	3,250,000	Mexico 5% Bonos Sen 14/11.12.19	17,978,833.36	19,649,276.77	9.30
MXN	870,000	Mexico 6% Bonos Ser M 10/18.06.15	5,363,857.43	5,351,023.50	2.53
MXN	2,920,000	Mexico 6.5% Bonos Ser M 11/09.06.22	18,929,501.47	18,697,198.09	8.85
MXN	1,960,000	Mexico 8.5% Bonos Ser 11 30 09/18.11.38	14,727,883.33	14,930,272.01	7.07
			57,000,075.59	58,627,770.37	27.75
PHP	250,000,000	EIB 5% EMTN Sen 10/03.08.15	4,558,155.01	5,249,375.66	2.48
PHP	200,000,000	Export-Import Bank Korea (The) 4% EMTN Reg-S Sen 10/26.11.15	4,152,010.28	4,208,192.04	1.99
			8,710,165.29	9,457,567.70	4.47
ZAR	80,000,000	Landwirtschaftliche Rentenbk 8.25% EMTN Reg S 14/23.05.22	5,533,004.75	6,214,709.35	2.94
<b>Total bonds</b>			146,980,334.95	158,929,499.92	75.21
<b><u>Transferable securities dealt in on another regulated market</u></b>					
<b>Bonds</b>					
MYR	12,000,000	Malaysia 3.197% Ser 0312 12/15.10.15	2,723,594.88	3,021,147.31	1.43
MYR	12,000,000	Malaysia 3.394% Ser 0214 14/15.03.17	2,812,230.65	3,022,807.45	1.43
MYR	15,000,000	Malaysia 3.835% Ser 0110 10/12.08.15	3,352,624.49	3,784,357.51	1.79
MYR	35,000,000	Malaysia 4.262% Ser 06/0001 06/15.09.16	8,077,878.19	8,930,970.55	4.23
MYR	15,000,000	Malaysia 4.378% Ser 0902 09/29.11.19	3,404,636.55	3,900,944.40	1.85
			20,370,964.76	22,660,227.22	10.73
PHP	180,000,000	Philippines 3.9% Sen 12/26.11.22	3,642,471.62	3,797,221.13	1.80
USD	13,000,000	US 0.5% T-Notes Ser BC-2016 14/31.07.16	10,017,919.85	12,130,826.72	5.74
<b>Total bonds</b>			34,031,356.23	38,588,275.07	18.27
<b>Total investments in securities</b>			181,011,691.18	197,517,774.99	93.48
<b>Cash at banks</b>				18,870,251.62	8.93
<b>Other net assets/(liabilities)</b>				-5,099,175.96	-2.41
<b>Total</b>				211,288,850.65	100.00

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

## **KBC BONDS SRI HIGH INTEREST**

### **Investment policy and outlook**

from 14th November 2014 to 31st March 2015

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#### ***Review***

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

The sub-fund was launched in November 2014. On its inception, the fund benefited from the strength of the US dollar against the euro. The divergence in monetary policy between the euro area and the US drove the dollar more than 15% higher against the euro over the reporting period. While the US Federal Reserve ended its quantitative easing programme and is gradually preparing for a first hike in interest rates later this year, the ECB decided to embark on a large-scale government bond purchase programme in order to head off the danger of deflation in the euro area. This not only caused the euro to weaken sharply against the dollar, but also against other currencies in portfolio, including the Hong Kong dollar, Chinese yuan and Indian rupee. The exceptions to the rule were currencies that are heavily dependent on commodity prices. The sharp fall in the oil price caused the Norwegian krone to lose ground not just against the US dollar, but also against the euro. The decline in commodity prices also pushed inflation lower, leading to further falls in bond yields in most markets. Apart from the strong appreciation of the dollar the lower interest rates also supported the performance of the sub-fund.

#### ***Outlook***

We expect the sub-fund to perform better in the second half of the financial year. On the one hand, we expect the euro to weaken because of the widening rate spreads with the United States, for example, especially as the quantitative easing by the ECB is driving interest rates down further. On the other hand, we expect the dollar to benefit from the economic recovery in the United States, and the associated higher interest rates.

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

## KBC BONDS SRI HIGH INTEREST

### Statement of net assets (in EUR)

as at 31st March 2015

#### **Assets**

Securities portfolio at market value	27,782,791.20
Cash at banks	925,364.35
Receivable on treasury transactions	385.03
Income receivable on portfolio	241,675.90
Other receivables	38,929.42
Prepaid expenses	13,622.05
Total assets	29,002,767.95

#### **Liabilities**

Unrealised loss on forward foreign exchange contracts	1,963.79
Expenses payable	16,837.47
Total liabilities	18,801.26
Net assets at the end of the period	28,983,966.69

Number of capitalisation shares outstanding	1,271.0000
Net asset value per capitalisation share	539.43
Number of capitalisation shares "Institutional Shares" outstanding	47,505.0000
Net asset value per capitalisation share "Institutional Shares"	538.90
Number of distribution shares outstanding	5,020.0000
Net asset value per distribution share	537.46

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

## KBC BONDS SRI HIGH INTEREST

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

from 14th November 2014 to 31st March 2015

#### **Income**

Interest on bonds and other debt securities, net	230,655.95
Interest on bank accounts	49.63
Other income	39,180.81
Total income	269,886.39

#### **Expenses**

Management fees	55,273.63
Custodian fees	2,222.20
Banking charges and other fees	1.47
Central administration costs	2,155.34
Professional fees	61.14
Other administration costs	427.89
Subscription duty ("taxe d'abonnement")	1,835.74
Other taxes	6,910.88
Interest paid on bank overdrafts	118.60
Other expenses	1,518.39
Total expenses	70,525.28

Net investment income	199,361.11
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#### **Net realised gain/(loss)**

- on securities portfolio	272,846.32
- on forward foreign exchange contracts	-5,246.90
- on foreign exchange	4,180.68
Realised result	471,141.21

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

- on securities portfolio	1,503,383.27
- on forward foreign exchange contracts	-1,963.79
Result of operations	1,972,560.69

Subscriptions	27,032,204.40
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Redemptions	-20,798.40
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Total changes in net assets	28,983,966.69
-----------------------------	---------------

Total net assets at the beginning of the period	-
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Total net assets at the end of the period	28,983,966.69
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The accompanying notes are an integral part of these financial statements.



## KBC BONDS SRI HIGH INTEREST

### Statistical information (in EUR)

as at 31st March 2015

#### Total net assets

- as at 31.03.2015 28,983,966.69

#### Portfolio Turnover Rate (in %)

- as at 31.03.2015 52.67

#### Number of capitalisation shares

- outstanding at the beginning of the period 0.0000

- issued 1,271.0000

- redeemed 0.0000

---

- outstanding at the end of the period 1,271.0000

#### Net asset value per capitalisation share

- as at 31.03.2015 539.43

#### TER per capitalisation share (in %)

- as at 31.03.2015 \* 1.43

\* annualised

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

- outstanding at the beginning of the period 0.0000

- issued 47,545.0000

- redeemed -40.0000

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- outstanding at the end of the period 47,505.0000

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

- as at 31.03.2015 538.90

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

- as at 31.03.2015 \* 0.76

\* annualised

#### Number of distribution shares

- outstanding at the beginning of the period 0.0000

- issued 5,020.0000

- redeemed 0.0000

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- outstanding at the end of the period 5,020.0000

#### Net asset value per distribution share

- as at 31.03.2015 537.46

#### TER per distribution share (in %)

- as at 31.03.2015 \* 1.44

\* annualised

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

## KBC BONDS SRI HIGH INTEREST

### 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
<b><u>Investments in securities</u></b>					
<b><u>Transferable securities admitted to an official stock exchange listing</u></b>					
<b>Bonds</b>					
CAD	2,230,000	Canada 1% Ser D689 14/01.11.16	1,607,265.26	1,653,580.81	5.71
CNY	9,200,000	IBRD 2.375% Ser gdiF 14/26.09.16	1,215,978.03	1,351,206.35	4.66
CNY	7,000,000	Intl Finance Corp 2% GMTN Ser 1303 14/18.01.17	920,152.14	1,014,017.85	3.50
			2,136,130.17	2,365,224.20	8.16
EUR	900,000	Belgium 3% Ser 67 12/28.09.19	1,020,589.63	1,022,535.00	3.53
EUR	400,000	Deutschland 2.5% Sen 14/15.08.46	556,612.00	616,210.00	2.13
EUR	800,000	Ireland 2% T-Bond Reg S 15/18.02.45	836,784.00	917,780.00	3.17
			2,413,985.63	2,556,525.00	8.83
GBP	1,250,000	United Kingdom 1.25% T-Stock 13/22.07.18	1,609,755.42	1,754,887.28	6.05
GBP	600,000	United Kingdom 3.5% Reg S T-Stock 13/22.07.68	1,077,161.56	1,140,607.25	3.94
			2,686,916.98	2,895,494.53	9.99
INR	23,000,000	Asian Development Bank 6.35% EMTN Ser 787-00-1 14/17.08.16	310,660.17	342,968.72	1.18
INR	5,000,000	EBRD 5.625% Sen 14/15.03.17	65,502.72	73,993.91	0.26
INR	65,000,000	EBRD 6.2% EMTN 14/27.06.15	885,459.01	967,455.10	3.34
			1,261,621.90	1,384,417.73	4.78
MXN	46,000,000	IBRD 0% Ser GDIF 07/19.09.22	1,851,191.45	1,965,306.55	6.78
MXN	12,900,000	IBRD 7.5% EMTN Sen 10/05.03.20	869,015.61	894,082.85	3.08
			2,720,207.06	2,859,389.40	9.86
MYR	7,000,000	Asian Development Bank 4% Ser 07/0014 07/08.02.17	1,678,172.19	1,763,920.61	6.09
NOK	18,250,000	EIB 2.5% EMTN Sen 13/17.01.18	2,208,284.63	2,189,349.41	7.55
NOK	2,500,000	Norway 3% Ser 476 14/14.03.24	328,401.13	328,112.65	1.13
			2,536,685.76	2,517,462.06	8.68
PHP	56,000,000	EIB 5% EMTN Sen 10/03.08.15	1,051,244.14	1,175,860.15	4.06
PLN	9,600,000	EIB 4.25% EMTN Reg S Sen 12/25.10.22	2,666,380.65	2,734,119.24	9.43
TRY	950,000	IBRD 10% EMTN Ser 10421 10/02.03.17	357,024.50	346,762.71	1.20
USD	2,350,000	EIB 3.25% Sen 14/29.01.14	2,377,444.25	2,418,390.70	8.34
USD	1,700,000	IBRD 1.125% Sen 13/18.07.17	1,376,216.96	1,597,567.66	5.51
USD	500,000	KFW 1.25% Sen 11/05.10.16	414,925.65	470,899.91	1.62
			4,168,586.86	4,486,858.27	15.47
ZAR	5,500,000	EIB 6% EMTN Reg S Sen 12/21.10.19	379,896.88	398,823.72	1.38
<b>Total bonds</b>			25,664,117.98	27,138,438.43	93.64
<b><u>Transferable securities dealt in on another regulated market</u></b>					
<b>Bonds</b>					
CAD	650,000	Canada 3.5% Ser ZS68 11/01.12.45	615,289.95	644,352.77	2.22
<b>Total bonds</b>			615,289.95	644,352.77	2.22
Total investments in securities			26,279,407.93	27,782,791.20	95.86
Cash at banks				925,364.35	3.19
Other net assets/(liabilities)				275,811.14	0.95
<b>Total</b>				28,983,966.69	100.00

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

### 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 nominal value of such assets, unless it appears unlikely that the full value can be received in which case the value will be determined by making such deduction as the Board of Directors considers appropriate to reflect the fair value thereof.
- 2) The value of all transferable securities and money market instruments traded or listed on a stock exchange is determined on the basis of the last available price unless this price is not representative.
- 3) The value of all transferable securities and money market instruments traded on another regulated market is determined according to the last available price.
- 4) If transferable securities and money market instruments in portfolio on the Valuation Day are not traded or listed on a stock exchange or other regulated market or, if for securities and instruments traded or listed on a stock exchange or other regulated market, the price determined in accordance with the two paragraphs above is not representative of the fair value of such transferable securities and money market instruments, these will be determined on the basis of the foreseeable sale price, as estimated by the Board of Directors prudently and in good faith.
- 5) UCITS and other UCIs are valued on the basis of the last available net asset value for the UCITS and other underlying UCIs.
- 6) If, as a result of special circumstances or features, valuation on the basis of the rules set out above becomes impracticable or inaccurate, other generally accepted, verifiable valuation criteria will be applied to obtain a fair value. These criteria shall be determined prudently by the Board of Directors, based on information or other market data. In such circumstances, these assets will be valued according to mathematical or financial models or other alternative valuation methods in order that their fair value on the valuation day may be recorded in the financial statements.

##### c) Acquisition cost of securities in the portfolio

The acquisition cost of the securities held by each sub-fund that are denominated in currencies other than the reference currency of the sub-fund is converted into this currency at the exchange rate prevailing on the date of purchase.

##### d) Net realised gain (loss) on sales of securities

The realised gains and losses on sales of securities are determined on the basis of the average acquisition cost.

## KBC BONDS

### Notes to the financial statements (continued)

as at 31st March 2015

#### e) Investment income

Dividend income is recorded at the ex-date, net of any withholding tax.

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

#### f) Return on sukuk

Sukuk are certificates of investment or securities representing the rights and obligations of its holders on underlying asset. Their remuneration is based on performance of assets, however, are capped. The remuneration of sukuk is variable depending on the profits earned on its assets or income of the issuer or the borrower.

The return on sukuk accrued and payable are recorded, net of any withholding tax.

#### g) Valuation of forward foreign exchange contracts

Forward foreign exchange contracts are valued at forward market rates for the remaining period from valuation date to the maturity of the contracts. Unrealised gains or losses are recorded in the statement of net assets. Net variation of unrealised gains and losses and net realised gains and losses are recorded in the statement of operations and other changes in net assets.

#### h) Valuation of futures contracts

Futures contracts are posted off-balance sheet and valued at the last settlement or close price on the stock exchanges or regulated markets. Unrealised gains or losses are recorded in the statement of net assets. Net variation of unrealised gains and losses and net realised gains and losses are recorded in the statement of operations and other changes in net assets.

#### i) Formation expenses

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

#### j) Conversion of foreign currencies

Cash at banks, other net assets and the valuation of the securities in portfolio expressed in currencies other than the currency of the sub-fund are converted into this currency at the exchange rate prevailing on the date of the report. Income and expenses expressed in currencies other than the currency of the sub-fund are converted into this currency at the exchange rate prevailing on the date of the transaction. Exchange gains and losses are recorded in the statement of operations and other changes in net assets.

#### k) Combined financial statements

The combined financial statements of the SICAV are expressed in EUR and are equal to the sum of the corresponding captions in the financial statements of each sub-fund converted into this currency at the exchange rate prevailing at the date of the report.

At the date of the report, the combination exchange rate is the following:

1	EUR	=	1.0734500	USD	US Dollar
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## KBC BONDS

### Notes to the financial statements (continued)

as at 31st March 2015

#### l) Revaluation difference

The caption "Revaluation difference" in the combined statement of operations and other changes in net assets represents the valuation difference of the net asset of the sub-funds at the beginning of the year with the exchange rate applicable at the date of the report.

#### m) Receivable / Payable on treasury transactions

The caption "Receivable on treasury transactions" comprises maturities of time deposits, new loans or foreign exchange transactions not yet recorded under the caption "Cash at banks".

The caption "Payable on treasury transactions" comprises new time deposits, maturities of loans or foreign exchange transactions not yet recorded under the caption "Cash at banks".

At a sub-fund level, "Receivable and payable on treasury transactions" are disclosed net in the statement of net assets.

#### n) Transaction costs

Transaction costs disclosed under the caption "Transaction fees" in the expenses of the statement of operations and other changes in net assets are mainly composed of transaction fees incurred by the SICAV relating to purchases or sales of securities and of transaction fees on financial and on derivatives instruments.

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

The Board of Directors of the SICAV is responsible for the general investment policy.

On the basis of the contract which entered into force on 1st May 2006, the SICAV has appointed KBC ASSET MANAGEMENT S.A. as Management Company within the meaning of Section 15 of the amended Law of 17th December 2010 concerning Undertakings for Collective Investment.

With regard to services provided concerning management, distribution and risk management, the Management Company receives an annual fee payable monthly on the average net assets of the sub-funds to the effective rates of:

Sub-funds	Effective rates
- KBC BONDS INCOME FUND	0.70%
- KBC BONDS CAPITAL FUND	0.70%
- KBC BONDS HIGH INTEREST	1.10%
	0.50% for the sub-categories "Institutional Shares"
- KBC BONDS EMERGING MARKETS	1.20%
- KBC BONDS CORPORATES EURO	0.85%
	0.60% for the sub-category "Institutional Shares"
- KBC BONDS EUROPE EX-EMU	0.75 %
- KBC BONDS CONVERTIBLES	1.10%
- KBC BONDS INFLATION - LINKED BONDS	0.50%
	0.50% for the sub-categories "Institutional Shares"
- KBC BONDS EUROPE	0.70%
- KBC BONDS CORPORATES USD	0.75%
- KBC BONDS EMERGING EUROPE	1.20%
- KBC BONDS GLOBAL EMERGING OPPORTUNITIES	1.20%
- KBC BONDS EMU SHORT	0.40% since 1st January 2015
	0.70% until 31st December 2014
- KBC BONDS EMU SHORT MEDIUM	0.70%

## KBC BONDS

### Notes to the financial statements (continued)

as at 31st March 2015

Sub-funds	Effective rates
- KBC BONDS STRATEGIC EMERGING MARKETS	1.20%
- KBC BONDS SRI HIGH INTEREST	1.20%
(initial subscription NAV date: 14th November 2014)	0.60% for the sub-categories "Institutional Shares"

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

##### a) Subscription fee in favour of the financial intermediaries

At the end of the initial subscription period, the shares, except the ones of the sub-category "Institutional B Shares", will be issued at a price corresponding to the net asset value per share, plus a subscription fee up to 2.50% payable by the subscriber in favour of the financial intermediaries.

##### b) Redemption, conversion fee in favour of the sub-funds of the SICAV

All shares submitted to redemption, except the ones of the sub-category "Institutional B Shares", will be redeemed at the net asset value per share at the date of the redemption order receipt subject to deduction of a fee up to 1.00% payable by the seller in favour of the SICAV.

Conversion of shares between the sub-funds of the SICAV undertakes at a price equal to the respective net asset values of the shares of the different sub-funds, less a conversion fee, fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund in favour of the respective sub-funds.

##### c) Amount intended to cover the acquisition/realisation costs of assets paid by the shareholders of "Institutional B Shares" in favour of the sub-funds of the SICAV

The sub-category "Institutional B Shares" is dedicated to investment vehicles, promoted by the KBC group (in this case, the funds of funds). Given the frequency of the transactions operated by these funds, acquisition/realisation costs of the specific assets in favour of the sub-fund of the SICAV were created (as described in the table below):

Sub-funds	Maximum fees (in % of net assets per share)
- KBC BONDS HIGH INTEREST	0.750
- KBC BONDS EMERGING MARKETS	1.500
- KBC BONDS CORPORATES EURO	1.125
- KBC BONDS EUROPE EX-EMU	0.500
- KBC BONDS CONVERTIBLES	1.125
- KBC BONDS INFLATION - LINKED BONDS	1.125
- KBC BONDS EUROPE	0.500
- KBC BONDS CORPORATES USD	1.125
- KBC BONDS EMERGING EUROPE	0.750
- KBC BONDS GLOBAL EMERGING OPPORTUNITIES	0.750
- KBC BONDS EMU SHORT	0.500
- KBC BONDS EMU SHORT MEDIUM	0.500
- KBC BONDS STRATEGIC EMERGING MARKETS	0.750

These costs are recorded in the caption "Commissions received" in the statement of operations and other changes in net assets.

## KBC BONDS

### Notes to the financial statements (continued)

as at 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 sub-categories "Institutional Shares" and "Institutional B Shares" benefit from the reduced tax of 0.01% in conformity with Article 174 (2) of the amended Law of 17th December 2010.

#### Note 5 - Belgian annual tax

The Belgian regulation (the inheritance tax code, tome II bis) imposes to Undertakings for Collective Investment which were authorised to market their shares publicly in Belgium, the payment of an annual tax. This tax amounts to 0.0925% on the total of the net sums invested in Belgium at 31st December of the previous year, starting from their registration with the "Financial Services and Markets Authority" ("FSMA").

The SICAV is required to pay this tax on 31st March of each year.

This tax is recorded in the caption "Other taxes" of the statement of operations and other changes in net assets.

#### Note 6 - Total Expense Ratio ("TER") and Portfolio Turnover rate ("PTR")

The TER and the PTR disclosed under "Statistical information" of this report are calculated in accordance with the "Guidelines on the calculation and disclosure of the TER and PTR of collective investment schemes" issued by the Swiss Funds & Asset Management Association "SFAMA" on 16th May 2008.

The TER and the PTR are calculated for the last 12 months preceding the date of this report.

Transaction fees are not taken into account in the calculation of the TER.

The PTR has been calculated according to the following formula  $(\text{Total 1} - \text{Total 2})/M \times 100$

with    Total 1 = Total securities transactions = X + Y  
          X = Securities purchases  
          Y = Securities sales

Total 2 = Total subscriptions and redemptions = S + T  
S = subscriptions  
T = redemptions

S+T: subscriptions and redemptions are netted per NAV calculation day.

M = average net assets

## KBC BONDS

### Notes to the financial statements (continued)

as at 31st March 2015

#### Note 7 - Other income

The caption "Other income" in the statement of operations and other changes in net assets primarily represents prescribed coupon redemption.

#### Note 8 - Statement of changes in investments

The statement of changes in investments for the period in reference to the report is available free of charge at the registered office of the SICAV, from the institutions responsible for providing financial services, from the paying agents and from the legal representatives.

#### Note 9 - Securities lending

In exchange of securities lent in the form of "Securities Lending", the SICAV has a guarantee from *KBL European Private Bankers S.A.*, in the form of bonds issued by high-quality issuers, whose market value is at least equal to 100% of the global market value of securities lent to *KBL European Private Bankers S.A.*

The table below shows the following information for the different Sub-Funds at 31st March 2015;

- The global market value of the securities lent ("Securities Lending")
- The market value of securities received as collateral ("Collateral")

Sub-funds	Currency	Global market value of the securities lending	Market value of the collateral received
KBC BONDS HIGH INTEREST	EUR	31,261,421.28	36,344,374.75
KBC BONDS EMERGING MARKETS	USD	36,703,971.30	52,294,888.89
KBC BONDS CORPORATES EURO	EUR	64,168,841.92	79,687,331.09
KBC BONDS CONVERTIBLES	EUR	18,515,141.02	23,315,391.91
KBC BONDS CORPORATES USD	USD	17,279,358.02	20,270,993.43
KBC BONDS EMERGING EUROPE	EUR	18,478,591.80	21,423,185.17
KBC BONDS GLOBAL EMERGING OPPORTUNITIES	EUR	-	948,250.79
KBC BONDS EMU SHORT MEDIUM	EUR	116,978.25	550,000.00

The net income of the SICAV on securities lending are recorded under the caption "Commissions received" in the statement of operations and other changes in net assets.

#### Note 10 - Forward foreign exchange contracts

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

KBC BONDS HIGH INTEREST					
Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in EUR)
Forward foreign exchange contracts					
EUR	8,578,843.14	AUD	12,000,000.00	27.04.2015	51,068.16
NOK	106,047,209.70	GBP	9,000,000.00	27.04.2015	-191,987.18
					-140,919.02



## KBC BONDS

### Notes to the financial statements (continued)

as at 31st March 2015

#### KBC BONDS CONVERTIBLES

Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in EUR)
<b>Forward foreign exchange contracts linked to capitalisation shares "Euro Hedged" and distribution</b>					
EUR	1,102,233.20	HKD	9,256,000.00	08.04.2015	-9,839.48
					<u>-9,839.48</u>

#### KBC BONDS EMERGING EUROPE

Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in EUR)
<b>Forward foreign exchange contracts</b>					
CZK	380,000,000.00	EUR	13,826,945.59	07.04.2015	-40,019.06
EUR	16,935,118.00	USD	19,000,000.00	07.04.2015	-763,788.10
					<u>-803,807.16</u>

#### KBC BONDS STRATEGIC EMERGING MARKETS

Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in EUR)
<b>Forward foreign exchange contracts</b>					
HKD	100,000,000.00	USD	12,888,298.66	27.04.2015	8,605.96
					<u>8,605.96</u>

#### KBC BONDS SRI HIGH INTEREST

Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in EUR)
<b>Forward foreign exchange contracts</b>					
HKD	12,000,000.00	USD	1,546,675.58	27.04.2015	958.43
NOK	2,500,000.00	GBP	212,173.36	27.04.2015	-4,531.11
THB	15,000,000.00	USD	458,295.14	27.04.2015	1,608.89
					<u>-1,963.79</u>

#### Note 11 - Futures contracts

As at 31st March 2015, the sub-funds below are committed in the following futures contracts with DEUTSCHE BANK AG LONDON:

#### KBC BONDS EMERGING MARKETS

	Number of contracts	Denomination	Currency	Commitments (in USD)	Unrealised result (in USD)
Purchase	95	US Treasury Bond (Long) FUT 06/15 CBOT	USD	15,568,125.00	154,062.50
					<u>154,062.50</u>

#### KBC BONDS CORPORATES EURO

	Number of contracts	Denomination	Currency	Commitments (in EUR)	Unrealised result (in EUR)
Sale	10	Euro BUXL 30 Years FUT 06/15 EUX	EUR	-1,761,600.00	-116,800.00
Sale	200	Euro Bund 10 Years FUT 06/15 EUX	EUR	-31,752,000.00	-354,000.00
Sale	130	Euro-BOBL 5 Years FUT 06/15 EUX	EUR	-16,825,900.00	-27,300.00
					<u>-498,100.00</u>

## KBC BONDS

### Notes to the financial statements (continued)

as at 31st March 2015

#### KBC BONDS EUROPE EX-EMU

	Number of contracts	Denomination	Currency	Commitments (in EUR)	Unrealised result (in EUR)
Purchase	5	Euro Bund 10 Years FUT 06/15 EUX	EUR	793,800.00	8,300.00
					<u>8,300.00</u>

#### KBC BONDS CONVERTIBLES

	Number of contracts	Denomination	Currency	Commitments (in EUR)	Unrealised result (in EUR)
Purchase	3	AEX Index FUT 04/15 EOE	EUR	293,430.00	-4,710.00
Purchase	3	FTSE 100 Index FUT 06/15 ICE	GBP	279,031.54	-269.62
Purchase	1	TOPIX INDEX (TOKYO) FUT 06/15 OSE	JPY	119,828.93	1,731.25
Purchase	2	S&P 500 Index FUT 06/15 CME	USD	959,895.66	8,733.52
					<u>5,485.15</u>

#### KBC BONDS CORPORATES USD

	Number of contracts	Denomination	Currency	Commitments (in USD)	Unrealised result (in USD)
Sale	40	US Treasury Note 10 Years FUT 06/15 CBOT	USD	-5,156,250.00	-75,625.00
					<u>-75,625.00</u>

#### KBC BONDS EMERGING EUROPE

	Number of contracts	Denomination	Currency	Commitments (in EUR)	Unrealised result (in EUR)
Purchase	40	Long Gilt Fut 10 Years FUT 06/15 ICE	GBP	6,678,174.11	-23,311.39
					<u>-23,311.39</u>

The caption "Other liquid assets" in the statement of net assets contains principally margin calls and guarantee deposits serving to guarantee operations on futures contracts.

When the SICAV concludes futures contracts, it deposits and maintains, as collateral, a guarantee deposit with the custodian in accordance with the requirements set by the stock exchange on which the transaction is made. In accordance with the contract, the SICAV agrees to receive from, or pay to, the custodian an amount equal to the daily fluctuation in the value of the contract. The net amount payable to or receivable from the custodian as at 31st March 2015 in addition to or deducted from the collateral originally deposited is recorded under the caption "Other liquid liabilities"/"Other liquid assets" in the statement of net assets.