P R O S P E C T U S

KBC BONDS

Société d'Investissement à Capital Variable (Sicav – Open-ended Investment Company)

L U X E M B O U R G

UCITS

Subscription is permitted solely on the basis of the current prospectus, accompanied by the latest annual report and the latest interim report, if the latter is the more recent. No person is authorised to give any information that is not contained in the present prospectus or in the documents referred to herein that are available for inspection by the public.

In the event of discrepancies between the French and the other language versions of the prospectus, the French takes precedence.

04/12/2017

General remarks

KBC BONDS (the ‘Sicav’, i.e. an open-ended investment company under Luxembourg law) is included on the official list of undertakings for collective investment in accordance with Part I of the Act of 17 December 2010 on undertakings for collective investment. However, this inclusion on the list does not imply that any Luxembourg authority has approved or disapproved of the suitability or accuracy of this prospectus or the securities portfolio held by the Sicav. Any declaration to the contrary would be unauthorised and illegal.

This prospectus may not be used for the purposes of offering for sale and marketing in any country or under any conditions where such offering or marketing is not authorised.

The Sicav will also publish such Key Investor Information Documents for each class of shares as is required by law.

None of the shares are or shall be registered under the United States Securities Act of 1933, as amended, and the shares or units may not be offered, sold, transferred or delivered, directly or indirectly, in the United States of America, or in any of its territories or any of its possessions or regions under its jurisdiction or to a US citizen, as defined in the United States Securities Act. The UCI and its sub-funds have not been registered under the United Investment Company Act of 1940, as amended.

The Board of Directors assumes responsibility for the accuracy of the information contained in this prospectus on its date of publication.

Any information or representation not contained in the present prospectus or in the reports forming an integral part thereof must be considered as unauthorised and consequently as not reliable. Neither the delivery of the present prospectus, nor the offering, issue or sale of shares of the Sicav constitutes a representation that the information contained in the present prospectus will be accurate at any time subsequent to the date of its publication.

The prospectus may be updated at the appropriate time to take account of major changes, specifically the addition of other sub-funds. Prospective subscribers are therefore advised to enquire at the Sicav’s registered office to find out whether the Sicav has published a new prospectus.

Prospective subscribers and purchasers of shares of the Sicav are advised to find out about the potential legal or tax consequences and any currency restrictions or controls to which subscriptions to – or the purchase, possession, redemption, conversion or transfer of – shares of the Sicav may be subject, pursuant to the laws in force in their countries of origin, residence or domicile.

This issue prospectus is modular in structure. The basic document contains all the necessary information about the Sicav and its legal framework. All the information concerning a specific sub-fund of the Sicav is given in the Appendices.

- **Appendix 1 contains the specific characteristics of the sub-funds, i.e. the information associated with the investment policy, the terms and conditions of issue and redemption and the fees.**
- **Appendix 2 contains the subscription forms.**

The Appendices form an integral part of this prospectus.

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1. General information

1.1. Board of Directors

Chairman:

Mr Wilfried KUPERS	KBC Group, General Manager
2 avenue du Port, B-1080 Brussels	

Directors:

Mr Bruno NELEMANS	KBC Asset Management SA, Manager
	4 rue du Fort Wallis, L-2714 Luxembourg
Mr Frank JANSEN	KBC Asset Management SA, Senior Fund Manager
	4 rue du Fort Wallis, L-2714 Luxembourg
Mr Jos LENAERTS	KBC Asset Management SA, Senior Legal Adviser
	4 rue du Fort Wallis, L-2714 Luxembourg

1.2. Registered Office

11 rue Aldringen, L-1118 Luxembourg until 2 October 2016. From 3 October 2016, 80 route d'Esch, L-1470 Luxembourg.

1.3. Management Company

KBC ASSET MANAGEMENT SA, 4 rue du Fort Wallis, L-2714 Luxembourg

1.4. Central administration

The Management Company has delegated the central administration to KREDIETRUST Luxembourg, 11 rue Aldringen, L-2960 Luxembourg until 2 October 2016. From 3 October 2016: BROWN BROTHERS HARRIMAN (Luxembourg) S.C.A, 80 route d'Esch, L-1470 Luxembourg.

1.5. Custodian and paying agent

KBL European Private Bankers SA, 43 boulevard Royal, L-2955 Luxembourg, until 2 October 2016. From 3 October 2016: BROWN BROTHERS HARRIMAN (Luxembourg) S.C.A, 80 route d'Esch, L-1470 Luxembourg.

1.6. Statutory auditor

Deloitte Audit Sarl, 560 rue de Neudorf, L-2220 Luxembourg.

1.7. Financial services

KBL European Private Bankers SA, 43 boulevard Royal, L-2955 Luxembourg, until 2 October 2016. From 3 October 2016: BROWN BROTHERS HARRIMAN (Luxembourg) S.C.A, 80 route d'Esch, L-1470 Luxembourg.

Outside Luxembourg:

The agents providing financial services in countries other than Luxembourg where the shares are marketed will be given in the Appendix concerning the marketing of the Sicav in the country in question.

2. The Sicav

KBC BONDS is a Société d'Investissement à Capital Variable (Sicav, or open-ended investment company) under Luxembourg law and was established on 20 December 1991 in Luxembourg under the name KB Income Fund in perpetuity, in accordance with the Act of 17 December 2010 on undertakings for collective investment (the 'Act') and the Commercial Companies Act of 10 August 1915. In particular, it is governed by the provisions of Part I of the Act of 17 December 2010 on Undertakings for Collective Investment in Transferable Securities as defined by the Directive of the Council of the European Community 2009/65/EC, as amended by directive 2014/91/EC.

The Articles of Association of the Sicav were published in Mémorial C, Recueil Spécial des Sociétés et Associations (the 'Mémorial'), the official gazette of the Grand Duchy of Luxembourg, on 15 February 1992. The Articles of Association were amended by notarial deed of 3 October 1994, published in the Mémorial of 28 October 1994. The Articles of Association were amended by notarial deed of 4 November 1998, published in the Mémorial of 25 November 1998. These Articles, together with a legal notice concerning the issue of the shares of the Sicav, have been filed with the Chancery of the District Court of and in Luxembourg. The Articles of Association were amended by notarial deed of 24 June 2004. These Articles, together with a legal notice concerning the issue of the shares of the Sicav, have been filed with the Chancery of the District Court of and in Luxembourg. The Articles of Association were last amended by notarial deed of 22 November 2005, published in the Mémorial of 1 February 2006. These Articles, together with a legal notice concerning the issue of the shares of the Sicav, have been filed with the Chancery of the District Court of and in Luxembourg.

Interested parties may consult these documents there and copies are obtainable, on request, on payment of the registry charges.

The Sicav resulted from the transformation of KB Income Fund, a fonds commun de placement (FCP, a collective investment scheme or mutual fund), established on 26 September 1966. On 3 October 1994, KB Income Fund modified its structure to become a Sicav with multiple sub-funds, or umbrella Sicav, and changed its name to KB BONDS. The shares of KB Income Fund in circulation on 3 October 1994 were assimilated to the shares of a first sub-fund, i.e. 'KB BONDS Income Fund', at the rate of one new KB BONDS Income Fund share for ten old KB Income Fund shares.

An amalgamation also took place on 3 October 1994, whereby KB BONDS absorbed KB Capital Fund and KB High Interest Fund. Following this amalgamation, KB BONDS issued the shareholders of KB Capital Fund with shares of a new sub-fund, KB BONDS Capital Fund, and the shareholders of KB High Interest Fund with shares of another new sub-fund, KB BONDS High Interest.

On 4 November 1998, KB BONDS changed its name to KBC BONDS.

The Sicav is entered in the Luxembourg Trade Register under number B 39.062.

The registered office of the Sicav is located at 11 rue Aldringen, L-1118 Luxembourg until 2 October 2016. From 3 October 2016, 80 route d'Esch, L-1470 Luxembourg.

The Sicav's capital is at all times equal to the net asset value of all the sub-funds and is represented by fully paid-up no-par-value shares. Changes in capital occur ipso jure and are not subject to the requirements of publication and registration in the Registre du Commerce et des sociétés (Trade and Company Register) prescribed for capital increases or decreases of sociétés anonymes (type of limited company). The Sicav's minimum capital is 1 250 000 euros. The Sicav's capital is expressed in euros.

The Board of Directors of the Sicav is responsible for administering and managing the Sicav and for supervising its operations, as well as for establishing and implementing the investment policy.

In accordance with the Act, the Board of Directors may appoint a Management Company.

The Sicav has appointed KBC Asset Management SA, a société anonyme, with registered office at 4 rue du Fort Wallis, L-2714 Luxembourg, as the Management Company of the Sicav within the meaning of Chapter 15 of the Act.

3. The Management Company: KBC Asset Management SA

3.1. Board of Directors of the Management Company

Chairman:

Mr Johan LEMA

KBC Asset Management NV (Belgium), Chairman of the Executive Committee, 2 avenue du Port, B-1080 Brussels

Directors

Mrs Linda DEMUNTER

KBC Asset Management NV (Belgium), Managing Director, 2 avenue du Port, B-1080 Brussels

Mr Ivo BAUWENS

KBC Group RE, General Manager, 4 rue du Fort Wallis, L-2714 Luxembourg

3.2. Directors of the Management Company

Mr Lazlo BELGRADO

KBC Asset Management SA (Luxembourg), Head of Specialised Investment Management, 4 place de la Gare, L-2714 Luxembourg

Mr Bruno NELEMANS

KBC Asset Management SA (Luxembourg), Member of the Executive Committee, 4 rue du Fort Wallis, L-2714 Luxembourg

3.3. Registered office of the Management Company

4 rue du Fort Wallis, L-2714 Luxembourg

3.4. Date of incorporation of the Management Company

The Management Company was established on 1 December 1999 under the name KBC Institutionals Gestion SA. The name of the Company was changed to KBC Asset Management SA on 10 February 2006.

The Management Company was authorised under Article 101 of Section 15 of the Act by the CSSF, effective 10 February 2006.

3.5. Issued and fully-paid capital of the Management Company

The issued capital, which is fully paid up, of the Management Company is 4 152 937 euros.

3.6. Appointment by the Sicav of the Management Company and responsibilities of the Management Company

3.6.1. Appointment by the Sicav of the Management Company

Under the terms of the contract that took effect on 1 May 2006, the Sicav appointed KBC Asset Management SA to be its Management Company within the meaning of Section 15 of the Act.

3.6.2. Management activities

3.6.2.1. General

The object of the Management Company is to manage undertakings for collective investment pursuant to the Act, and this management activity covers the management, administration and marketing of undertakings for collective investment, such as the Sicav.

3.6.2.2. Activities carried out on behalf of the Sicav

- Portfolio management
- Central administration

The Management Company has delegated the central administration to Brown Brothers Harriman (Luxembourg) S.C.A. (see 5. Domiciliary agent, administrative agent and registrar and transfer agent)

- Retailing

3.7. Sicavs and Fonds Communs de Placement (FCPs) that have appointed the Management Company

Sicav: KBC Bonds, KBC Renta, Access Fund, KBC Interest Fund, KBC Institutional Interest Fund, Global Partners, KBC Select Investors, KBC Flexible, and Managed Investors and Contribute Partners.

FCPs: KBC Institutionals, KBC Life Invest Fund, KBC Life Privileged Portfolio Fund, KBC Institutional Fund and KBC Life Invest Platform.

4. Custodian and principal paying agent

Brown Brothers Harriman (Luxembourg) S.C.A., société en commandite par actions (partnership limited by shares), with its registered office at 80 route d'Esch, L-1470 Luxembourg, has been designated as the Sicav's Custodian on the basis of an agreement entered into on 3 October 2016.

Brown Brothers Harriman (Luxembourg) S.C.A. is a credit institution incorporated on 9 February 1989. As Custodian, Brown Brothers Harriman (Luxembourg) S.C.A. performs the usual duties in accordance with Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), as amended by Directive 2014/91/EU of 23 July 2014 on the coordination of laws, regulations and administrative provisions in respect of custodian functions, remuneration policies and sanctions and the Act of 2010.

Specifically, the Custodian must ensure that:

a) the sale, issue, repurchase, redemption and cancellation of the Sicav's shares are carried out in accordance with the law and with the Sicav's Articles of Incorporation;

b) the value of the Sicav's shares is calculated in accordance with the law, the Articles of Incorporation and the Prospectus;

c) the instructions of the Management Company or the Sicav are carried out, unless they conflict with the law or the Sicav's Articles of Incorporation;

d) in transactions involving the Sicav's assets, the consideration for the transactions is remitted to it within the customary periods;

e) the Sicav's products are applied in accordance with Luxembourg law, the Articles of Incorporation and the Prospectus.

The Custodian will ensure that the Sicav's liquid asset flows are correctly tracked and, more specifically, that all payments made by shareholders or on their account when subscribing to shares in the Sicav have been received and that all the Sicav's liquid assets have been recorded in cash accounts that are:

a) opened in the Sicav's name or that of the Custodian acting on the Sicav's behalf;

b) opened at an entity as defined by Article 18(1a, b and c) of Commission Directive 2006/73/EC; and

c) held in accordance with the principles set out in Article 16 of Directive 2006/73/EC.

Custody of the Sicav's assets must be entrusted to a Custodian, taking account of the following elements:

a) In the case of financial instruments, the safekeeping of which can be ensured, the Custodian:
  i) must ensure the safekeeping of all the financial instruments that can be entered in a custody account held at the Custodian, and of all financial instruments that can be delivered physically to the Custodian;
  ii) must ensure that all the financial instruments that can be entered in a custody account held at the Custodian are registered at the Custodian in separate accounts, in accordance with the principles set out in Article 16 of Directive 2006/73/EC, opened in the Sicav's name, such that they may be clearly identified at all times as belonging to the Sicav, in accordance with applicable law.

b) In the case of other assets, the Custodian:
  i) must verify that the Sicav is the owner of these assets by evaluating, based on information or documents furnished by the Sicav and, where appropriate, external proofs, whether the Sicav holds the ownership rights;
  ii) must maintain a register of assets of which it knows the Sicav to be the owner and must ensure the updating of this register.

The Sicav's assets may not be reused other than under the conditions described in the Law of 2010 and Directive 2009/65/EC.

The Custodian will maintain full and detailed company policies and procedures requiring the Custodian to comply with the applicable laws and regulations.

The Custodian has policies and procedures governing the management of conflicts of interest. These policies and procedures deal with the conflicts of interest that can result from the supply of services to the UCITS.

The Custodian's policies require that all material conflicts of interest involving internal and external parities be acknowledged without delay, reported to management, registered, and where applicable, mitigated and/or neutralised. Where a conflict of interest cannot be avoided, the Custodian must maintain and apply effective organisational and administrative measures in order to take all reasonable precautions to (i) report the conflicts of interest to the Sicav and its shareholders and (ii) to manage and monitor such conflicts.

The Custodian will ensure that its employees are informed, trained and advised on conflict of interest policies and procedures, and that tasks and responsibilities are separated in an appropriate manner in order to avoid conflicts of interest.

Compliance with the conflict of interest policies and procedures will be supervised and checked by the Executive Committee as general partner and by the authorised management of BBH, as well as by the Custodian's compliance, internal audit and risk management functions.

The Custodian will take all reasonable precautions to identify and mitigate potential conflicts of interest. This includes the implementation of its conflict of interest policies, which are appropriate for the scale, complexity and nature of its activities. This policy identifies the circumstances that give, or might give rise to a conflict of interest, and includes the procedures to be followed and the measures to be adopted to manage conflicts of interest. The Custodian will maintain and monitor a register of conflicts of interest.

The Custodian will also act as administrative agent in accordance with the terms of the fund management agreement between the Custodian and the Management Company. The Custodian has implemented an appropriate separation of activities between its custodian services and its fund management services, including the reporting and governance procedures. The custodian function will, moreover, be hierarchically and functionally distinct from the fund management services unit.

The Custodian may delegate the custody of the Sicav's assets to sub-custodians, subject to the conditions set out by current law and regulations and the provisions of the custody agreement. The Custodian must have a process in place designed to select the sub-custodian in each market based on predefined criteria in accordance with the provisions of the regulations. The Custodian must exercise appropriate care and diligence in selecting and designating each sub-custodian, to ensure that each sub-custodian possesses and maintains the required competence. The Custodian should also determine periodically whether the sub-custodians are complying with the applicable legal and regulatory obligations and must continuously monitor each sub-custodian, to ensure that it continues to meet its obligations in an appropriate manner. The list of its sub-custodians should be available on the Management Company's website *https://kbcam.kbc.be/fr/kbcamsa* or from the Custodian on written request.

A potential conflict of interest might arise in situations in which the sub-custodians have or conclude a separate commercial and/or business relationship with the Custodian parallel to the sub-custody relationship. Conflicts of interest can potentially arise between the Custodian and the sub-custodian during the conduct of its business. In the event of a group connection between the sub-custodian and the Custodian, the Custodian undertakes to identify any potential conflict arising from this connection, where applicable, and to take all measures capable of avoiding these conflicts of interest.

The Custodian does not anticipate that it will have any specific conflicts of interest arising from delegation to a sub-custodian. The Custodian will notify the Board of Directors of the Sicav and the Management Company in the event that a conflict of this nature should arise.

Any other potential conflict of interest regarding the Custodian will be identified, mitigated and handled in accordance with the Custodian's policies and procedures.

Updated information on the Custodian's custody obligations and the conflicts of interest to which this might give rise can be obtained free of charge and on request from the Custodian.

The Custodian is liable to the Sicav or its investors for the loss of a financial instrument held in custody by the Custodian or a sub-custodian pursuant to the Act of 17 December 2010. This liability comprises a duty of restitution on the Custodian's part, unless it can prove that the loss resulted from an external event beyond its reasonable control, the consequences of which could not have been avoided even if all reasonable efforts to do so had been made.

The Custodian is also liable to the Sicav or its investors for all other losses suffered by them as a result of the Custodian's negligent or intentional failure to properly fulfil its duties in accordance with the Act of 17 December 2010.

5. Domiciliary agent, administrative agent and registrar and transfer agent

The Management Company has delegated the functions of domiciliary agent, administrative agent and registrar and transfer agent to Brown Brothers Harriman (Luxembourg) S.C.A. pursuant to a contract that entered into effect on 3 October 2016. These contracts were concluded for an indefinite period and may be terminated by each party subject to three months' notice.

Brown Brothers Harriman (Luxembourg) S.C.A. was established on 9 February 1989 in the form of a société en commandite par actions under Luxembourg law. Its registered office is at 80 route d'Esch, L-1470 Luxembourg.

Brown Brothers Harriman (Luxembourg) S.C.A. will be paid by the Management Company.

6. Objectives and investment policy

Under the Articles of Association, the Board of Directors is authorised to set the investment policy for each sub-fund into which the company's capital is divided.

The basic objective of the Sicav is to seek the highest possible return on the capital invested, while observing the principle of spreading risk.

Since the umbrella UCITS has a 'European passport', the investment policy complies with Part I of the Act.

Save with regard to the provisions of 6.4 and unless otherwise indicated, the limits apply per sub-fund.

6.1. Eligible instruments

The investments of the UCITS will be restricted to the following exclusively:

6.1.1. Listed securities and money market instruments

6.1.1.1. securities and money market instruments listed or traded on a regulated market;

6.1.1.2. securities and money market instruments traded on another market in an EU Member State, provided that the market is regulated, regularly operating, recognised and open to the public;

6.1.1.3. securities and money market instruments admitted to official listing on a stock exchange in a non-EU State or traded on another market in a non-EU State, provided that the market is regulated, regularly operating, recognised and open to the public, and that the choice of stock exchange or market has been provided for in the present prospectus.

6.1.1.4. newly issued securities and money market instruments, provided that:

- the issue conditions include an undertaking that application will be made for admission to official listing on a stock exchange or another market that is regulated, regularly operating, recognised and open to the public, and provided that the choice of stock exchange or market has been provided for in the present prospectus;
- official listing is obtained within no more than one year of the issue;

6.1.1.5. **the Sicav is authorised, in accordance with the principle of spreading risk, to invest up to 100% of its assets in different issues of securities and money market instruments issued or guaranteed by a Member State, its regional or local authorities, an OECD Member State, Singapore, Brazil, Russia, Indonesia and South Africa, or by public international institutions of which one or more EU Member States are members, provided that the securities come from at least six different issues and that securities from any single issue may not exceed 30% of the total amount.** "

6.1.2. Shares/units in UCIs

6.1.2.1. shares of authorised UCITS in accordance with Directive 2009/65/EC, as amended by Directive 2014/91/EC.

6.1.2.2. other UCIs within the meaning of Article 1(2), first and second indents, of Directive 2009/65/EC, as amended by Directive 2014/91/EC, whether located in an EU Member State or not, on condition that:

- these other UCIs are authorised under laws providing that they are subject to supervision considered by the Luxembourg financial services authority, the CSSF (Commission de Surveillance du Secteur Financier), to be equivalent to that provided for in Community legislation, and that there is sufficient guarantee of cooperation amongst the authorities;
- the level of protection guaranteed to the holders of shares/units in these other UCIs is equivalent to that provided for the holders of the shares/units in a UCITS and, in particular, that the rules relating to asset segregation, borrowing, loans and short sales of transferable securities and money market instruments are equivalent to the requirements of Directive 2009/65/EC, as amended by Directive 2014/91/EC.
- the activities of these other UCIs are the subject of half-yearly and annual reports, permitting the assets and liabilities, profits and operations for the reporting period to be evaluated;

- no more than 10% of the assets of the UCITS or these other UCIs whose acquisition is planned may, under their instruments of incorporation, be invested entirely in the shares/units of other UCITS or other UCIs.

6.1.2.3. Each sub-fund's investments in shares/units in UCIs many not exceed 10% of these assets.

6.1.2.4. The Management Company may not charge any issue or redemption fee and may only charge a reduced management fee (0.25% max.) if it acquires units in UCITS and/or other UCIs that it manages directly or indirectly or which are managed by a company with which it is linked through joint management, through joint control or by a direct or indirect participating interest exceeding 10% of the capital or voting rights.

6.1.3. Deposits

6.1.3.1. Deposits with a credit institution, which are repayable on demand or may be withdrawn, with a maturity of up to one year, provided that the credit institution has its registered office in a Member State of the European Union or, if the registered office of the credit institution is located in another country, is subject to prudential rules considered by the CSSF to be equivalent to those provided for in Community legislation.

6.1.4. Derivatives

6.1.4.1. Derivatives may be used both for achieving the investment objectives and for hedging risks.

6.1.4.2. Derivatives can be both listed and unlisted: they include forward contracts, options or swaps of shares, indices, foreign currency or interest rates or other transactions in derivatives. Transactions in unlisted derivatives may only be concluded with prime financial institutions specialised in transactions of this type. The sub-fund aims to conclude transactions that are as effective as possible, in compliance with the relevant regulations and the Articles of Association. All fees and charges associated with these transactions are booked to the sub-fund and all the income accrues to the sub-fund.
The counterparty does not have any discretionary decision-making power whatsoever regarding the composition or management of the UCITS' investment portfolio or the underlying of the derivatives, and the counterparty's agreement is not required for any transaction whatsoever involving the UCITS' investment portfolio.

6.1.4.3. The UCIT may conclude contracts relating to the credit risk on issuers of debt instruments as set out in the investment policy of the sub-fund concerned. The credit risk is the risk of the issuer of the debt instrument defaulting. This risk relates to parties whose credibility at the time when the contract is concluded, is equivalent to that of the issuers whose debt instruments are held directly by the sub-fund.

6.1.4.4. Derivatives may also be used to protect the sub-fund's assets against the risk of exchange rate fluctuations.

6.1.4.5. Credit derivatives may only be used to achieve the investment objectives and within the limits of the existing profile, without implying any transfer to less credible debtors. Hence there is no increase in the credit risk. In so far as derivatives are used, this will involve instruments that are liquid and readily negotiable. Use of derivatives does not, therefore, influence the liquidity risk. Nor does use of derivatives alter the allocation of the portfolio between regions, sectors or themes. It does not, therefore, affect the concentration risk. Derivatives do not guarantee the full or partial protection of the capital. They never increase nor decrease the capital risk. Nor does the use of derivatives have the slightest influence on the risks associated with processing, custody, flexibility, inflation or external factors.

6.1.4.6. Exposure to the counterparty risk stemming from an OTC derivatives transaction and efficient portfolio management techniques should be combined when calculating the counterparty risk limits specified in Section 6.3.1. below.

In the case of OTC derivatives transactions, a guarantee is provided to ensure that the counterparty risk does not at any time exceed 10% of the Sicav's net assets. The guarantee shall extend to at least 100% of (the exposure to OTC derivatives transactions as a percentage of the Fund's net assets – x), where x is less than 10%. The minimum operating thresholds and discount percentages mentioned below are taken into account to determine the extent of the guarantee required.

When a sub-fund concludes OTC derivatives transactions and uses efficient portfolio management techniques, all the collateral used to reduce the exposure to the counterparty risk must satisfy the following criteria at all times.

(A) Any collateral received other than cash shall be highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. The collateral received must also comply with the provisions of Section 6.4. below.

(B) A daily independent valuation shall be available for collateral received. Assets that exhibit high price volatility shall not be accepted as collateral unless suitably conservative haircuts are in place.

(C) Collateral received shall be of high quality.

(D) The collateral received shall be issued by an entity that is independent of the counterparty and is not expected to display a high correlation with the performance of the counterparty.

(E) Collateral shall be sufficiently diversified in terms of country, markets and issuers. The criterion of sufficient diversification with respect to issuer concentration is considered to be respected if the sub-fund receives from the counterparty to OTC financial derivative transactions and efficient portfolio management a basket of securities with a maximum exposure to a given issuer not exceeding 20% of its net asset value.
When a sub-fund is exposed to different counterparties, the different baskets of securities shall be aggregated to calculate the 20% limit of exposure to a single issuer.

(F) Where there is a title transfer, the collateral received shall be held by the Custodian. For other types of collateral arrangement, the collateral can be held by a third-party custodian, which is subject to prudential supervision, and which is unrelated to the provider of the collateral.

(G) It must be possible for the sub-fund to enforce the collateral in full at any time without being required to consult or obtain permission from the counterparty.

(H) Non-cash collateral received shall not be sold, re-invested or pledged.

(I) Cash collateral should only be:
– deposited with the entities specified in Section 6.1.3.;
– invested in prime government bonds;
– used for repo operations, provided that these involve credit institutions that are subject to prudential supervision and that the Fund may repurchase the entire amount in cash, together with interest accrued, at any time;
– invested in short-term money market funds as defined in the ESMA Guidelines on a Common definition of European money market funds.

Collateral in the form of cash that is reinvested must be diversified in accordance with the diversification criteria applicable to collateral in forms other than cash.

6.1.4.7. *Collateral policy*

Collateral received by the Fund shall predominantly be limited to cash and investment-grade bonds: government bonds and covered bonds.

At present, the Fund is only in receipt of guarantees in the form of investment grade bonds, not cash.

Since the Fund is not in receipt of any guarantees in cash, there is no reinvestment policy and hence no risks associated with such reinvestment policy.

The prospectus shall be updated if guarantees in the form of cash are used.

6.1.4.8.*Haircut policy*

The following discounts relating to collateral for derivatives transactions are those applied by the Management Company (the Management Company reserves the right to amend this policy at any time, in which case this Prospectus will be updated accordingly):

The Fund does not use guarantees in cash at present.

		Assets denominated in the currency of the sub-fund	**Assets not denominated in the currency of the sub-fund**
Credit	**Residual maturity**	**Categories**	**Categories**

quality*	(years)	Cash	Government bonds	Covered	Cash	Government bonds	Covered
AAA/Aaa	0-1	0.0%	0.5%	5.5%	5.0%	5.5%	10.5%
	1-3	0.0%	2.0%	6.5%	5.0%	7.0%	11.5%
	3-5	0.0%	2.5%	7.5%	5.0%	7.5%	12.5%
	5-7	0.0%	4.0%	8.0%	5.0%	9.0%	13.0%
	7-10	0.0%	4.0%	9.0%	5.0%	9.0%	14.0%
	> 10	0.0%	5.5%	10.5%	5.0%	10.5%	15.0%
AA+ to AA- /Aa1 to Aa3	0-1	0.0%	0.5%	15.0%	5.0%	5.5%	15.0%
	1-3	0.0%	2.0%	15.0%	5.0%	7.0%	15.0%
	3-5	0.0%	2.5%	15.0%	5.0%	7.5%	15.0%
	5-7	0.0%	4.0%	15.0%	5.0%	9.0%	15.0%
	7-10	0.0%	4.0%	15.0%	5.0%	9.0%	15.0%
	> 10	0.0%	5.5%	15.0%	5.0%	10.5%	15.0%
A+ to A- /A1 to A3	0-1	0.0%	1.0%	N/A	5.0%	6.0%	N/A
	1-3	0.0%	3.0%	N/A	5.0%	8 .0%	N/A
	3-5	0.0%	3.0%	N/A	5.0%	8.0%	N/A
	5-7	0.0%	6.0%	N/A	5.0%	11.0%	N/A
	7-10	0.0%	6.0%	N/A	5.0%	11.0%	N/A
	> 10	0.0%	6.0%	N/A	5.0%	11.0%	N/A
BBB+	0-1	0.0%	1.0%	N/A	5.0%	6.0%	N/A
	1-3	0.0%	3.0%	N/A	5.0%	8 .0%	N/A
	3-5	0.0%	3.0%	N/A	5.0%	8.0%	N/A
	5-7	0.0%	6.0%	N/A	5.0%	11.0%	N/A
	7-10	0.0%	6.0%	N/A	5.0%	11.0%	N/A
	> 10	0.0%	6.0%	N/A	5.0%	11 ;0%	N/A

Credit Quality means the lower of the Ratings assigned by either S&P or Moody's as the case may be.6.1.4.9.

The Fund does not invest directly in total return swaps.

6.1.5. Unlisted money market instruments

6.1.5.1. Money market instruments other than those traded on a regulated market, provided that the issue or the issuer of these instruments is subject to regulation designed to protect investors and savings and that these instruments are:

- issued or guaranteed by a central, regional or local authority, a central bank of a Member State, the European Central Bank, the European Union or the European Investment Bank, another State or, in the case of a federal State, one of the members of the federation, or a public international institution of which one or more Member States are members, or
- issued by an undertaking whose securities are traded on the regulated markets referred to in points 6.1.1.1, 6.1.1.2 or 6.1.1.3 above, or
- issued or guaranteed by an institution subject to prudential supervision according to the criteria defined by Community law, or by an institution which is subject to and complies with prudential rules considered by the CSSF to be at least as strict as those provided for in Community legislation, or
- issued by other entities belonging to the categories approved by the CSSF, provided that the investments in these instruments are subject to investor protection rules that are equivalent to those provided for in the first, second or third indents and the issuer is a company with capital and reserves amounting to at least ten million euros (10 000 000 euros) that presents and publishes

its annual accounts in accordance with the Fourth Directive 78/660/EEC, an entity that, within a group of companies including one or more listed companies, is responsible for financing the group or an entity that is responsible for financing securitisation (special purpose) vehicles benefiting from bank loans.

6.1.6. Liquid assets

The UCITS may hold liquid assets on an ancillary basis.

6.1.7. Other

6.1.7.1. The UCITS may invest no more than 10% of its assets in transferable securities and money market instruments other than those referred to above.

6.1.7.2. The UCITS may acquire movable and immovable property that is essential for the direct conduct of its business.

6.1.7.3. The UCITS may not acquire either precious metals or certificates representing them.

6.2. Financial techniques and instruments

6.2.1. General

6.2.1.1. The UCITS may employ techniques and instruments relating to transferable securities and money market instruments under the conditions and within the limits laid down by the CSSF provided that such techniques and instruments are used for efficient management of the portfolio.

Where these operations involve the use of derivatives, these conditions and limits must be in accordance with the provisions of the Act.

Under no circumstances may these operations cause the UCITS to depart from its investment objectives as set out in this prospectus.

6.2.1..2. The UCITS will ensure that the overall risk associated with the derivatives does not exceed the total net value of its portfolio. Risks are calculated taking account of the current value of the underlying assets, the counterparty risk, the foreseeable market trend and the time available to liquidate the positions. This also applies to the following paragraphs.

The UCITS may, within the framework of its investment policy and the limits set under point 6.3.1.5, invest in financial derivatives insofar as, overall, the risks to which the underlying assets are exposed do not exceed the investment limits set under point 6.3.1. When the UCITS invests in financial derivatives based on an index, these investments are not necessarily combined with the limits fixed under point 6.3.1.

Where a derivative is embedded in a transferable security or a money market instrument, the derivative must be taken into account when applying the provisions of this article.

6.2.2. Securities financing transactions

The UCITS does not engage in the following securities financing transactions falling within the scope of the Regulation (EU) 2015/2365 of 25 November 2015:

- Repurchase transactions
- Securities or commodities lending and securities or commodities borrowing
- Buy-sellback or sell-buyback transactions
- Margin lending transactions

If the UCITS does make use of transactions of this type, the prospectus must be updated in accordance with the provisions of the Regulation (EU) 2015/2365.

6.3. Spreading of risks

6.3.1. General rules

6.3.1.1. The UCITS may not invest more than 10% of its assets in transferable securities or money market instruments issued by the same body. The UCITS may not invest more than 20% of its assets in deposits with the same body. The counterparty risk of the UCITS in an OTC derivatives transaction may not exceed 10% of its assets where the counterparty is a credit institution referred to under 6.1.3.1 or 5% of its assets in other cases.

6.3.1.2. The total value of the transferable securities and money market instruments held by a UCITS of issuers in which it has, in each case, invested more than 5% of its assets may not exceed 40% of the value of its assets. This limit does not apply to deposits with financial institutions subject to prudential supervision and to OTC derivatives transactions with these institutions.

Notwithstanding the individual limits set under point 6.3.1.1, the UCITS may not combine:

- investments in transferable securities or money market instruments issued by one and the same issuing body,
- deposits with one and the same body and/or,
- exposures stemming from OTC derivative transactions with one and the same body,

that exceed 20% of its assets.

6.3.1.3. The limit mentioned in the first sentence of 6.3.1.1 will be set at a maximum of 35% if the transferable securities or money market instruments are issued or guaranteed by a Member State of the European Union, by its local authorities, by a non-EU state or by public international institutions of which one or more EU Member States are members.

6.3.1.4. The limit mentioned in the first sentence of 6.3.1.1 will be set at a maximum of 25% for certain bonds, if they are issued by a credit institution that has its registered office in an EU Member State and is subject by law to specific State supervision designed to protect the bondholders. In particular, the sums deriving from the issue of these bonds must be invested, in accordance with the law, in assets which, throughout the duration of the bonds, are able to cover the claims arising from the bonds and which, in the event of the bankruptcy of the issuer, would be used on a priority basis for the repayment of the principal and payment of the accrued interest.

Where a UCITS invests more than 5% of its assets in the bonds mentioned in the first paragraph that are issued by a single issuer, the total value of these investments may not exceed 80% of the value of the assets of the UCITS.

6.3.1.5. The securities and money market instruments referred to in paragraphs 6.3.1.3 and 6.3.1.4 are not taken into account for the purposes of the 40% limit mentioned in paragraph 6.3.1.2.

The limits specified in points 6.3.1.1, 6.3.1.2, 6.3.1.3 and 6.3.1.4 may not be combined; consequently, investments in the securities or money market instruments issued by one and the same body, in deposits or derivatives made with this same body in accordance with points 6.3.1.1, 6.3.1.2, 6.3.1.3 and 6.3.1.4, may not exceed 35%, in total, of the assets of the UCITS.

Companies grouped together for the purposes of producing consolidated accounts within the meaning of Directive 83/349/EEC, or in accordance with generally accepted international accounting rules, are considered as a single entity for the calculation of the limits laid down in this article.

A single UCI may, on an aggregate basis, invest up to 20% of its assets in transferable securities and money market instruments of the same group.

6.3.2. Replication of an index

6.3.2.1. Without prejudice to the limits provided for under 6.4, the limits specified under 6.3.1 will be set at maximum 20% for investments in shares and/or bonds issued by one and the same body where, in accordance with the UCITS' instruments of incorporation, the objective of the UCITS' investment policy is to replicate the composition of a specific share or bond index recognised by the CSSF, provided that:

- the composition of the index is sufficiently diversified;
- the index constitutes a representative benchmark for the market to which it refers;
- it is published appropriately.

6.3.2.2. The limit provided for under 6.3.2.1 is set at 35% where this proves justified by exceptional conditions on the markets, and especially on the regulated markets where certain transferable securities or certain money market instruments predominate. Investment up to this limit is only permitted for a single issuer.

6.3.3. Exceptions with regard to the spreading of risk

6.3.3.1. Contrary to point 6.3.1, the Sicav is authorised, in accordance with the principle of spreading risk, to invest up to 100% of its assets in different issues of securities and money market instruments issued or guaranteed by a Member State, its regional or local authorities, an OECD Member State, Singapore, Brazil, Russia, Indonesia and South Africa, or by public international institutions of which one or more EU Member States are members, provided that the securities come from at least six different issues and that securities from any single issue may not exceed 30% of the total amount. "

6.4. Limits on participating interests

6.4.1. The Sicav may not acquire shares with voting rights allowing it to exert a significant influence on the management of the issuer.

6.4.2. Nor may a UCITS acquire more than:

- 10% of the non-voting shares of any single issuer;
- 10% of the bonds of any single issuer;
- 25% of the shares/units in any single UCITS and/or other UCI;
- 10% of the money market instruments issued by a single issuer.

The limits provided for under the second, third and fourth bullets need not be respected at the time of acquisition if, at that time, it is not possible to calculate the gross amount of the bonds or money market instruments or the net amount of the securities issued.

6.4.3. Points 6.4.1 and 6.4.2 do not apply in respect of:

6.4.3.1. transferable securities and money market instruments issued or guaranteed by a Member State of the European Union or its local authorities;

6.4.3.2. transferable securities and money market instruments issued or guaranteed by a non-EU Member State;

6.4.3.3. transferable securities and money market instruments issued by a public international institution of which one or more Member States of the European Union are members;

6.4.3.4. shares held by a UCITS in the capital of a company incorporated in a non-EU State investing its assets mainly in securities of issuers established in this State where, pursuant to the legislation of that State, an investment of this kind is the only way for the UCITS to invest in securities of issuers of the State in question. This exception only applies, however, provided that the company incorporated in a non-EU State respects in its investment policy the limits set out under points 6.3.1 and 6.3.4. and 6.4.1 and 6.4.2. In the event that the limits set out under points 6.3.1 and 6.3.4. are exceeded, point 6.5 and Article 49 will apply mutatis mutandis;

6.4.3.5. shares held by one or more investment companies in the capital of subsidiary companies engaging solely in management, advisory or marketing activities exclusively for these companies in the country where the subsidiary is located, with regard to the redemption of units/shares at the request of holders.

6.5. Exceptions to the investment policy

6.5.1. The UCITS shall not necessarily be required to comply with the limits set out in section 6. Objectives and investment policy when exercising subscription rights connected to securities or money market instruments that form part of its assets.

Whilst ensuring that the risk-spreading principle is respected, newly authorised UCITS may derogate from points 6.3.1, 6.3.2, 6.3.3 and 6.3.4. for a period of six months from the date of their authorisation.

6.5.2. If the limits referred to in paragraph 6.5.1 are exceeded for reasons beyond the control of the UCITS or as a result of the exercise of subscription rights, the priority objective of the UCITS in its sales transactions must be to rectify this situation, taking due account of investors’ interests.

6.5.3. If the issuer is a legal entity with multiple sub-funds where the assets of one sub-fund are available exclusively to satisfy the rights of investors in relation to this sub-fund and the rights of creditors whose claims derive from the creation, operation or liquidation of this sub-fund, each sub-fund is to be considered as a separate issuer for the purposes of the application of the risk-spreading rules set out under 6.3.1, 6.3.2 and 6.3.4.

6.6. Prohibitions

6.6.1. The UCITS may not borrow.

However, a UCITS may acquire foreign currency by means of a ‘back-to-back’ loan.

6.6.2. By way of derogation from 6.6.1, the UCITS may borrow:

6.6.2.1. up to 10% of its assets, provided that the borrowing is on a temporary basis;

6.6.2.2. up to 10% of its assets, in the case of investment companies, provided that the borrowing is to make possible the acquisition of immovable property essential for the direct pursuit of its business; in this case the borrowing and that referred to in 6.6.2.1 may not in any case in aggregate exceed 15% of its assets.

6.6.3. Without prejudice to the application of points 6.1 and 6.2, the UCITS may neither grant loans nor act as a guarantor on behalf of third parties. This prohibition does not prevent the UCITS from acquiring securities, money market instruments or other financial instruments referred to in points 6.1.2, 6.1.4 and 6.1.5 that are not fully paid.

6.6.4. The UCITS may not carry out short sales of transferable securities, money market instruments or other financial instruments mentioned under 6.1.2, 6.1.4 and 6.1.5.

7. Objectives and investment policy of the sub-funds

The specific characteristics of the investment policy of the sub-funds are set out in Appendix 1.

Since the portfolio of each of the sub-funds is subject to market fluctuations and to the risks inherent in any investment, the price of the shares may vary accordingly and the Sicav cannot guarantee the achievement of its objectives.

8. Risk management

The Management Company employs a risk management method that allows it to check and measure at any time the risk associated with the positions and the contribution they make to the overall risk profile of the Sicav’s portfolios; it uses a method that allows the OTC derivative instruments to be valued precisely and independently.

The method used is the ‘commitment approach’. For those sub-funds that require the ‘value at risk’ method to be used, this method will be used, and this will be indicated for the sub-fund concerned.

The risk management carried out by the Management Company is organised according to the type of risk and covers the following aspects, among others:

- Compliance: control of compliance with the investment restrictions and other limits imposed by the relevant regulations.
- Market risk: the risk that the entire market or a class of assets will fall, as a result of which the price and value of the assets in the portfolio will be affected. In an equity fund, for instance, there is a risk that the equity market in question will go down and, in a bond fund, a risk that the bond market in question will fall. The higher the volatility of the market in which the UCI invests, the greater the risk. Such markets are subject to significant fluctuations in return.
- Credit risk: the risk that an issuer or counterparty will default and fail to meet its obligations towards the fund. This is a real risk if the fund invests in debt instruments. Debtor quality also affects the credit risk (e.g., an investment in a debtor with a high rating, such as ‘investment grade’, will pose a lower credit risk than an investment in a debtor with a low rating, such as ‘speculative grade’). Changes in the quality of debtors can have an impact on the credit risk.
- Settlement risk: the risk that settlement fails to take place via a payments system as expected, because payment or delivery by a counterparty does not occur or does not satisfy the original criteria. This is a real risk if the UCI invests in regions where the financial markets are not well developed. The risk is limited in regions where the financial markets are well developed.
- Liquidity risk: the risk that a position cannot be liquidated on time at a reasonable price. This means that the UCI has to liquidate its assets at a less favourable price or after a certain period. This is a real risk if the UCI invests in instruments for which there is no market or if the market is limited, for example, in the case of unlisted investments and direct real estate investments. OTC derivatives may also lack liquidity.
- Exchange or currency risk: the risk that the value of an investment will be affected by exchange rate fluctuations. This is a real risk only if the UCI invests in assets that are denominated in a

currency with a trend that differs from that of the reference currency of the sub-fund. For instance, a sub-fund denominated in US dollars will not be exposed to any currency risk when investing in bonds or equities denominated in US dollars. It will however be exposed to a currency risk in the case of investments in bonds or equities denominated in euros.

- Custody risk: the risk of the loss of assets placed in custody as a result of insolvency, negligence or fraud on the part of the custodian or a sub-custodian.
- Concentration risk: the risk relating to a high concentration of investments in specific assets or in specific markets. This means that the performance of those assets or markets will have a significant impact on the value of the UCI's portfolio. The greater the diversification of the UCI's portfolio, the lower the concentration risk. This risk will also be higher in more specialised markets (e.g., specific regions, sectors or themes) than in broadly diversified markets (e.g., a worldwide allocation).
- Performance risk: the risk relating to the performance, including the fact that the risk may vary according to the choice of each UCI and the presence or absence of any third-party guarantees or limits to which these are subject. This risk is also affected by the market risk and the level of active management used by the manager.
- Capital risk: the risk relating to capital, including the potential risk of erosion due to the redemption of shares and the distribution of profit in excess of the investment return. This risk can be limited by, for example, loss-mitigation, capital-protection or capital-guarantee techniques.
- Flexibility risk: the risk of inflexibility attributable to the product itself, including the risk of early redemption, and restrictions on switching to other providers. This risk can mean that the UCI is unable to take the desired actions at certain times. It can be higher in the case of UCIs or investments subject to restrictive laws or regulations.
- Inflation risk: this risk is dependent on inflation. It applies, for example, to long-term fixed-income bonds.
- Environmental factors: uncertainty concerning the changeability of external factors (such as the tax system or amendments to the law and regulations) that could affect how the UCI operates.

The Management Company also calculates and supervises the risk profile of the sub-funds, the risk profile of the target investor and the risks inherent in the sub-funds, as specified for each sub-fund in the detailed description of the sub-funds and in the Key Investor Information Documents.

9. Shares

The Sicav offers investors the choice of several portfolios, i.e. sub-funds, each with a different investment objective. Each sub-fund comprises a separate pool of assets, represented by a different class of share. The Sicav is therefore a company with multiple sub-funds, or umbrella Sicav.

Unless the Board of Directors decides otherwise (which will be specified in the prospectus), in each sub-fund, any share may be issued, at the option of the shareholder:

- either as a distribution (income) share giving rise to the distribution, in the form of a dividend, of a portion of the annual profits of the sub-fund to which this share belongs;
- or as a capitalisation (accumulation) share, for which the portion of the profits accruing to it will be capitalised in the sub-fund to which this share belongs.

Within each share category, the Board of Directors may create different sub-categories of shares, which can be characterised by their reference currency, the level of fees or by any other characteristic as determined by the Board of Directors.

If the Board of Directors decides to issue sub-categories of shares in a sub-fund, the necessary information will be provided in Appendix 1.

Whereas the percentage of a particular sub-fund's net assets to be allocated to distribution shares will be reduced in proportion to the amount paid out in dividends, the percentage to be allocated to capitalisation shares will increase.

Subject to the provisions below, all the shares of the Sicav are freely transferable. The shares confer no preference right or pre-emptive right and each share carries a single voting right, regardless of the sub-fund to which it belongs or its net asset value, at all general meetings of shareholders. The shares have no par value and must be fully paid up at issue.

There is no limit to the number of shares that may be issued by the Sicav.

The shares are issued in registered form in the name of the investor. The shares will be admitted to clearing institutions.

Immobilised bearer shares may be converted into registered shares. The conversion costs will be charged to the shareholder.

Bearer shares that were not immobilised through the offices of the Custodian of bearer shares by 18 February 2016 have been cancelled. The funds corresponding to those shares have been deposited with the Luxembourg Caisse des Consignations (Consignment Office) until such time as the party able validly to prove claim, right and title thereto applies for the remittance thereof.

10. Issue, redemption and conversion of shares

The Sicav's shares are not being offered for frequent trading by investors seeking to take advantage of short-term fluctuations in the relevant markets. The Sicav will not be managed and is not intended to serve as a vehicle for such transactions. This type of activity, considered to constitute 'market timing', could be prejudicial to the Sicav's shareholders. The Sicav is therefore entitled to refuse any request to subscribe to shares that it considers, in good faith, to constitute market timing activity involving the Sicav's assets.

The Sicav will take the necessary measures to rule out 'late trading' and to ensure that subscription, redemption and conversion applications are accepted at a time when the net asset value applying to these applications is not yet known.

10.1. Issue of shares

For each sub-fund, the Board of Directors may issue distribution and/or capitalisation shares at any time and without limitation.

Nevertheless, the Board of Directors may decide to issue only either distribution shares or capitalisation shares in a sub-fund, which will be specified in the present prospectus.

The specific information concerning the initial subscription period and the subscription price is given in Appendix 1.

After the initial subscription period, the shares of all the sub-funds are issued at a price corresponding to the net asset value per share, plus an entry fee specified in Appendix 1.

Subscription applications must reach the Sicav or the counters of the institutions it designates by 2 p.m. on any day on which banks in Luxembourg are open for business. If accepted, they will be processed at the net asset value per share on the day on which the subscription order was received (calculated on the first bank business day in Luxembourg following the receipt of these applications, based on the prices of the underlying securities on the day the subscription order is received).

The cut-off time stated in the prospectus applies only to financial and distribution services included in the prospectus. If distribution involves other distributors, the cut-off time may be earlier than that stated in the prospectus. Investors should contact their distributor to ascertain the cut-off time applicable to their investment.

Unless otherwise indicated in the present prospectus, the subscription price of each share must be paid to the Sicav's account at Brown Brothers Harriman (Luxembourg) S.C.A. within three Luxembourg bank business days of receipt of the subscription order.

The shares are issued in registered form in the name of the investor. The shares will be admitted to clearing institutions.

For shareholders having requested entry in the register kept for this purpose by the registrar and transfer agent, certificates representing their shares will not be issued unless they have expressly requested this. Instead, the agent will issue confirmation of entry in the register.

If a holder of registered shares wishes more than one certificate to be issued for his shares, the cost of the additional certificates may be charged to him.

Immobilised bearer shares may still be converted into registered shares. The costs of such conversion may be charged to the shareholder.

The Sicav reserves the right to refuse any subscription application or to accept subscription applications only in part. Furthermore, the Board of Directors reserves the right to suspend the issue and sale of shares at any time without prior notice.

No shares will be issued if calculation of the net asset value of the Sicav is suspended. Notice of any such suspension will be given to persons who have submitted a subscription application and the applications made or pending during such a suspension may be withdrawn if the Sicav receives written notification to that effect before the suspension is lifted. If they have not been withdrawn, the applications will be taken into consideration on the first Valuation Day following the end of the suspension.

The Sicav's shares are not being offered for frequent trading by investors seeking to take advantage of short-term fluctuations in the relevant markets. The Sicav will not be managed and is not intended to serve as a vehicle for such transactions. This type of activity, considered to constitute 'market timing', could be prejudicial to the Sicav's shareholders. The Sicav is therefore entitled to refuse any request to subscribe to or convert shares that it considers, in good faith, to constitute market timing activity involving the Sicav's assets.

10.2. Redemption of shares

Shareholders wishing to have all or some of their shares redeemed may submit a written application to this effect at any time to the registered office of the Sicav or at the counters of institutions it has designated. The application must indicate the number of shares to be redeemed, the sub-fund to which they belong, whether they are distribution or capitalisation shares, and, if the shares are registered, the person in whose name they are registered and the details concerning the person appointed to receive payment.

For bearer shares, the application must be accompanied by any certificates to be redeemed, if such have been issued, together with all their coupons that have not matured.

Redemption will be effected at the net asset value applicable, less an exit fee. The rate of this redemption fee is set, and may be changed, by the Board of Directors and will be specified in Appendix 1. Shareholders will be notified by means of an announcement in the annual report.

Redemption applications must reach the Sicav or the counters of the institutions it designates by 2 p.m. on any day on which banks in Luxembourg are open for business. If accepted, they will be processed at the net asset value per share on the day on which the redemption order was received (calculated on the first bank business day in Luxembourg following the receipt of these applications, based on the prices of the underlying securities on the day the redemption order is received).

Redemption applications received after 2 p.m. on a Luxembourg bank business day will automatically be postponed until the next Luxembourg bank business day.

The cut-off time stated in the prospectus applies only to financial and distribution services included in the prospectus. If distribution involves other distributors, the cut-off time may be earlier than that stated in the prospectus. Investors should contact their distributor to ascertain the cut-off time applicable to their investment.

The redemption price will be paid three Luxembourg bank business days at the latest from the date on which the application for redemption was received, provided that the share certificates, if issued, have been handed over. Payment will be made by transfer to an account held by the shareholder. The redemption price of the shares of the Sicav may be higher or lower than the purchase price paid by the shareholder, depending on the fluctuations in the net asset value per share of the Sicav. The right to redemption will be suspended during any period when the calculation of the net asset value per share is suspended.

Notice of any such suspension will be given to each shareholder who has submitted an application for redemption and any applications pending may be withdrawn if the Sicav receives written notification to that effect before the suspension is lifted. If they have not been withdrawn, the shares in question will be redeemed on the first Valuation Day following the end of the suspension.

The redeemed shares will be cancelled. The redemption price of the shares will be paid in the currency in which the net asset value of the sub-fund concerned is calculated.

10.3. Conversion of shares

Any shareholder may request the conversion of all or some of their share to shares of another sub-fund at a price equal to the respective net values of the shares of the different sub-funds less a conversion fee which will be specified in Appendix 1.

If, within one or more sub-funds, distribution shares and capitalisation shares are issued and in circulation, the holders of distribution shares will be entitled to convert all or part of them into capitalisation shares and vice versa, at a price equal to the respective net values on the date the conversion order is received (calculated on the first Luxembourg bank business day following receipt of these applications, based on the price of the underlying securities on the date the conversion order was received) and this within one and the same sub-fund or when switching from one sub-fund to another.

Shareholders wishing to convert their shares as set out above may apply in writing to the Sicav, indicating the number and type of the shares to be converted and also specifying whether the shares of the new sub-fund are to be distribution or capitalisation shares. Shareholders must also specify the address where the payment of any balance from the conversion must be sent and the application must be accompanied by the old share certificate, if issued. Conversion applications must reach the Sicav or the counters of the institutions it appointed by 2 p.m. on any day on which banks in Luxembourg are open for business.

The cut-off time stated in the prospectus applies only to financial and distribution services included in the prospectus. If distribution involves other distributors, the cut-off time may be earlier than that stated in the prospectus. Investors should contact their distributor to ascertain the cut-off time applicable to their investment.

The periods of notice relating to the conversion of shares are identical to those applied for the subscription and redemption of shares.

The number of shares allocated in the new sub-fund will be established according to the following formula:

$$A = \frac{B \times C \times D}{E}$$

where:

A: is the number of shares to be allocated in the new sub-fund

(distribution or capitalisation shares, as the case may be)

B: is the number of shares of the initial sub-fund (distribution shares or capitalisation shares, as the case may be) to be converted into shares in the new sub-fund

C: is the net asset value – on the date the order to convert shares in the initial sub-fund is received – of the shares to be converted (distribution shares or capitalisation shares, as the case may be).

D: is the exchange rate applicable on the day of the transaction between the currencies in which the two classes of share are expressed

E: is the net asset value – on the date the order to convert shares into shares in the new sub-fund is received – of the shares to be allocated (distribution shares or capitalisation shares, as the case may be).

No conversion of shares will occur if the calculation of the net asset value of one of the sub-funds concerned is suspended.

11. Net asset value

The net asset value (NAV) and the issue and redemption prices per share of each sub-fund of the Sicav are calculated on each day on which banks in Luxembourg are open for business in the reference currency of the sub-fund concerned, on the basis of the latest available prices on the markets on which the assets held by the Sicav are traded.

The net asset value is obtained by dividing the net asset value of each sub-fund of the Sicav by the total number of shares in circulation on that date of the sub-fund concerned and by rounding the amount obtained for each share to the nearest full hundredth of the currency unit of the sub-fund concerned. In each sub-fund where distribution shares and capitalisation shares have been issued and are in circulation, the net asset value will be determined for each distribution share and for each capitalisation share.

The net asset value of each sub-fund of the Sicav is equal to the difference between the assets and the contingent liabilities relating to this sub-fund of the Sicav, in accordance with the Articles of Association. To determine the net assets, the income and expenditure are booked to the accounts day-to-day.

In respect of third parties, the Sicav constitutes one and the same legal entity, and all commitments are binding on the Sicav as a whole, regardless of the sub-fund to which these debts are allocated, unless otherwise agreed with the creditors. In relations among shareholders, each sub-fund is treated as a separate entity.

The assets, liabilities, charges and costs which are not attributable to any one sub-fund will be allocated to the various sub-funds in equal proportions or, where the amounts in question warrant, in proportion to their respective net assets.

11.1. Valuation of the assets

The value of the assets of the various sub-funds will be determined according to the following principles:

11.1.1. The value of cash in hand or on deposit, of bills and demand notes payable and accounts receivable, pre-paid expenses, dividends and interest declared or accrued but not yet received will be 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 true value thereof.

11.1.2. The value of all transferable securities and money market instruments traded or listed on a stock exchange will be determined on the basis of the last available price unless this price is not representative.

11.1.3. The value of all transferable securities and money market instruments traded on another regulated market will be determined according to the last available price.

11.1.4. The value of transferable securities and money market instruments in portfolio on the Valuation Day that are not traded or listed on a Stock Exchange or other regulated market, and of securities and instruments traded or listed on a stock exchange or other regulated market where the price determined according to the stipulations of 11.1.2 or 11.1.3 is not representative of the fair value of such transferable securities and money market instruments, will be determined on the basis of the foreseeable sales price, estimated prudently and in good faith.

11.1.5. The value of options and financial futures will be determined at the last available price on the relevant Stock Exchanges or regulated markets.

11.1.6. The value of the interest rate swap contracts will be determined on the basis of the last available rates on the markets on which these contracts were concluded.

11.1.7. The money market instruments with an average residual term to maturity of less than one year may be valued as follows (linear valuation): the price used for these investments will be adapted progressively to the redemption price, based on the net acquisition value while the resulting return is kept constant. If there is any significant change in the market conditions, the valuation basis for money market instruments will be adapted to the new market returns.

11.1.8. The UCITS and other UCIs will be valued on the basis of the last net asset value available for the underlying UCITS and other UCIs.

11.1.9. If, as a result of special circumstances, 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.

OTC derivatives will be subject to reliable and verifiable valuation on a daily basis and, on the initiative of the Sicav, can be sold, liquidated or closed out by an offsetting transaction at any time and at their fair value.

The value of all assets not expressed in the reference currency of the sub-fund to which they belong will be converted into the reference currency of the sub-fund at the exchange rate applicable on the business day concerned or at the exchange rate provided for by the forward contracts.

The net asset value per share of each sub-fund, whether distribution shares or capitalisation shares, and their issue, redemption and conversion prices may be obtained on each bank business day at the registered office of the Sicav.

11.2. Publication of the net asset value

The net asset value of each sub-fund and of each class of share, and the issue and redemption prices, will be published on each Luxembourg bank business day at the registered office of the Sicav. This information may also be published in any daily newspaper, as decided by the Board of Directors.

12. Temporary suspension of the calculation of the net asset value

The Board of Directors may suspend calculation of the net asset value of the shares of one or more sub-funds, as well as the issue and redemption of the shares of this sub-fund and conversion from and into these shares

12.1. during any period when one of the major stock exchanges or other markets listing a substantial proportion of the Sicav's investments allotted to that particular sub-fund is closed for a reason other than normal holidays, or when transactions on that market are suspended or subject to restriction;

12.2. when, due to an emergency, the Sicav is unable to dispose in the usual way of the assets allocated to a given sub-fund or is unable to value them correctly;

12.3. when the means of communication normally used to determine the price or the value of the investments of a given sub-fund or the current stock market price of the securities is out of service;

12.4. during any period when the Sicav is prevented from repatriating money to execute payments for the redemption of shares or when the Board of Directors deems that transfer of funds for the realisation or purchase of investments or for payments due for the redemption of shares cannot be effected at normal exchange rates;

12.5. when the announcement is published that a general meeting has been convened for the purposes of passing a resolution for the dissolution of the Sicav;

12.6. on the decision by the Board of Directors to dissolve a sub-fund;

12.7. in the event of computer failure making it impossible to calculate the net asset value.

12.8 and in other cases provided for by law.

Notification of such suspension will be published in D'Wort, as well as in any other daily newspaper as determined by the Board of Directors, and will be notified to shareholders who have applied for the redemption or conversion of shares by the Sicav at the time they make the final application in writing. Such suspension of a sub-fund will have no effect on the calculation of the net asset value, or on the issue, redemption or conversion of shares of the other sub-funds.

13. General meetings of shareholders

The Annual General Meeting of the shareholders of the Sicav will be held each year at the registered office of the Sicav in Luxembourg on the second Wednesday in December at 3 p.m. (or, if this day is a statutory public holiday or not a bank business day in Luxembourg, on the following business day).

Notices will be published in the Mémorial (official journal), D'Wort and in a daily newspaper in those countries where the shares of the Sicav are offered to the public and, where notification of any general meeting are sent to all registered shareholders at the address appearing in the register of shareholders, at least eight days prior to that general meeting. This notification will indicate the time and venue of the general meeting and the conditions of admission thereto, the agenda and the requirements under Luxembourg law concerning the required quorum for attendance and voting.

The requirements concerning the convening notices, attendance and the quorum for attendance and voting of any general meeting are laid down in Articles 67, 67-1 and 70 of the Act of 10 August 1915 of the Grand Duchy of Luxembourg, as amended.

The resolutions passed at a general meeting will be binding on all the shareholders of the Company, irrespective of the sub-fund in which they hold shares. Where decisions regarding only the specific rights of the shareholders of a sub-fund are concerned, these decisions will be taken by a meeting representing the shareholders of the sub-fund concerned. The requirements concerning the convening of such meetings are the same as those mentioned in the previous paragraph.

The Sicav requests investors to note that no investor may fully exercise his rights directly vis-à-vis the Sicav (including the right to attend general meetings of shareholders) unless the investor concerned is recorded in his name in the Sicav's register of shareholders. If an investor invests in the Sicav via an intermediary investing in the Sicav in the intermediary's name but on behalf of the investor, certain shareholder rights may not necessarily be exercised by the shareholder directly vis-à-vis the Sicav. Investors are advised to obtain information on their rights.

No voting rights are attached to bearer shares that had not been immobilised in the hands of the Custodian of bearer shares by 18 February 2015. The holders of these shares will no longer be admitted to general meetings.

14. Distribution policy

On the proposal of the Board of Directors, the general meeting of shareholders will decide each year, for each sub-fund, for both distribution shares and capitalisation shares, on the appropriation of the balance of the net annual investment income. The distribution of a dividend may take place without regard to all realised and unrealised capital gains and losses. In addition, the dividends may include the distribution of capital, provided that after distribution the net assets of the Sicav exceed the minimum capital of 1 250 000 euros.

The net annual investment income of each sub-fund will therefore be divided among all the distribution shares, on the one hand, and all the capitalisation shares, on the other, commensurate with the net assets corresponding to the category represented by these share pools respectively.

The proportion of the net annual income of the sub-fund allocated to the distribution shares may be distributed to the holders of these shares in the form of cash dividends.

The proportion of the net annual income of the sub-fund allocated to the capitalisation shares will be capitalised in the sub-fund corresponding to this class of shares in favour of the holders of the capitalisation shares.

Any resolution for the distribution of dividends to the holders of dividend shares of a sub-fund must be approved by the shareholders of this class of share, voting by a simple majority of the shareholders present and voting.

By decision of the Board of Directors, interim dividends may be paid on the distribution shares of a sub-fund.

The dividends may be paid in the reference currency of the sub-fund concerned or, by decision of the meeting of shareholders, in any other currency, and will be paid at such time and place as determined by the Board of Directors. The Board of Directors may at its discretion determine the exchange rate to be used to convert the dividends into the currency in which payment is made.

Notifications in respect of dividends and the name of the paying agent will be published in D'Wort, as well as in any other daily newspaper specified by the Board of Directors.

The distribution of dividends attached to bearer shares that have not been immobilised in the hands of the Custodian of bearer shares by 17 February 2015 will be deferred until the date of immobilisation, provided that the rights to the distribution have not been prescribed and providing always that no interest payment shall fail to be made.

Any dividend announced which has not been claimed by the beneficiary within ten years of allocation will be forfeit and will accrue to the sub-fund concerned. No interest will be paid on a dividend declared by the Sicav that it holds at the disposal of the beneficiary.

15. Liquidation

The Sicav will be wound up subject to the conditions stated in the Act.

Should the capital of the Sicav fall below two thirds of the minimum capital, the directors must submit the question of the dissolution of the Sicav to the general meeting for which no quorum shall be prescribed and at which decisions shall be taken by a simple majority of the shares represented at the meeting.

Should the capital of the Sicav fall below one quarter of the minimum capital, the directors must submit the question of the dissolution of the Sicav to the general meeting for which no quorum shall be prescribed; the dissolution may be resolved by shareholders holding one quarter of the shares represented at the meeting.

The meeting is to be so convened that it takes place within forty days of the date on which it is established that the net assets have fallen below two thirds or one quarter, as the case may be, of the minimum capital. Furthermore, the Sicav may be dissolved by decision of a general meeting of shareholders pursuant to the provisions of the Articles of Association on the subject.

The decisions of the general meeting or the court pronouncing the dissolution and liquidation of the Sicav are published in the Mémorial and in three daily newspapers with an adequate circulation, at least one of which shall be a Luxembourg newspaper. These publications are made at the request of the liquidator(s).

If the Sicav is dissolved, liquidation will be carried out by one or more liquidators (natural or legal persons), who will be appointed by the general meeting of shareholders which decided on this dissolution and which will determine their powers and their remuneration. The net proceeds of the liquidation of each sub-fund will be divided by the liquidator(s) among the shareholders of each sub-fund in proportion to the number of distribution and/or capitalisation shares they hold in that sub-fund.

Amounts not claimed by the shareholders at the time liquidation is finalised will in held in escrow by the Caisse des Consignations (Consignment Office) in Luxembourg. Amounts not claimed from escrow within the legally prescribed period (30 years) will be forfeit.

The Board of Directors may propose that a sub-fund be closed at any time in the following cases:

- if the net assets of the sub-fund(s) concerned fall below a volume that does not allow management to be conducted efficiently;
- If economic and/or political circumstances change.

The decision to wind up a sub-fund must be published in accordance with the relevant publication rules. In particular, information must be given on the reasons for, and the terms and conditions of, the winding up.

Unless the Board of Directors decides otherwise, the Sicav may, pending the execution of the liquidation decision, continue to redeem the shares of the sub-fund which it has been decided to liquidate. For these redemptions, the investment company must use as a basis the net asset value established taking account of the liquidation costs, but without deduction of an exit fee or any other amount. The capitalised formation expenses are to be amortised in full by the sub-fund concerned as soon as the decision to wind up the sub-fund is taken.

Amounts which it has not been possible to distribute to the beneficiaries by the date liquidation of the sub-fund(s) is finalised may be deposited with the custodian for a period of no more than six months from that date. After that period, the assets must be deposited at the Caisse des Consignations (Consignment Office) in favour of the beneficiaries.

On the same conditions as set out in the previous paragraph, the Board of Directors may decide to close a sub-fund by contribution to another sub-fund of the Company or by merger with another undertaking for collective investment that is subject to Part I of the Act. In addition, such merger may be decided by the Board of Directors if it is in the interests of all the shareholders of the sub-fund concerned. This decision will be published in the manner described in the previous paragraph and, in addition, the announcement will contain information concerning the absorbing sub-fund or, where appropriate, the other undertaking for collective investment.

Publication must occur at least thirty calendar days prior to the final date for redemption applications so as to allow shareholders to apply to have their shares redeemed without any fees other than the costs of disinvestment. The final date for redemption applications must be five business days prior to the date on which the exchange ratio is calculated.

All mergers shall occur in accordance with the requirements of Section 8 of the Act of 17 December 2010.

In the case of a merger with another undertaking for collective investment in the form of an FCP, the merger will be binding only on the shareholders of the sub-fund concerned who have expressly accepted the merger.

The decision to liquidate or merge a sub-fund in the circumstances and in the manner described in the previous paragraphs may also be taken by a meeting of shareholders of the sub-fund to be liquidated or merged which will deliberate without any quorum requirement and adopt resolutions on liquidation or merger by a simple majority of the shareholders present or represented at the meeting.

The merger of a sub-fund with another foreign undertaking for collective investment is only possible with the unanimous agreement of all the shareholders of the sub-fund concerned or on condition that only the shareholders having approved the operation will be transferred.

16. Annual and interim report and accounts

The reports to shareholders concerning the previous financial year, verified by the company auditor, are available at the registered office of the Sicav and sent to the holders of registered shares at the address indicated in the register of shareholders at least eight days before the Annual General Meeting. In addition, unaudited interim reports are also available at the registered office and sent to the holders of registered shares. The financial year of the Sicav starts on 1 October and ends on 30 September.

The accounts of the Sicav are expressed in euros. The accounts of the sub-funds expressed in different currencies are converted into euros and added together to make up the accounts of the Sicav.

17. Fees, charges and expenses

17.1. Fees and expenses payable to the Sicav

The fee structure set out below will apply:

Portfolio management fee

In remuneration for the portfolio management services it provides, the appointed Management Company, KBC Asset Management SA, will receive a portfolio management fee, of which the maximum level charged to the investors is indicated for each share class in the prospectus.

Sales commissions and trail commissions may be paid to sub-distributors out of the Management Fee and reimbursements may be granted to investors.

Fixed Service Fees

In addition to the portfolio management fee and unless otherwise indicated in the appendix ‘Detailed Description of the Sub-Fund’, each share class must pay the designated Management Company, KBC Asset Management SA, a Fixed Service Fee (the ‘Fixed Service Fee’) to cover the management fees, custody fees and other ongoing operational and administrative fees incurred by the sub-fund, as set out for each share class in the prospectus. The Fixed Service Fee is set at share class level for each sub-fund.

The Fixed Service Fee is determined on each calculation of the net asset value and is paid monthly in arrears.

The Fixed Service Fee covers:

i. the fees and expenses inherent to the services provided to the Sicav by service providers other than the Management Company to which the Management Company has delegated its administrative functions such as calculating the net asset value of the sub-funds and other accounting and administrative services, as well as transfer agent and registrar, and the costs associated with the distribution of the sub-funds and their registration in foreign jurisdictions to enable them to be offered there, including the fees payable to the supervisory authorities of those countries;

ii. the fees and expenses owing to other agents and service providers designated directly by the Sicav, including the fees of the Custodian, the Custodian of immobilised bearer shares, the principal paying agent or local paying agents, auditors’ and legal advisers’ fees and, where applicable, directors’ attendance fees;

iii. other costs, including formation expenses and the cost of creating new sub-funds, expenses incurred when creating or closing share classes and paying any dividends, the cost of insurance, listing (where applicable), publishing the price of shares, printing, reporting and publication, including the costs of preparing, printing and distributing prospectuses and other periodic reports or registration notices, as well as

iv. all other operational costs, including postage, telephone, telex and fax.

This Fixed Service Fee is fixed to the extent that the Management Company will bear any real expense above the aforementioned fee invoiced to the share class. Conversely, the Management Company may retain any portion of the Fixed Service Fee charged to the share class over and above the relevant expenses as actually incurred by the share class in question.

The Fixed Service Fee does not include the following, which will therefore be charged directly to the relevant sub-fund/share class:

- fees and expenses associated with the purchase and sale of securities and financial instruments;
- broker's fees;
- transaction charges (other than custody service);
- bank interest and charges, as well as other expenses associated with the transactions;
- payment of subscription tax in Luxembourg;
- extraordinary expenses: these specifically include, to an unlimited level, costs arising from legal action and the total amount of all Luxembourg or foreign taxes (other than subscription tax in Luxembourg), duties or similar charges billed to the sub-funds or levied on their assets, which cannot be considered ordinary costs.

If the Sicav's sub-funds invest in shares issued by one or more other sub-funds of the Sicav or in one or more sub-funds of another UCITS or UCI managed by the Management Company, the Fixed Service Fee may equally be charged to the sub-fund that is investing as to the sub-fund invested in.

Fees and expenses to be borne by the investors

Where applicable, according to the specific details set out in the appendix 'Detailed Description of the Sub-Fund', investors may be required to bear the fees and expenses for issue, redemption and conversion. These fees may be payable to the sub-fund and/or the distributor, as specified in the appendix 'Detailed Description of the Sub-Fund'

In relations among investors, each sub-fund is treated as a separate entity.

The rights of creditors in respect of one sub-fund or deriving from the creation, operation or liquidation of a sub-fund are limited to the assets of that sub-fund. The assets of a sub-fund are available exclusively to satisfy the rights of creditors whose claims derive from the creation, operation or liquidation of that sub-fund.

17.2. Ongoing charges

The Key Investor Information Documents give details of the ongoing charges calculated in accordance with the terms of Commission Regulation (EU) No. 583/2010 of 1 July 2010.

Ongoing charges are those to which the UCI is subject during a financial year. They are shown in the form of a single figure and include all the annual charges and other payments booked against the UCI's assets during the period specified. The total is based on the figures for the previous financial year. It is expressed as a ratio (%) of the average net assets of the sub-fund or the class of shares, as the case may be.

The following are not included in the charges shown: entry and exit fees, performance fees, transaction fees paid in relation to the acquisition or sale of assets, interest paid, payments made to grant surety in respect of financial derivatives and soft commissions or similar payments received by the management company or any person associated with the management company.

18. Taxation

18.1. Taxation of the Sicav

Under current law, the Sicav is not liable for any Luxembourg income tax. Likewise, the dividends paid by the Sicav are not subject to any Luxembourg withholding tax. However, the Sicav is subject to a tax of 0.05% per year on its net asset value.

The Institutional B Shares, Institutional F Shares and Institutional Shares sub-categories within the Sicav qualify for the reduced tax of 0.01% per year and are intended for institutional investors (as defined in Article 174(2) of the Act of 17 December 2010).

This tax is payable quarterly on the basis of the net assets of the Sicav calculated at the end of the quarter to which the tax relates. Except for the one-off tax of 1 250 euros upon incorporation, no duty or other tax is payable in Luxembourg on the issue of shares in the Sicav.

According to current law and practice, no tax is due on the capital gains realised on the assets of the Sicav. There is not expected to be any tax imposed on the capital gains of the Sicav as a result of the investment of its assets abroad.

The income of the Sicav in the form of dividends and interest from sources outside Luxembourg may be liable to withholding taxes at varying rates, which normally cannot be recovered.

18.2. Taxation of the shareholders

Amounts paid out by the Sicav and the income, dividends, other amounts paid out and capital gains collected or realised by a shareholder residing in Luxembourg or abroad are not subject to any Luxembourg withholding tax of the 'debtor' type.

Taxation of resident shareholders

In certain cases and under certain conditions, the capital gains realised by an individual resident shareholder directly or indirectly holding or having held more than 10% of the share capital of the Sicav or of a sub-fund or holding shares for six months or less before the transfer thereof, the dividends received by a shareholder and the income realised or received by a collective resident entity may be subject to tax in Luxembourg unless a deduction or exemption applies.
Resident shareholders are also subject in Luxembourg to a wealth tax, a tax on gifts registered in Luxembourg and a tax on inheritance.

Taxation of non-resident shareholders

In certain cases and under certain conditions, non-resident shareholders directly or indirectly holding or having held more than 10% of the share capital of the Sicav or of a sub-fund of the Sicav, or shareholders with a permanent establishment in Luxembourg to which the share relates may be subject to a tax in Luxembourg, unless a tax convention limiting Luxembourg's right to impose tax or a deduction or exemption applies.
Non-resident shareholders are not subject in Luxembourg to a wealth tax, a tax on gifts not registered in Luxembourg or a tax on inheritance.
Based on Luxembourg legislation, the Sicav is required to collect and automatically report to the Luxembourg tax administration financial information on investors with tax obligations in a country other than Luxembourg. The Luxembourg tax administration can only use the received data to exchange them with the competent foreign authorities for tax purposes. The reported information shall include identification data on the investor such as name, address, place of birth, date of birth, as well as certain financial details on the investment in the Sicav during a given reference period.

Shareholders may also be subject to tax in their country of residence under the laws and regulations that apply to them and that they are required to observe. Prospective investors are advised to find out about the tax requirements in effect in their country of residence.

The description set out in the 'taxation' section is based on legal and regulatory texts in effect on the date of this prospectus, which are subject to change. Prospective investors are also cautioned that this description is not exhaustive and does not cover all the tax issues that might be of interest to persons who wish to hold shares in the Sicav. Prospective investors are advised to obtain information and advice on the laws and regulations that apply to them on subscription to, or on the purchase, possession, transfer and sale of these shares in their country of origin, in the country in which these transactions take place, in their country of residence or in their country of domicile.

19. Information for the shareholders

19.1. Financial notices

The financial notices will be published in the countries where the Sicav is marketed and, as far as the Grand Duchy of Luxembourg is concerned, in D'Wort.

19.2. Available documents

The Sicav's articles of association, financial reports, prospectus and Key Investor Information Documents are available to the public free of charge at the Sicav's registered office.

The following contracts may also be consulted at the Sicav's registered office:

– the contract with the domiciliary agent, the agent responsible for keeping the register of shareholders and the administrative agent;

– the contract appointing the management company;

– the contract with the custodian;

– the paying agent contract.

19.3. Inducements

In order to foster the wider distribution of units in the sub-fund, in addition to using several channels of distribution, the management company has, in its capacity as distributor, entered into a distribution agreement with one or more sub-distributors.

It is in the interests of investors in the sub-fund and the management company that the sub-fund's assets should be as high as possible, including through the sale of the highest possible number of units. In this respect, there is therefore no question of any conflict of interests.

The management company may share its management fee with its sub-distributors, institutional and/or professional parties. The fact that the management fee is shared shall not affect the amount of the management fee paid to the Management Company by the sub-fund.

In principle, this is between 35% and 60% if the sub-distributor is a KBC Group SA entity and between 35% and 70% if the sub-distributor is not a KBC Group SA entity. In a limited number of cases, the fee is less than 35%. Investors may obtain further information on these cases on request.

If the management company invests the assets of the Sicav in units in undertakings for collective investment that are not managed by a KBC Group SA entity, and if the management company receives a fee, it shall pay this fee to the Sicav.

19.4 Remuneration policy

The remuneration policy for employees of the Management Company is based on the KBC Remuneration Policy, which sets general rules in this area for all members of staff and sets out specific guidelines for employees whose activities could have a material impact on the company's risk profile (Key Identified Staff). The remuneration policy is subject to continuous updating.

General rules

The remuneration policy is in accordance with the economic strategy, the objectives, the values and the interests of the Management Company and the Sicav that it manages and those of the investors in this Sicav.

Employee remuneration comprises a fixed element and a variable element. The fixed element is chiefly determined by the employee's position (e.g., the responsibility he or she assumes and the complexity of the position). The variable element depends on a variety of factors, most notably business performance, the performance of the department in which the employee works and his or her personal targets. The remuneration policy also reflects market practice, competitiveness, risk factors, the long-term objectives of the company and its shareholders, and developments in the legal and regulatory context.

Key Identified Staff

Key Identified Staff are subject to specific rules. These employees receive variable remuneration, which encourages reasonable risk management practices and in no way encourages exposure to extreme risk.

For further information on this matter (e.g., the method for calculating remuneration and allowances, the identity of the people responsible for awarding allowances, including – where applicable – the composition of the remuneration committee set up to this effect), please refer to the website https://kbcam.kbc.be/fr/kbcamsa/remuneration policy.

This information can also be obtained free of charge from the management company.

Appendix 1. Detailed description of the sub-funds

Introduction

General remarks

Under the Articles of Association, the Board of Directors is authorised to set the investment policy for each sub-fund into which the company's capital is divided.

The main objective of the Sicav is to offer its shareholders the possibility of investing in an instrument designed to enhance the value of the capital invested in a variety of securities and to seek the highest possible return on the capital invested, while adhering to the principle of spreading risk.

Prospective investors are advised that investment in the emerging markets involves risks which are not generally encountered on the majority of the developed markets. This applies, for instance, to the KBC Bonds Emerging Markets, KBC Bonds Europe Ex–EMU and KBC Bonds Emerging Europe sub-funds.

These risks are the following: political (instability), economic (high inflation rate, lack of development of the financial markets), legal (legal uncertainty and difficulty, in general, of having rights recognised and/or sanctioned), and fiscal (heavy tax burden, no guarantee of uniform, consistent interpretation of the legislation, or the tax authorities having discretionary powers to create new taxes, sometimes with retroactive effect).

Each sub-fund may use derivatives for hedging purposes and/or for the proper management of the portfolio within the limits set out in section 6. Objectives and investment policy. Each sub-fund may thus use derivatives, both listed and unlisted, to achieve its objectives. They may include futures and forward contracts, options or swaps of shares, indices, foreign currency or interest rates or other transactions in derivatives. Transactions in unlisted derivatives may only be concluded with prime financial institutions specialised in transactions of this type. Such derivatives may also be used to protect the assets against exchange rate fluctuations. The aim of each sub-fund is to conclude transactions that are as effective as possible, in compliance with the relevant laws and regulations and the Articles of Association. As described in Section 8. Risk management, KBC Asset Management, as a risk manager, employs a method for managing risks that enables it to check and measure at any time the risk associated with the positions and the contribution they make to the overall risk profile of the portfolio; it uses a method that allows OTC derivatives to be valued accurately and independently.

List of sub-funds

The sub-funds currently on offer are as follows:

Annexe 1.1.	KBC BONDS INCOME FUND
Annexe 1.2.	KBC BONDS CAPITAL FUND
Annexe 1.3.	KBC BONDS HIGH INTEREST
Annexe 1.4.	KBC BONDS EMERGING MARKETS
Annexe 1.5.	KBC BONDS CORPORATES EURO
Appendix 1.6.	KBC BONDS EUROPE EX-EMU
Annexe 1.7.	KBC BONDS CONVERTIBLES
Annexe 1.8.	KBC BONDS INFLATION – LINKED BONDS
Annexe 1.9.	KBC BONDS EUROPE
Annexe 1.10.	KBC BONDS CORPORATES USD
Appendix 1.11.	KBC BONDS EMERGING EUROPE
Appendix 1.12.	KBC BONDS GLOBAL EMERGING OPPORTUNITIES
Appendix 1.13.	KBC BONDS EMU SHORT

Appendix 1.14. KBC BONDS EMU SHORT MEDIUM

Appendix 1.15. KBC BONDS STRATEGIC EMERGING MARKETS

Appendix 1.16. KBC BONDS SRI HIGH INTEREST

Appendix 1.17. KBC BONDS STRATEGIC EMERGING OPPORTUNITIES

Appendix 1.18. KBC BONDS STRATEGIC CORPORATE BONDS

Appendix 1.19. KBC BONDS STRATEGIC GOVERNMENT BONDS

Appendix 1.20. KBC BONDS STRATEGIC EURO CORPORATE BONDS

Appendix 1.21. KBC BONDS STRATEGIC HIGHER YIELDING CURRENCIES

Appendix 1.22. KBC BONDS SHORT DURATION

In addition, the Sicav is planning to launch the following sub-funds

The Board of Directors may decide to launch these sub-funds at any time. Should it do so, the necessary information will be added to the prospectus.

The Board of Directors may decide at any time, in accordance with the Articles of Association, to issue shares belonging to other sub-funds, with different investment objectives from those of the sub-funds already created.

Likewise, the Board of Directors may dissolve certain sub-funds, in which case investors will be informed through the press and the prospectus will be updated.

Where new sub-funds are created in this way, the prospectus will be updated to contain detailed information on these new sub-funds.

Appendix 1.1. KBC BONDS INCOME FUND

1.1.1. Investment policy

At least two thirds of the sub-fund's total assets shall be invested in bonds denominated in various currencies.

The sub-fund may not invest more than 25% of its total assets in convertible bonds and, optionally, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits.

The sub-fund invests at least 75% of its assets, directly and/or indirectly, in bonds and debt instruments with an investment grade rating (at least BBB-/Baa3 (long-term) or A3/F3/P3 (short-term)) from at least one of the following rating agencies: Moody's (Moody's Investors Service), S&P (Standard & Poor's, a division of McGraw-Hill Companies) or Fitch (Fitch Ratings).

The sub-fund may also invest up to 25% of its assets in bonds and debt instruments with a lower rating or that have not been assigned a rating by any of the aforementioned rating agencies.

The main objective of the sub-fund is to provide its shareholders with a high income and possibilities for capital gains, taking account of investment selection principles and the principle of achieving a wide diversification of risks.

Through judicious timing of its investments and the temporary hedging of the exchange and interest rate risk, the sub-fund will seek to achieve the aforementioned objectives in the best possible manner.

An additional advantage for the investor is that the sub-fund can invest in bond markets that are closed or not easily accessible to private investors.

The sub-fund is therefore designed for investors who, in their bond investments, are seeking a good spread to limit risks, as well as a good return.

The net asset value will be expressed in euros.

1.1.2. Risk profile

1.1.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading 'Risk and reward profile'.
The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:

- a moderate inflation risk: bond funds do not provide protection against an increase in inflation;
- a moderate credit risk. This fund invests primarily, but not solely, in bonds with an investment grade rating. Consequently the risk of an issuer being unable to honour its obligations is higher than for a fund that invests only in bonds with an investment grade rating. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.
- Exchange risk: high. Since the fund invests in securities denominated in currencies other than the reference currency of the fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

1.1.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

1.1.3. Issue, redemption and fees

This sub-fund issues distribution shares only.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.2. KBC BONDS CAPITAL FUND

1.2.1. Investment policy

At least two thirds of the sub-fund's total assets shall be invested in bonds denominated in various currencies.

The sub-fund may not invest more than 25% of its total assets in convertible bonds and, optionally, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits.

The sub-fund invests at least 75% of its assets, directly and/or indirectly, in bonds and debt instruments with an investment grade rating (at least BBB-/Baa3 (long-term) or A3/F3/P3 (short-term)) from at least one of the following rating agencies: Moody's (Moody's Investors Service), S&P (Standard & Poor's, a division of McGraw-Hill Companies) or Fitch (Fitch Ratings).

The sub-fund may also invest up to 25% of its assets in bonds and debt instruments with a lower rating or that have not been assigned a rating by any of the aforementioned rating agencies.

The main objective of the sub-fund is to provide its shareholders with a high income and possibilities for capital gains, taking account of investment selection principles and the principle of achieving a wide diversification of risks.

Through judicious timing of its investments and the temporary hedging of the exchange and interest rate risk, the sub-fund will seek to achieve the aforementioned objectives in the best possible manner.

An additional advantage for the investor is that the sub-fund can invest in bond markets that are closed or not easily accessible to private investors.

The sub-fund is therefore designed for investors who, in their bond investments, are seeking a good spread to limit risks, as well as a good return.

KBC BONDS Capital Fund will issue capitalisation shares only. The net asset value will be expressed in euros.

1.2.2. Risk profile

1.2.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading 'Risk and reward profile'.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.
Investment in this fund is also subject to:

- a moderate inflation risk: bond funds do not provide protection against an increase in inflation;
- a moderate credit risk. This fund invests primarily, but not solely, in bonds with an investment grade rating. Consequently the risk of an issuer being unable to honour its obligations is higher than for a fund that invests only in bonds with an investment grade rating. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.

- Exchange risk: high. Since the fund invests in securities denominated in currencies other than the reference currency of the fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

1.2.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

1.2.3. Issue, redemption and fees

1.2.3.1. 'Capitalisation' and 'distribution' sub-categories

This sub-fund issues capitalisation shares only. The Board of Directors may at any time decide to reissue distribution shares. At present, distribution shares of KBC BONDS Capital Fund are still in circulation. Nevertheless, since the amalgamation on 3 October 1994 (whereby KBC BONDS absorbed the former Sicav KB Capital Fund), KBC BONDS Capital Fund issues only capitalisation shares.

The Board of Directors of the Sicav decided to accept the contribution of assets from the sub-fund BR & A PORTFOLIO – Rente Durée Variable to the sub-fund KBC BONDS CAPITAL FUND with effect from Friday, 29 October 1999.

Conversion into distribution shares of KBC BONDS Capital Fund is not possible.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

As described in Section 17 'Fees and expenses', the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.2.3.2. 'Institutional F Shares' sub-category

Shares in the 'Institutional F Shares' sub-category will be issued from 6 December 2017 to 7 December 2017 at a subscription price of 1 000 euros. This 'Institutional F Shares' sub-category will be allocated to the subscription for the collective investment fund under Belgian law Internationaal Obligatiedepot ('IOD').

Only capitalisation shares in this sub-category will be issued.

No entry fee in favour of a financial intermediary or in favour of the sub-fund will apply. Redemption will be effected at the net asset value applicable, without deduction of an exit fee.

These shares will be eligible for the reduced Luxembourg subscription tax of 0.01%.

As described in Section 17 'Fees and expenses', the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.3. KBC BONDS HIGH INTEREST

1.3.1. Investment policy

At least two thirds of the total assets of the sub-fund will be invested in bonds denominated mainly in currencies with a considerably higher yield than that achieved on strong currencies.

High-yield currencies are those with a yield at least 0.5% higher than the yield on bonds issued by the Federal Republic of Germany.

The sub-fund invests at least 75% of its assets, directly and/or indirectly, in bonds and debt instruments with an investment grade rating (at least BBB-/Baa3 (long-term) or A3/F3/P3 (short-term)) from at least one of the following rating agencies: Moody's (Moody's Investors Service), S&P (Standard & Poor's, a division of McGraw-Hill Companies) or Fitch (Fitch Ratings).

The sub-fund may also invest up to 25% of its assets in bonds and debt instruments with a lower rating or that have not been assigned a rating by any of the aforementioned rating agencies.

The sub-fund may not invest more than 25% of its total assets in convertible bonds and, optionally, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits.

It appears that the higher-than-average currency risk attached to the high-yield currencies is often more than offset in the medium term by the high interest yield. In the short term, investments in high-yield bonds often provide a high overall income since the periods during which a currency goes down in value alternate with periods of recovery or stabilisation of this currency.

Through judicious timing of its investments and the periodic hedging of the exchange and interest rate risk, the sub-fund seeks to achieve the aforementioned objectives in the best possible manner. In addition, the prices of high-yield bonds may sometimes fluctuate considerably without any immediate causal link with the exchange rate risk: the sub-fund seeks to deal with this factor in order to enhance the investment return.

An additional advantage for the investor is that the sub-fund may invest on the high-yield currency bond markets which, through all kinds of measures to try to protect the currency or to counter the outflow of capital, are often closed or not easily accessible to private investors.

The sub-fund is therefore designed primarily for investors who seek high income (distributed or capitalised depending on whether the shareholder opts for distribution or capitalisation shares) and the possibility of earning capital gains and who are prepared to accept a higher-than-average risk, but who also wish this risk to be offset as much as possible through a judicious selection of investments and professional management techniques. The net asset value will be expressed in euros.

1.3.2. Risk profile

1.3.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading 'Risk and reward profile'.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.
Investment in this fund is also subject to:

- a moderate inflation risk: bond funds do not provide protection against an increase in inflation;
- a moderate credit risk. This fund invests primarily, but not solely, in bonds with an investment grade rating. Consequently the risk of an issuer being unable to honour its obligations is higher than for a fund that invests only in bonds with an investment grade rating. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.
- Exchange risk: high. Since the fund invests in securities denominated in currencies other than the reference currency of the fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

1.3.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

1.3.3. Issue, redemption and fees

1.3.3.1. 'Capitalisation' and 'distribution' sub-categories

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

As described in Section 17 'Fees and expenses', the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.3.3.2. Institutional Shares' sub-category

An 'Institutional Shares' sub-category was issued from 3 July 2006 to 4 July 2006 at the initial subscription price of 500 euros.

The 'Institutional Shares' sub-category is intended for institutional investors (as defined in Article 174 of the Act). At present, only capitalisation shares in this 'Institutional Shares' sub-category are being issued.

These shares are eligible for the reduced subscription tax of 0.01% and a reduced level of fees.

As described in Section 17 'Fees and expenses', the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 0.60% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.3.3.3. 'USD frequent dividend' sub-category

A 'USD frequent dividend' sub-category shall be issued from 2 January 2008 to 2 January 2008. As from that date, the net asset value in US dollars shall be calculated for this category of shares.

The net asset value of this sub-category will be expressed in US dollars.

The objective of this sub-category is to pay dividends to shareholders on a monthly basis, but this does not constitute a formal undertaking. However, the sub-category undertakes to pay a dividend at least once a year.

During the initial subscription period, the shares of the sub-category will be issued at a price corresponding to the net asset value plus an entry fee in favour of the professional intermediaries, which amounts to a maximum of 2.50%.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share, plus an entry fee in favour of the professional intermediaries, which amounts to a maximum of 2.50%.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.1% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.3.3.4. ‘Institutional B Shares’ sub-category

Capitalisation shares in the ‘Institutional B Shares’ sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new ‘Institutional B Shares’ class of shares. »

The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 0.75% for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.1% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.3.3.5. ‘Institutional F Shares’ sub-category

Shares in the 'Institutional F Shares' sub-category will be issued from 6 December 2017 to 7 December 2017 at a subscription price of 1 000 euros.

This 'Institutional F Shares' sub-category will be allocated to the subscription for the collective investment fund under Belgian law High Interest Obligatiedepot ('HOD'). Only capitalisation shares in this sub-category will be issued.

No entry fee in favour of a financial intermediary or in favour of the sub-fund will apply.

Redemption will be effected at the net asset value applicable, without deduction of an exit fee.

These shares will be eligible for the reduced Luxembourg subscription tax of 0.01%.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.4. KBC BONDS EMERGING MARKETS

1.4.1. Investment policy

At least two thirds of the sub-fund's total assets shall be invested in bonds issued by borrowers that operate primarily in emerging markets or whose head office is located in the emerging markets. Emerging markets can currently be taken to mean the markets of Southeast Asia, Latin America, Eastern Europe and Africa. The sub-fund will be able to invest more than 10% of its net assets specifically in Russia. It is compulsory for the securities of Russian issuers in which investments are made to be listed on a stock exchange or traded on a regulated market in Western Europe or North America. The sub-fund will ensure there is an adequate and appropriate spread among the various regions.

The sub-fund may not invest more than 25% of its total assets in convertible bonds and, optionally, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits.

To achieve the sub-fund's investment objectives or reduce its exposure to credit risk on issuers of debt instruments, the sub-fund may conclude credit default swaps (CDS) on indices (such as iTraxx and CDX). Long credit positions will be taken on an ancillary basis only.

Since it focuses on the emerging markets, the sub-fund may invest up to 100% of its assets, directly or indirectly, in bonds and debt instruments with a rating lower than investment grade (i.e. lower than BBB-/Baa3 (long-term) and A3/F3/P3 (short-term)) from at least one of the following rating agencies: Moody's (Moody's Investors Service), S&P (Standard & Poor's, a division of McGraw-Hill Companies) or Fitch (Fitch Ratings). It may invest up to 10% of its assets in bonds and debt instruments that have not been assigned a rating by any of the aforementioned rating agencies.

Prospective investors are advised that investment in the KBC BONDS Emerging Markets sub-fund involves risks which are not generally encountered on the majority of the developed markets. These risks are the following:

- political: including the instability and volatility of the environment and the political situation
- economic: including high inflation rates, currency depreciation and lack of development of the financial markets
- legal: legal uncertainty and difficulty, in general, of having rights recognised and/or sanctioned
- tax: in some States of the emerging markets mentioned above, the tax burden may be very heavy and there is no guarantee of uniform, consistent interpretation of the legislation . The local authorities often possess discretionary powers to create new taxes, sometimes with retroactive effect.

There are also risks of loss on account of the lack of appropriate systems for the transfer, valuation, clearing, accounting and registration of securities, the custody of securities and the settlement of transactions, risks that do not occur so frequently on the developed markets.

This gives rise to increased volatility and illiquidity of the investments, since market capitalisation in these states is lower than that of developed markets.

Since investments will be made in all currencies, there will be a US dollar exchange rate risk, the US dollar being the currency in which the sub-fund in question is denominated, in relation to these other currencies. This risk will not necessarily be covered by the techniques and instruments intended to hedge the exchange risks to which the sub-fund is exposed in managing its net assets. It is also possible that certain foreign currencies are not entirely convertible and that exchange controls will have a negative impact on the exchange rates.

On the other hand, it appears that the higher-than-average exchange risk attached to bonds issued by debtors in the emerging markets may often be more than offset in the medium term by the high interest yield. In the short term, investments in bonds of emerging market issuers often provide a high overall income since periods during which the currency goes down in value will alternate with periods of recovery or stabilisation of this currency.

Through judicious timing of its investments and the periodic hedging of the exchange and interest rate risk, the sub-fund seeks to achieve the aforementioned objectives in the best possible manner. In addition, the prices of bonds of emerging market issuers may sometimes fluctuate considerably without any immediate causal link with the exchange rate risk: the sub-fund seeks to deal with this factor in order to enhance the investment return.

An additional advantage for the investor is that the sub-fund may invest in markets in bonds denominated in high-yield currencies or issued by debtors who, through all kinds of measures, try to protect the currency or to counter the outflow of capital. These markets are often closed or not easily accessible to private investors.

On account of the high level of risk, the sub-fund is suitable exclusively for informed investors able to cope with the high level of risk entailed in the sub-fund, to the extent that the investment corresponds to their financial requirements and objectives; they are advised to invest only part of their assets in this sub-fund.

The sub-fund is therefore designed primarily for investors who seek high income (distributed or capitalised depending on whether the shareholder opts for distribution or capitalisation shares) and the possibility of earning capital gains and who are prepared to accept a higher-than-average risk, but who also wish this risk to be offset as much as possible through a judicious selection of investments and professional management techniques.

The net asset value will be expressed in US dollars.

1.4.2. Risk profile

1.4.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading ‘Risk and reward profile’.
The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:

– a moderate inflation risk: bond funds do not provide protection against an increase in inflation;

– a high credit risk: this fund may invest a significant portion of its assets in bonds with a lower rating. Consequently the risk of an issuer defaulting is high. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.

– A moderate liquidity risk: since the fund invests in emerging market bonds, investors run the risk of not being able to sell a position on time and at a reasonable price.

– A moderate concentration risk: investments are concentrated in the emerging markets.

1.4.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

1.4.3. Issue, redemption and fees

1.4.3.1. ‘Capitalisation' and 'distribution’ sub-categories

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund.

For redemptions involving an amount in excess of 6 million US dollars, the redemption fee will comprise the actual transaction costs, with a maximum of 1% in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.3% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.4.3 2. ‘Institutional B Shares’ sub-category

Capitalisation shares in the ‘Institutional B Shares’ sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new ‘Institutional B Shares’ class of shares. »

The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.50% for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.3% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.4.3.3. Institutional Shares’ sub-category

From 16 October 2017 until 17 October 2017, capitalisation shares in the ‘Institutional Shares’ sub-category will be issued at the initial subscription price of 1 000 US dollars per share, plus an entry fee in favour of the professional intermediaries, which amounts to a maximum of 2.50%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price will be paid on 23 October 2017, with the first net asset value dated 18 October 2017.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.50%.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund.

For redemptions involving an amount in excess of 6 million US dollars, the redemption fee will comprise the actual transaction costs, with a maximum of 1%. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

The ‘Institutional Shares’ sub-category is intended for institutional investors (as defined in Article 174 of the Act of 17 December 2010). At present, only capitalisation shares in this ‘Institutional Shares’ sub-category are being issued.

These shares will be eligible for the reduced subscription tax of 0.01%.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 0.5% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.5. KBC BONDS CORPORATES EURO

1.5.1. Investment policy

At least two thirds of the sub-fund's total assets shall be invested in bonds denominated in euros and issued by companies with an investment grade rating from Standard & Poor's or the equivalent rating from Moody's or Fitch. All durations are considered in the selection of the bonds.

The sub-fund will ensure there is an adequate and appropriate spread among the various economic sectors. The sub-fund may invest in bonds issued by industrial corporations that are not denominated in euros. In this case, the exchange rate risk of the currency in which the bonds of industrial corporations are denominated against the euro will be hedged at all times within the limits provided for under point 6.2.

To achieve the sub-fund's investment objectives or reduce its exposure to credit risk on issuers of debt instruments, the sub-fund may conclude credit default swaps (CDS) on indices (such as iTraxx and CDX). Long credit positions will be taken on an ancillary basis only.

The sub-fund may not invest more than 25% of its total assets in convertible bonds and, optionally, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits.

The net asset value will be expressed in euros.

1.5.2. Risk profile

1.5.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading 'Risk and reward profile'.
The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:

– A moderate inflation risk: bond funds do not provide protection against an increase in inflation.

– A high credit risk: this fund may invest a significant portion of its assets in bonds with a lower rating. Consequently the risk of an issuer defaulting is high. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.

Investment in the 'PLN' share class also entails:

– a high exchange risk: since the fund invests in securities denominated in a currency other than the reference currency of the fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

1.5.2.2. Risk profile of the typical investor

The sub-fund was set up for defensive investors.

1.5.3. Issue, redemption and fees

1.5.3.1. General

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.1% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.5.3.2. ‘Institutional Shares’ sub-category

An ‘Institutional Shares’ sub-category was issued from 18 October 2004 to 27 October 2004 at the initial subscription price of 100 euros.

The ‘Institutional Shares’ sub-category is intended for institutional investors (as defined in Article 174 of the Act of 17 December 2010). At present, only distribution shares in this ‘Institutional Shares’ sub-category are being issued.

These shares are eligible for the reduced subscription tax of 0.01% and a reduced level of fees.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 0.60% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.5.3.3. ‘Institutional B Shares’ sub-category

Capitalisation shares in the ‘Institutional B Shares’ sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new ‘Institutional B Shares’ class of shares. »

The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.125% for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.5.3.4. ‘PLN’ sub-category

Capitalisation shares in the ‘PLN’ sub-category will be offered for subscription as from 22 April 2013 at an initial subscription price of 100 Polish zlotys. The first net asset value of the new 'PLN' sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription by the first investor to the new 'PLN' class of shares.

The net asset value of the 'PLN' share class will be expressed in Polish zlotys.

During and after the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share, plus an entry fee in favour of the professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

As described in Section 17 'Fees and expenses', the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.6. KBC BONDS EUROPE EX – EMU

1.6.1. Investment policy

At least 70% of the sub-fund's assets shall be invested in bonds and debt instruments denominated in European currencies other than the euro. It makes a selection from among bonds and debt instruments issued by governments, public or supranational institutions and companies (20% maximum of the sub-fund's assets), and all durations are considered.

The remaining 30% is invested in other assets as defined in Section 6.1. – 'Eligible instruments'. »

Investors should note that the sub-fund may invest (in keeping with the principle of spreading risk) up to 100% of its net assets in securities issued or backed by the United Kingdom, subject to the conditions set out in point 6.3.3.1. The sub-fund may not invest more than 25% of its total assets in bonds that are convertible and subject to options, more than 10% of its total assets in equities and other securities and participatory rights, more than one third of its total assets in money market instruments or more than one third of its total assets in bank deposits.

The sub-fund invests at least 50% of its assets, directly and/or indirectly, in bonds and debt instruments with an investment grade rating (at least BBB-/Baa3 (long-term) or A3/F3/P3 (short-term)) from at least one of the following rating agencies: Moody's (Moody's Investors Service), S&P (Standard & Poor's, a division of McGraw-Hill Companies) or Fitch (Fitch Ratings).

The sub-fund may also invest up to 50% of its assets in bonds and debt instruments with a lower rating.

It may also invest up to 10% of its assets in bonds and debt instruments that have not been assigned a rating by any of the aforementioned rating agencies.

The net asset value will be expressed in euros.

1.6.2. Risk profile

1.6.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading 'Risk and reward profile'.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:

– a moderate inflation risk: bond funds do not provide protection against an increase in inflation;

– A high credit risk: this fund may invest a significant portion of its assets in bonds with a lower rating. Consequently the risk of an issuer defaulting is high. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.

- Exchange risk: high. Since the fund invests in securities denominated in currencies other than the reference currency of the fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

1.6.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

1.6.3. Issue, redemption and fees

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.6.3 1. ‘Institutional B Shares’ sub-category

Capitalisation shares in the ‘Institutional B Shares’ sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new ‘Institutional B Shares’ class of shares. »

The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 0.50% for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.7. KBC BONDS CONVERTIBLES

1.7.1. Investment policy

At least two thirds of the sub-fund's assets shall be invested in convertible bonds from all over the world or bonds with a similar effect to convertible assets through the use of a combination of derivatives and bonds.

The sub-fund may not invest more than 25% of its total assets in bonds, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits.

In view of the specific features of the market in convertible bonds, the sub-fund may invest, directly or indirectly:

– up to 100% of its assets in bonds and debt instrument with a rating lower than investment grade (i.e. lower than BBB-/Baa3 (long-term) and A3/F3/P3 (short-term from one or more of the following rating agencies: Moody's (Moody's Investors Service), S&P (Standard & Poor's, a division of McGraw-Hill Companies) or Fitch (Fitch Ratings).
– up to 100% of its assets in bonds and debt instruments that have not been assigned a rating by any of the aforementioned rating agencies.

The sub-fund managers will replicate the effect of convertible securities when one of the following two conditions is fulfilled:

– when, in their opinion, the entire convertible securities market in any country or the convertible securities of a specific company is/are overvalued;

– when there are no convertible securities available for a country, a market sector or a specific company.

The managers will replicate the effect of convertible securities in one of the following ways:

– They will buy warrants or call options on a specific company or share index within the limits provided for in the section entitled 'Financial Techniques and Instruments'. The nominal value of the warrants purchased or of the options results from an estimate by the managers regarding the conversion into shares of an equivalent convertible bond. This purchase will always be accompanied by an investment in a government bond or corporate bond denominated in the same currency. It is not necessary for this bond to be issued by the same issuer as that of the warrant, but it may never be issued by a less solvent issuer.

– If no warrant or option for a specific share is available, the managers may replicate the effect of an equivalent convertible security dynamically by purchasing the share directly, at the same time as the bond. The nominal value of this combined purchase will be the value of an equivalent convertible bond. It is not necessary for the bond purchased in this way to be issued by the same issuer as that of the share, but it may never be issued by a less solvent issuer.

The net asset value will be expressed in euros.

1.7.2. Risk profile

1.7.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading 'Risk and reward profile'.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:

- a moderate inflation risk: bond funds do not provide protection against an increase in inflation;
- a moderate credit risk. This fund invests primarily, but not solely, in bonds with an investment grade rating. Consequently the risk of an issuer being unable to honour its obligations is higher than for a fund that invests only in bonds with an investment grade rating. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.
- Exchange risk: high. Since the fund invests in securities denominated in currencies other than the reference currency of the fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

1.7.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

1.7.3. Issue, redemption and fees

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.7.3.1. ‘Euro Hedged’ sub-category

1.7.3.1.1 Risk profile of the ‘Euro Hedged Share’ sub-category

1.7.3.1.2 Risk profile of the typical investor in the ‘Euro Hedged Share’ sub-category

Distribution shares in the sub-category are intended for dynamic investors.

A ‘Euro-Hedged’ sub-category was issued from 11 December 2006.

The objective of the ‘Euro Hedged’ sub-category, in addition to the objectives set out under 1.7.1 is to hedge the exchange risk of the assets in the portfolio relative to the euro. In other words, the aim of this sub-category relative to the other sub-categories is to minimise the impact of fluctuations in exchange rates.

This hedging of the exchange risk may result in the performance of this sub-category differing from that of the other sub-categories. This difference in performance may be either positive or negative.

The costs incurred to hedge exchange risks by the ‘Euro Hedged’ sub-category will be charged to this sub-category.

1.7.3.2. 'Institutional B Shares' sub-category

Capitalisation shares in the 'Institutional B Shares' sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new 'Institutional B Shares' class of shares. »

The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.125% for the sub-fund.

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Appendix 1.8. KBC BONDS INFLATION – LINKED BONDS

1.8.1. Investment policy

At least two thirds of the sub-fund's total assets shall be invested in inflation-linked bonds, primarily denominated in European currencies (not restricted to EMU currencies), for instance OATi (index-linked fungible Treasury bonds) on the French market or ILGs (index-linked gilts) on the UK market, provided that this involves transferable securities in accordance with Article 41 (1) of the Act.

The structure of an inflation-linked bond is that of a fixed-income bond on which the payments (accrued interest and/or cum coupon and/or principal on maturity) are made by applying an indexation coefficient corresponding to the difference in inflation between the initial payment date and the date the payment is made.

Investors should note that the sub-fund may invest (in keeping with the principle of spreading risk) up to 100% of its net assets in securities issued or backed by Italy, subject to the conditions set out in point 6.3.3.1.

The sub-fund may also invest in other bonds on an ancillary basis. The sub-fund may not invest more than 25% of its total assets in convertible bonds and, optionally, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits.

The sub-fund invests at least 75% of its assets, directly and/or indirectly, in bonds and debt instruments with an investment grade rating (at least BBB-/Baa3 (long-term) or A3/F3/P3 (short-term)) from at least one of the following rating agencies: Moody's (Moody's Investors Service), S&P (Standard & Poor's, a division of McGraw-Hill Companies) or Fitch (Fitch Ratings).

The sub-fund may also invest up to 25% of its assets in bonds and debt instruments with a lower rating or that have not been assigned a rating by any of the aforementioned rating agencies.

The sub-fund is designed for long-term investors sensitive to inflation risk who are seeking a yield equal to the real, i.e. inflation-proof, rate.

The net asset value will be expressed in euros.

1.8.2. Risk profile

1.8.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading 'Risk and reward profile'.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:

- a moderate credit risk. This fund invests primarily, but not solely, in bonds with an investment grade rating. Consequently the risk of an issuer being unable to honour its obligations is higher than for a fund that invests only in bonds with an investment grade rating. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.

1.8.2.2. Risk profile of the typical investor

The sub-fund was set up for defensive investors.

1.8.3. Issue, redemption and fees

1.8.3.1. General

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

. As described in Section 17 'Fees and expenses', the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.8.3.2. 'Institutional Shares' sub-category

An 'Institutional Shares' sub-category was issued from 18 October 2004 to 27 October 2004 at the initial subscription price of 100 euros.

The 'Institutional Shares' sub-category is intended for institutional investors (as defined in Article 174 of the Act of 17 December 2010). At present, only capitalisation shares in this 'Institutional Shares' sub-category are being issued.

These shares are eligible for the reduced subscription tax of 0.01% and a reduced level of fees.

. As described in Section 17 'Fees and expenses', the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 0.60% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.8.3.3. 'USD frequent dividend' sub-category

As from (to be determined) until (to be determined), a 'USD frequent dividend' sub-category will be issued at an initial subscription price of 500 US dollars.

The net asset value of this sub-category will be expressed in US dollars.

The objective of this sub-category is to pay dividends to shareholders on a monthly basis, but this does not constitute a formal undertaking. However, the sub-category undertakes to pay a dividend at least once a year.

During the initial subscription period, an entry fee of 2.50% maximum in favour of the professional intermediaries shall be charged in addition to the initial subscription price of 500 US dollars.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share, plus an entry fee in favour of the professional intermediaries, which amounts to a maximum of 2.50%.

. As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.8.3.4 ‘Institutional B Shares’ sub-category

Capitalisation shares in the ‘Institutional B Shares’ sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new ‘Institutional B Shares’ class of shares. »

The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.125% for the sub-fund.

. As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.9. KBC BONDS EUROPE

1.9.1. Investment policy

At least two thirds of this sub-fund's total assets shall be invested in bonds issued by borrowers that operate primarily in Europe or whose head office is located in Europe, mainly denominated in euros and – on an ancillary basis – sterling, in accordance with the restrictions common to all the sub-funds described in this Section. It makes a selection from among bonds and debt instruments issued by governments, public or supranational institutions and companies, and all durations are considered.

The remaining third is invested in other assets as defined in section 6.1.– 'Eligible Instruments'.

The sub-fund is authorised to invest up to 100% of its total assets in several issues of bonds issued or guaranteed by a Member State of the European Union, its local authorities, a European State that is a member of the OECD or international organisations, provided that such securities come from at least six different issues and that securities from one and the same issue do not exceed 30% of the total assets.

The sub-fund may not invest more than 25% of its total assets in convertible bonds and, optionally, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits.

The sub-fund invests at least 50% of its assets, directly and/or indirectly, in bonds and debt instruments with an investment grade rating (at least BBB-/Baa3 (long-term) or A3/F3/P3 (short-term)) from at least one of the following rating agencies: Moody's (Moody's Investors Service), S&P (Standard & Poor's, a division of McGraw-Hill Companies) or Fitch (Fitch Ratings).

The sub-fund may also invest up to 50% of its assets in bonds and debt instruments with a lower rating.

It may also invest up to 10% of its assets in bonds and debt instruments that have not been assigned a rating by any of the aforementioned rating agencies.

The net asset value will be expressed in euros.

1.9.2. Risk profile

1.9.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading 'Risk and reward profile'.
The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:

– a moderate inflation risk: bond funds do not provide protection against an increase in inflation;

– a high credit risk: this fund may invest a significant portion of its assets in bonds with a lower rating. Consequently the risk of an issuer defaulting is high. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.

- – A moderate exchange risk: since the fund invests in securities denominated in currencies other than the reference currency of the fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

Market risk: low

1.9.2.2. Risk profile of the typical investor

The sub-fund was set up for defensive investors.

1.9.3. Issue, redemption and fees

As of 17 December 1999, the CERA INVEST Euro Fund sub-fund contributed its assets to the KBC BONDS Europe sub-fund. In exchange for the contribution of assets, the KBC BONDS Europe sub-fund allocated a number of shares to the CERA INVEST Euro Fund shareholders at a rate of one new KBC BONDS Europe share for one old CERA INVEST Euro Fund share. The KBC BONDS Europe sub-fund was newly launched on 17 December 1999. The initial subscription price was equal to the net asset value of the CERA INVEST Euro Fund, as calculated on 17 December 1999. The costs of the amalgamation with CERA INVEST Euro Fund were borne by the KBC BONDS Europe sub-fund and paid in a single instalment.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

. As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.9.3.1.‘Institutional B Shares’ sub-category

Capitalisation shares in the ‘Institutional B Shares’ sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new ‘Institutional B Shares’ sub-category. »

The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 0.50% for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.10.KBC BONDS CORPORATES USD

1.10.1. Investment policy

At least two thirds of the sub-fund’s total assets shall be invested in bonds denominated in US dollars and issued by companies with an investment grade rating from Standard & Poor’s or the equivalent rating from Moody’s or Fitch. All durations are considered in the selection of the bonds.

The sub-fund will ensure there is an adequate and appropriate spread among the various economic sectors. On a secondary basis, the sub-fund may invest in corporate bonds not denominated in US dollars. In this case, the exchange rate risk of the currency in which these bonds are expressed against the US dollar will be hedged at all times within the limits provided for under 6.2.

To achieve the sub-fund’s investment objectives or reduce its exposure to credit risk on issuers of debt instruments, the sub-fund may conclude credit default swaps (CDS) on indices (such as iTraxx and CDX). Long credit positions will be taken on an ancillary basis only.

The sub-fund may not invest more than 25% of its total assets in convertible bonds and, optionally, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits.

The net asset value will be expressed in US dollars.

1.10.2. Risk profile

1.10.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading ‘Risk and reward profile’.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:

– a moderate inflation risk: bond funds do not provide protection against an increase in inflation;

– a high credit risk: this fund may invest a significant portion of its assets in bonds with a lower rating. Consequently the risk of an issuer defaulting is high. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.

– A moderate concentration risk: the investments are concentrated in the United States of America.

Investment in the 'PLN' share class also entails:

– a high exchange risk: since the fund invests in securities denominated in a currency other than the reference currency of the fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

1.10.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

1.10.3. Issue, redemption and fees

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.10.3.1.. ‘Institutional B Shares’ sub-category

Capitalisation shares in the ‘Institutional B Shares’ sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new ‘Institutional B Shares’ class of shares. »

The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.125% for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.10.3.2. ‘PLN’ sub-category

Capitalisation shares in the ‘PLN’ sub-category will be offered for subscription as from 22 April 2013 at an initial subscription price of 100 Polish zlotys. The first net asset value of the new ‘PLN’ sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription by the first investor to the new ‘PLN’ class of shares.

The net asset value of the ‘PLN’ share class will be expressed in Polish zlotys.

During and after the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share, plus an entry fee in favour of the professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.11. KBC BONDS EMERGING EUROPE

1.11.1. Investment policy

At least two thirds of the sub-fund's assets shall be invested in bonds and debt instruments issued by borrowers in Eastern and Central Europe or denominated in a currency in circulation in the region. This region is less developed economically than Western Europe. The sub-fund invests primarily in the emerging markets, which implies greater than average economic risks.

The sub-fund makes a selection from among bonds and debt instruments issued by governments, public or supranational institutions and companies, and all durations are considered. It may invest in bonds denominated in euro, pound sterling, Japanese yen, Swiss franc or US dollar and other currencies and, in particular, local currencies in circulation in Eastern and Central Europe.

The remaining third is invested in other assets as defined in section 6.1.– 'Eligible Instruments'. ».

Investors should note that the sub-fund may invest (in keeping with the principle of spreading risk) up to 100% of its net assets in securities issued or backed by Poland, Russia and Turkey, subject to the conditions set out in point 6.3.3.1.

The sub-fund may not invest more than 25% of its total assets in convertible bonds and, optionally, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits.

Since it focuses on the emerging markets, the sub-fund may invest up to 100% of its assets, directly or indirectly, in bonds and debt instruments with a rating lower than investment grade (i.e. lower than BBB-/Baa3 (long-term) and A3/F3/P3 (short-term)) from at least one of the following rating agencies: Moody's (Moody's Investors Service), S&P (Standard & Poor's, a division of McGraw-Hill Companies) or Fitch (Fitch Ratings). It may invest up to 10% of its assets in bonds and debt instruments that have not been assigned a rating by any of the aforementioned rating agencies.

The net asset value will be expressed in euros.

1.11.2. Risk profile

1.11.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading 'Risk and reward profile'.
The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:

– a moderate inflation risk: bond funds do not provide protection against an increase in inflation;

– a high credit risk: this fund may invest a significant portion of its assets in bonds with a lower rating. Consequently the risk of an issuer defaulting is high. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.

– A high exchange risk: since the fund invests in securities denominated in currencies other than the reference currency of the fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

– A moderate concentration risk: the investments are concentrated in Emerging Europe.

1.11.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

1.11.3. Issue, redemption and fees

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.20% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.11.3.1. ‘USD frequent dividend’ sub-category

A ‘USD frequent dividend’ sub-category shall be issued from 2 January 2008 to 2 January 2008. As from that date, the net asset value in US dollars shall be calculated for this category of shares.

The net asset value of this sub-category will be expressed in US dollars.

The objective of this sub-category is to pay dividends to shareholders on a monthly basis, but this does not constitute a formal undertaking. However, the sub-category undertakes to pay a dividend at least once a year.

During the initial subscription period, an entry fee of 2.50% maximum in favour of the professional intermediaries shall be charged in addition to the initial subscription price of 500 US dollars.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share, plus an entry fee in favour of the professional intermediaries, which amounts to a maximum of 2.50%.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.20% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.11.3.2 ‘Institutional B Shares’ sub-category

Capitalisation shares in the ‘Institutional B Shares’ sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new ‘Institutional B Shares’ class of shares. »

The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group. These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 0.75% for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.20% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.12. KBC BONDS GLOBAL EMERGING OPPORTUNITIES

1.12.1. Investment policy

At least two thirds of this sub-fund's total assets are invested in high-interest bonds denominated in high-yield currencies issued by borrowers that operate primarily in the emerging markets or whose head office is located in the emerging markets anywhere in the world. By way of example, this includes, but is not limited to the Icelandic króna, Mexican peso, South Korean won, South African rand, Brazilian real and Russian ruble. The main objective of the sub-fund is to provide its shareholders with a high income and possibilities for capital gains, taking account of investment selection principles and the principle of achieving a wide diversification of risks.

The sub-fund may not invest more than 25% of its total assets in convertible bonds and, optionally, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits.

Since it focuses on the emerging markets, the sub-fund may invest up to 100% of its assets, directly or indirectly, in bonds and debt instruments with a rating lower than investment grade (i.e. lower than BBB-/Baa3 (long-term) and A3/F3/P3 (short-term)) from at least one of the following rating agencies: Moody's (Moody's Investors Service), S&P (Standard & Poor's, a division of McGraw-Hill Companies) or Fitch (Fitch Ratings). It may invest up to 10% of its assets in bonds and debt instruments that have not been assigned a rating by any of the aforementioned rating agencies.

Through judicious timing of its investments and the temporary hedging of the exchange and interest rate risk, the sub-fund will seek to achieve the aforementioned objectives in the best possible manner.

An additional advantage for the investor is that the sub-fund can invest in bond markets that are closed or not easily accessible to private investors.

The sub-fund is therefore designed for investors who, in their bond investments, are seeking a good spread to limit risks, as well as a good return.

Investors should note that transactions on the internal Russian market shall only be made on the Moscow Interbank Currency Exchange (MICEX) and the Russian Trading System Stock Exchange (RTS).

This gives rise to increased volatility and illiquidity of the investments, since market capitalisation in these states is lower than that of developed markets.

Since investments will be made in all currencies and the daily transaction volume will be low, there will be a euro exchange risk, the euro being the currency in which the sub-fund in question is denominated, in relation to these other currencies. This risk will not necessarily be covered by the techniques and instruments intended to hedge the exchange risks to which the sub-fund is exposed in managing its net assets. It is also possible that certain foreign currencies are not entirely convertible and that exchange controls will have a negative impact on the exchange rates.

On the other hand, it appears that the higher-than-average exchange risk attached to bonds issued by debtors in the emerging markets may often be more than offset in the medium term by the high interest yield. In the short term, investments in bonds of emerging market issuers often provide a high overall income since periods during which the currency goes down in value will alternate with periods of recovery or stabilisation of this currency.

Through judicious timing of its investments and the periodic hedging of the exchange and interest rate risk, the sub-fund seeks to achieve the aforementioned objectives in the best possible manner. In addition, the prices of bonds of emerging market issuers may sometimes fluctuate considerably without any immediate causal link with the exchange rate risk: the sub-fund seeks to deal with this factor in order to enhance the investment return.

An additional advantage for the investor is that the sub-fund may invest in markets in bonds denominated in high-yield currencies or issued by debtors who, through all kinds of measures, try to protect the currency or to counter the outflow of capital. These markets are often closed or not easily accessible to private investors.

On account of the high level of risk, the sub-fund is suitable exclusively for informed investors able to cope with the high level of risk entailed in the sub-fund, to the extent that the investment corresponds to their financial requirements and objectives; they are advised to invest only part of their assets in this sub-fund.

The sub-fund is therefore designed primarily for investors who seek high income (distributed or capitalised depending on whether the shareholder opts for distribution or capitalisation shares) and the possibility of earning capital gains and who are prepared to accept a higher-than-average risk, but who also wish this risk to be offset as much as possible through a judicious selection of investments and professional management techniques.

The net asset value will be expressed in euros.

1.12.2. Risk profile

1.12.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading ‘Risk and reward profile’.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:

– a moderate inflation risk: bond funds do not provide protection against an increase in inflation;

– a high credit risk: this fund may invest a significant portion of its assets in bonds with a lower rating. Consequently the risk of an issuer defaulting is high. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.

– A high exchange risk: since the fund invests in securities denominated in currencies other than the reference currency of the fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

– A moderate concentration risk: investments are concentrated in the emerging markets.

– A moderate liquidity risk: since the fund invests in emerging market bonds, investors run the risk of not being able to sell a position on time and at a reasonable price.

1.12.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

1.12.3. Issue, redemption and fees

This sub-fund issues capitalisation and distribution shares. Initially, the sub-fund shall only issue capitalisation shares.

Shares in the sub-fund shall be issued from 4 October 2007 to 26 October 2007 at an initial subscription price of 500 euros.

During the initial subscription period, an entry fee of 2.50% maximum in favour of the professional intermediaries shall be charged in addition to the initial subscription price of 500 euros.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.50%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost.

Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.20% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.12.3.1. ‘Institutional B Shares’ sub-category

Capitalisation shares in the ‘Institutional B Shares’ sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new ‘Institutional B Shares’ class of shares. »

The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 0.75% for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.20% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.13. KBC BONDS EMU SHORT

1.13.1. Investment policy

At least two thirds of the sub-fund's assets shall be invested in euro-denominated bonds from countries that belong to the Economic and Monetary Union or intend to become members of the EMU, with an average remaining term to maturity of between one and three years.

The sub-fund may not invest more than 25% of its total assets in convertible bonds and, optionally, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits.

The sub-fund invests at least 75% of its assets, directly and/or indirectly, in bonds and debt instruments with an investment grade rating (at least BBB-/Baa3 (long-term) or A3/F3/P3 (short-term)) from at least one of the following rating agencies: Moody's (Moody's Investors Service), S&P (Standard & Poor's, a division of McGraw-Hill Companies) or Fitch (Fitch Ratings).

The sub-fund may also invest up to 25% of its assets in bonds and debt instruments with a lower rating or that have not been assigned a rating by any of the aforementioned rating agencies.

The sub-fund may invest up to 100% of its assets in various bond issues issued or guaranteed by a Member State of the Economic and Monetary Union, or its local authorities, provided that the bonds come from at least six different issues and that the securities from any single issue may not exceed 30% of the total amount.

The net asset value of the sub-fund is expressed in euros.

1.13.2. Risk profile

1.13.2.1 Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading 'Risk and reward profile'.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:

- a moderate inflation risk: bond funds do not provide protection against an increase in inflation;
- a moderate credit risk. This fund invests primarily, but not solely, in bonds with an investment grade rating. Consequently the risk of an issuer being unable to honour its obligations is higher than for a fund that invests only in bonds with an investment grade rating. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.

1.13.2.2. Risk profile of the typical investor

The sub-fund was set up for defensive investors.

1.13.3. Issue, redemption and fees

1.13.3.1. ‘Institutional B Shares’ sub-category

Capitalisation shares in the ‘Institutional Shares’ sub-category were issued from 21 November 2011 to 25 November 2011 at the initial subscription price of 1 000 euros. At present, only capitalisation shares in this ’Institutional Shares’ sub-category are being issued.

The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 0.50%for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.14.KBC BONDS EMU SHORT MEDIUM

1.14.1. Investment policy

At least two thirds of the sub-fund's assets shall be invested in euro-denominated bonds from countries that belong to the Economic and Monetary Union or intend to become members of the EMU, with an average remaining term to maturity of between three and five years.

The sub-fund may not invest more than 25% of its total assets in convertible bonds and, optionally, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits.

The sub-fund invests at least 75% of its assets, directly and/or indirectly, in bonds and debt instruments with an investment grade rating (at least BBB-/Baa3 (long-term) or A3/F3/P3 (short-term)) from at least one of the following rating agencies: Moody's (Moody's Investors Service), S&P (Standard & Poor's, a division of McGraw-Hill Companies) or Fitch (Fitch Ratings).

The sub-fund may also invest up to 25% of its assets in bonds and debt instruments with a lower rating or that have not been assigned a rating by any of the aforementioned rating agencies.

The sub-fund may invest up to 100% of its assets in various bond issues issued or guaranteed by a Member State of the Economic and Monetary Union, or its local authorities, provided that the bonds come from at least six different issues and that the securities from any single issue may not exceed 30% of the total amount.

The net asset value of the sub-fund is expressed in euros.

1.14.2. Risk profile

1.14.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading 'Risk and reward profile'.
The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:

- a moderate inflation risk: bond funds do not provide protection against an increase in inflation;
- a moderate credit risk. This fund invests primarily, but not solely, in bonds with an investment grade rating. Consequently the risk of an issuer being unable to honour its obligations is higher than for a fund that invests only in bonds with an investment grade rating. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.

The method used to calculate the overall risk is the commitment approach.

1.14.2.2. Risk profile of the typical investor

The sub-fund was set up for defensive investors.

1.14.3.Issue, redemption and fees

1.14.3.1. ‘Institutional B Shares’ sub-category

Capitalisation shares in the ‘Institutional Shares’ sub-category were issued from 21 November 2011 to 25 November 2011 at the initial subscription price of 1 000 euros. At present, only capitalisation shares in this ’Institutional Shares’ sub-category are being issued.

The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 0.50%for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.10% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.15.KBC BONDS STRATEGIC EMERGING MARKETS

1.15.1. Investment policy

At least two thirds of the sub-fund's total assets will be invested in bonds and/or debt instruments issued by entities in the emerging markets and/or denominated in a currency in circulation in the emerging markets. All the emerging countries may be considered: emerging Asia, Latin and Central America, Africa and emerging Europe. The emerging markets are less developed economically than Western Europe. Consequently, investment in bonds and/or debt instruments issued by emerging markets entail higher than average economic and credit risks.

The investor bears the entire risk of this portfolio of bonds and/or debt instruments. Amongst other things, this means that the return and/or redemption price will not be determined solely by interest rate trends and the credit risk on the bonds and/or debt instruments, but also by changes in the exchange rate of the currency in which they are denominated in relation to the euro. In principle, the currency (exchange) risks are not hedged but the manager may deviate from this general rule if this is deemed appropriate.

The sub-fund makes a selection from among bonds and debt instruments issued by governments, public or supranational institutions and companies, and all durations are considered. It may invest in bonds and/or debt instruments denominated in local currencies in circulation in the emerging markets and bonds and/or debt instruments denominated in euro, pound sterling, Japanese yen, Swiss franc or US dollar.

The sub-fund may invest more than 35% of its net assets in transferable securities or money market instruments issued by:

– International Bank for Reconstruction and Development (World Bank: www.worldbank.org)
– European Investment Bank (www.eib.org)
– Kreditanstalt für Wiederaufbau (www.kfw.de)
– European Bank for Reconstruction and Development (www.ebrd.com)

Investments in bonds and/or debt instruments issued by these institutions generally have a higher credit quality than bonds and/or debt instruments issued by entities in the emerging countries. The manager may use this option to reduce the risk to the client and, if appropriate, make more defensive investments.

The remainder is invested in other assets as defined in section 6.1. 'Eligible Instruments'.

Since it focuses on the emerging markets, the sub-fund may invest up to 100% of its assets, directly or indirectly, in bonds and debt instruments with a rating lower than investment grade (i.e. lower than BBB-/Baa3 (long-term) and A3/F3/P3 (short-term)) from at least one of the following rating agencies: Moody's (Moody's Investors Service), S&P (Standard & Poor's, a division of McGraw-Hill Companies) or Fitch (Fitch Ratings). It may invest up to 10% of its assets in bonds and debt instruments that have not been assigned a rating by any of the aforementioned rating agencies, or of issuers that have not been assigned a rating by any of the aforementioned rating agencies.

Prospective investors are advised that investment in the KBC Bonds Strategic Emerging Markets sub-fund involves risks which are not generally encountered on the majority of the developed markets. These risks are the following:

- political: including the instability and volatility of the environment and the political situation
- economic: including high inflation rates, currency depreciation and lack of development of the financial markets
- legal: legal uncertainty and difficulty, in general, of having rights recognised and/or sanctioned
- tax: in some States of the emerging markets mentioned above, the tax burden may be very heavy and there is no guarantee of uniform, consistent interpretation of the legislation

. The local authorities often possess discretionary powers to create new taxes, sometimes with retroactive effect.

The net asset value will be expressed in euros.

1.15.2. Risk profile

1.15.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

A synthetic risk and reward indicator (SRRI) has been established in accordance with Directive 583/2010 to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading ‘Risk and reward profile’.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:
– A moderate credit risk: this fund invests mainly in investment grade bonds. Consequently the risk of an issuer being unable to honour its obligations is higher than for a fund that invests only in bonds with an investment grade rating. If investors come to doubt the solvency of the issuers, the value of the bonds may decline.
– A moderate liquidity risk: since the fund invests in emerging market bonds, investors run the risk of not being able to sell a position on time and at a reasonable price.
– a high exchange risk: since the fund invests in securities denominated in currencies other than the reference currency of the fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.
– a moderate concentration risk: investments are concentrated in the emerging markets.
– a moderate inflation risk: bond funds do not provide protection in the event of a rise in inflation.

1.15.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

1.15.3 Issue, redemption and fees

1.15.3.1 ‘Institutional B Shares’ sub-category

Shares in the ‘Institutional B Shares’ sub-category will be issued from 4 June 2013 until 5 June 2013 at the initial subscription price of 1 000 euros. At present, only capitalisation shares in this ‘Institutional B Shares’ sub-class will be issued.

The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 0.75% of the net asset value for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.20% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

During and after the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share, plus an entry fee in favour of the professional intermediaries, which amounts to a maximum 2.5% of the net asset value. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Appendix 1.16.KBC BONDS SRI HIGH INTEREST

1.16.1. Investment policy

The sub-fund invests at least two thirds of its assets in bonds from sustainable and socially responsible issuers denominated mainly in currencies with a considerably higher yield than that of strong currencies.

High-yield currencies are those with a yield at least 0.5% higher than the yield on bonds issued by the Federal Republic of Germany.

The manager (KBC Asset Management SA) bases its investment decisions on macroeconomic criteria and company-specific factors. Regarding the socially responsible nature of investments, the manager uses the services of specialist researchers at KBC Asset Management NV who are responsible for selecting socially responsible bonds. The specialist researchers at KBC Asset Management NV are assisted by an advisory committee of up to twelve members not associated with KBC Asset Management SA whose sole task is to supervise the method and activities of KBC Asset Management NV's specialist researchers The advisory committee's administrative tasks are accomplished by a duly authorised representative of KBC Asset Management NV.
The bonds are selected based on a series of criteria, which are tested as much as possible against objective measures, such as internationally recognised indicators. The advisory committee oversees any changes to the list of criteria used. The main criteria used during the initial subscription period are as follows:
– In the case of bonds issued by supranational debtors, mainly those issued by development banks are selected.
– In the case of bonds issued by companies, the selection is based on the following criteria relating to the issuer:
long-term economic policy
corporate governance
respect for the environment
internal social policy with regard to employees
respecting human rights and internationally recognised labour standards
– In the case of bonds issued by national governments, the selection is based on the following criteria relating to the issuer:
performance and general economic stability
social and economic development and public health
equality, freedom and civic rights
environmental policy,
security, peace and international relations.
This list is not exhaustive and may be changed under the supervision of the advisory board.

The sub-fund invests at least 75% of its assets, directly and/or indirectly, in bonds and debt instruments with an investment grade rating (at least BBB-/Baa3 (long-term) or A3/F3/P3 (short-term)) from at least one of the following rating agencies: Moody's (Moody's Investors Service), S&P (Standard & Poor's, a division of McGraw-Hill Companies) or Fitch (Fitch Ratings).
The sub-fund may also invest up to 25% of its assets in bonds and debt instruments with a lower rating or that have not been assigned a rating by any of the aforementioned rating agencies. The sub-fund will not invest in distressed and defaulted securities.
The sub-fund may not invest more than 25% of its total assets in convertible bonds and, optionally, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits.
It appears that the higher-than-average currency risk attached to the high-yield currencies is often more than offset in the medium term by the high interest yield. In the short term, investments in high-yield bonds often provide a high overall income since the periods during which a currency goes down in value alternate with periods of recovery or stabilisation of this currency.
Through judicious timing of its investments and the periodic hedging of the exchange and interest rate risk, the sub-fund seeks to achieve the aforementioned objectives in the best possible manner. In addition, the prices of high-yield bonds may sometimes fluctuate considerably without any immediate causal link with the exchange rate risk: the sub-fund seeks to deal with this factor in order to enhance the investment return.

An additional advantage for the investor is that the sub-fund may invest on the high-yield currency bond markets which, through all kinds of measures to try to protect the currency or to counter the outflow of capital, are often closed or not easily accessible to private investors.

The sub-fund is therefore designed primarily for investors who seek high income (distributed or capitalised depending on whether the shareholder opts for distribution or capitalisation shares) and the possibility of earning capital gains and who are prepared to accept a higher-than-average risk, but who also wish this risk to be offset as much as possible through a judicious selection of investments and professional management techniques. The net asset value will be expressed in euros.

1.16.2. Risk profile

1.16.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.
The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.
The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading ‘Risk and reward profile’.
The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.
Investment in this fund is also subject to:

– A moderate inflation risk: bond funds do not provide protection against an increase in inflation.

– A moderate credit risk: This fund invests primarily, but not solely, in bonds with an investment grade rating. Consequently the risk of an issuer being unable to honour its obligations is higher than for a fund that invests only in bonds with an investment grade rating. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.

– A high exchange risk: Since the fund invests in securities denominated in currencies other than the reference currency of the fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

1.16.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

1.16.3 Issue, redemption and fees

Capitalisation and distribution shares will be available for subscription from 12 November 2014 to 14 November 2014 at an initial subscription price of 500 euros, plus an entry fee of 2.5% maximum in favour of the professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.
The initial subscription price must be paid on 19 November 2014, at the first net asset value of 17 November 2014.
After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.
Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of charge. Shareholders will be notified by means of an announcement in the annual report.
Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

As described in Section 17 'Fees and expenses', the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.20%, including 0.10% for the selection of socially responsible investments (SRI), which is based on an analysis conducted by a specialist KBC Asset Management NV research team assisted by independent experts.
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.16.3.1. 'Institutional Shares' sub-category

An 'Institutional Shares' sub-category will be available for subscription from 12 November 2014 to 14 November 2014 at an initial subscription price of 500 euros, plus an entry fee of 2.5% maximum in favour of the professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. . Shareholders will be notified by means of an announcement in the annual report.
Capitalisation and distribution shares will be issued.
The 'Institutional Shares' sub-category is intended for institutional investors (as defined in Article 174 of the Act).
The initial subscription price must be paid on 19 November 2014, at the first net asset value of 17 November 2014.
After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.
Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.
Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

These shares are eligible for the reduced subscription tax of 0.01% and a reduced level of fees.

As described in Section 17 'Fees and expenses', the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 0.60%, including 0.10% for the selection of socially responsible investments (SRI), which is based on an analysis conducted by a specialist KBC Asset Management NV research team assisted by independent experts.
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

1.16.3.2 'Institutional B Shares' sub-category

The 'Institutional B Shares' sub-category is open for subscription as of 31 January 2017.

On the date of the first subscription, the 'Institutional B Shares' sub-category capitalisation shares will be offered at the initial price of 1 000 euros plus an entry fee payable to professional intermediaries, in a maximum of 2.5%. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 03 February 2017, at the first net asset value of 1 February 2017.

The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.50%. The rate of this entry fee is set, and may be changed, by the Board of Directors.
Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 0.75% of the net asset value for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:
– Portfolio Management Fee: max. 1.2% annually; including 0.1% for selection of the SRIs (socially responsible investments); this selection is based on analysis by a specialised research team at KBC Asset Management NV assisted by independent experts;
– Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.17. KBC BONDS STRATEGIC EMERGING OPPORTUNITIES

1.17.1. Investment policy

The KBC Bonds Strategic Emerging Opportunities sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures, interest rate swaps, total return swaps and CDS contracts) or units in UCIs within the limits specified in point 6.1.2.3 of the prospectus. The remaining 10% can be invested in other assets as defined in Section 6.1. – 'Eligible Instruments'.

The sub-fund's objective is to invest at least 50% of its assets in bonds or debt instruments issued by entities in the emerging markets or denominated in a currency in circulation in the emerging markets and/or in derivatives (mainly interest rate swaps, futures and CDS contracts) based on strategies creating exposure on emerging market issuers or emerging market currencies. The emerging markets are less developed than Western Europe. Consequently, investments in such bonds and/or debt instruments issued by emerging markets entail higher than average economic and credit risks. Secondary market liquidity will be key in the security and derivative selection process. The sub-fund can invest in investment grade, sub-investment grade and unrated securities. It may invest in bonds and/or debt instruments denominated in local currencies in circulation in the emerging markets and bonds/debt instruments denominated in euro, pound sterling, Japanese yen, Swiss franc or US dollar. The portfolio composition may therefore vary significantly over time. The fund may invest in bonds issued by public authorities and bodies and corporate bonds. In addition, the portfolio may, within the legal limits, be concentrated in certain issuers, currencies or types of bonds.

To achieve the sub-fund's investment objectives or reduce its exposure to credit risk on issuers of debt instruments, the sub-fund may conclude credit default swaps (CDS) on indices (such as iTraxx and CDX). The sold amount of protection may be large (over 25% of the assets under management), subject to a maximum of 50%.

The investor bears the entire risk of this portfolio of bonds and/or debt instruments. This means in particular that the return and/or redemption price will not be determined solely by interest rate trends and the credit risk on the bonds and/or debt instruments, but also by changes in the exchange rate of the currency in which they are denominated in relation to the euro. In principle, the currency exchange risks are not hedged.

Since it focuses on the emerging markets, the sub-fund may invest up to 100% of its assets directly or indirectly in:
– bonds and debt instruments with a rating lower than investment grade
– bonds and debt instruments of issuers with a rating lower than investment grade

Lower than investment grade means: lower than BBB-/Baa3 (long term) or A3/F3/P3 (short term) from at least one of the following rating agencies: Moody's (Moody's Investor Service), S&P (Standard & Poor's, a division of McGraw Hill Companies) or Fitch (Fitch Ratings).

It may invest up to 50% of its assets in bonds and debt instruments that have not been assigned a rating by any of the aforementioned rating agencies or whose issuers have not been assigned a rating by any of the aforementioned agencies.

The net asset value of the sub-fund is expressed in euros.

Investors should note that the sub-fund may, in accordance with the principle of spreading risk, invest up to 100% of its net assets in transferable securities and money market instruments issued or guaranteed by an OECD Member State or one or more European Union Member States, according to the conditions set out in section 6, 'Investment policy and objectives'.

1.17.2. Risk profile

1.17.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

A synthetic risk and reward indicator (SRRI) has been established in accordance with Directive 583/2010 to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading ‘Risk and reward profile’.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:

– a capital risk: there is no capital protection.

– a high credit risk: the fund may invest a high percentage of its assets in bonds with a poor credit rating. There is a significant risk of an issuer being unable to honour its obligations. If investors come to doubt the solvency of the issuers, the value of the bonds may decline.

– A moderate liquidity risk: since the fund partially invests in less liquid bonds, investors run the risk of not being able to sell a position on time and at a reasonable price.

– A high exchange risk: since the fund invests in securities denominated in currencies other than the euro, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

– a moderate inflation risk: there is no protection against an increase in inflation.

1.17.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

1.17.3. Issue, redemption and fees

1.17.3.1 ‘Institutional B Shares’ sub-category

An ‘Institutional B Shares’ sub-category will be available on 14 September 2015 at an initial subscription price of 1 000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 17 September 2015, at the first net asset value of 15 September 2015.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

At present, only capitalisation shares in this 'Institutional B Shares' sub-category are being issued. The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.5% of the net asset value for the sub-fund.

As described in Section 17 'Fees and expenses', the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.30% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.18. KBC BONDS STRATEGIC CORPORATE BONDS

1.18.1. Investment policy

The KBC Bonds Strategic Corporate Bonds sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures, interest rate swaps, total return swaps, and CDS contracts) or units in UCIs within the limits specified in point 6.1.2.3 of the prospectus. The remaining 10% is invested in other assets as defined in Section 6.1. 'Eligible instruments'.

The sub-fund's objective is to invest at least 50% of its assets in corporate bonds and/or in derivatives (mainly interest rate swaps, futures and CDS contracts) based on strategies creating corporate credit risk exposure. Secondary market liquidity will be key in the security and derivative selection process. The sub-fund can invest in investment grade, sub-investment grade and unrated securities. The sub-fund can invest in securities denominated in any currency. The currency risk will not be hedged systematically. The fund may invest in bonds issued by public authorities and bodies and corporate bonds. In addition, the portfolio may, within the legal limits, be concentrated in certain issuers, currencies or types of bonds. The portfolio composition may therefore vary significantly over time.

To achieve the sub-fund's investment objectives or reduce its exposure to credit risk on issuers of debt instruments, the sub-fund may conclude credit default swaps (CDS) on indices (such as iTraxx and CDX). The sold amount of protection may be large (over 25% of the assets under management), subject to a maximum of 50%.

The sub-fund may invest up to 50% of its assets in:

- bonds and debt instruments with a rating lower than investment grade
- bonds and debt instruments of issuers with a rating lower than investment grade

Lower than investment grade means: lower than BBB-/Baa3 (long term) or A3/F3/P3 (short term) from at least one of the following rating agencies: Moody's (Moody's Investor Service), S&P (Standard & Poor's, a division of McGraw Hill Companies) or Fitch (Fitch Ratings).

It may invest up to 50% of the assets in bonds and debt instruments that have not been assigned a rating by any of the rating agencies or whose issuers have not been assigned a rating by any of the aforementioned agencies.

The net asset value of the sub-fund is expressed in euros.

Investors should note that the sub-fund may, in accordance with the principle of spreading risk, invest up to 100% of its net assets in securities issued or guaranteed by an OECD Member State or one or more EU Member States, subject to the conditions set out in section 6, 'Investment policy and objectives'.

1.18.2. Risk profile

1.18.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

A synthetic risk and reward indicator (SRRI) has been established in accordance with Directive 583/2010 to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading ‘Risk and reward profile’.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:
– a capital risk: there is no capital protection.

– a high credit risk: the fund may invest a high percentage of its assets in bonds with a poor credit rating. There is a significant risk of an issuer being unable to honour its obligations. If investors come to doubt the solvency of the issuers, the value of the bonds may decline.

– a high exchange risk: since the fund invests in securities denominated in currencies other than the euro, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

– a moderate inflation risk: there is no protection against an increase in inflation.

1.18.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

1.18.3 Issue, redemption and fees

1.18.3.1 ‘Institutional B Shares’ sub-category

An ‘Institutional B Shares’ sub-category will be available on 14 September 2015 at an initial subscription price of 1 000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 17 September 2015, at the first net asset value of 15 September 2015.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

At present, only capitalisation shares in this ‘Institutional B Shares’ sub-category are being issued. The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.5% of the net asset value for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.30% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.19.KBC BONDS STRATEGIC GOVERNMENT BONDS

1.19.1. Investment policy

The KBC Bonds Strategic Government Bonds sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures, interest rate swaps, total return swaps) or units in UCIs within the limits defined in point 6.1.2.3. of the prospectus. The remaining 10% can be invested in other assets as defined in Section 6.1. – ‘Eligible instruments’.

The sub-fund’s objective is to invest at least 50% of its assets in bonds issued by sovereign issuers in the developed markets or their agencies and/or in derivatives (mainly interest rate swaps and futures) based on strategies creating similar exposure. The fund can hold assets expressed both in euros and in foreign currencies. Secondary market liquidity will be key in the security and derivative selection process. The sub-fund may invest in bonds issued by public authorities and bodies and supranational institutions and in corporate bonds. In addition, the portfolio may, within the legal limits, be concentrated in certain issuers, currencies or types of bonds. The portfolio composition may vary significantly over time.

The investor bears the entire risk of this portfolio of bonds and/or debt instruments. Amongst other things, it means that the return and/or redemption price will not be determined solely by the interest rate trends and the credit risk of the bonds and/or debt instruments and/or derivatives but when applicable also by changes in the exchange rate of the currency in which they are denominated in relation to the euro. The currency risk is not systematically hedged.

The sub-fund may invest up to 50% of its assets directly or indirectly in:
– bonds and debt instruments of issuers with a rating lower than investment grade
– bonds and debt instruments of issuers with a rating lower than investment grade

Lower than investment grade means: lower than BBB-/Baa3 (long term) or A3/F3/P3 (short term) from at least one of the following rating agencies: Moody’s (Moody’s Investor Service), S&P (Standard & Poor’s, a division of McGraw Hill Companies) or Fitch (Fitch Ratings).

It may invest up to 50% of its assets in bonds and debt instruments that have not been assigned a rating by any of the aforementioned rating agencies or whose issuers have not been assigned a rating by any of the aforementioned agencies.

The net asset value of the sub-fund is expressed in euros.

Investors should note that the sub-fund may, in accordance with the principle of spreading risk, invest up to 100% of its net assets in transferable securities and money market instruments issued or guaranteed by an OECD Member State or one or more European Union Member States, according to the conditions set out in Section 6 – ‘Investment policy and objectives’.

1.19.2. Risk profile

1.19.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

A synthetic risk and reward indicator (SRRI) has been established in accordance with Directive 583/2010 to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading 'Risk and reward profile'.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:

– a capital risk: there is no capital protection.

– a moderate credit risk: the fund will mainly (but not exclusively) invest its assets in investment grade bonds. Consequently the risk of an issuer being unable to honour its obligations is higher than for an investment made up only of bonds with an investment grade rating. If investors come to doubt the solvency of the issuers, the value of the bond may decline.

– a high exchange risk: since the fund invests in securities denominated in currencies other than the euro, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

– a moderate inflation risk: there is no protection against an increase in inflation.

1.19.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

1.19.3. Issue, redemption and fees

1.19.3.1. 'Institutional B Shares' sub-category

An 'Institutional B Shares' sub-category will be available on 14 September 2015 at an initial subscription price of 1 000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 17 September 2015, at the first net asset value of 15 September 2015.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

At present, only capitalisation shares in this ‘Institutional B Shares’ sub-category are being issued.

The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.5% of the net asset value for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.30% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.20.KBC BONDS STRATEGIC EURO CORPORATE BONDS

1.20.1. Investment policy

The KBC Bonds Strategic Euro Corporate Bonds sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures, interest rate swaps, total return swaps, and CDS contracts) or units in UCIs within the limits specified in point 6.1.2.3 of the prospectus. The remaining 10% is invested in other assets as defined in Section 6.1. 'Eligible instruments'.

The sub-fund's objective is to invest at least 50% of its assets in euro corporate bonds and/or in derivatives (mainly interest rate swaps, futures and CDS contracts) based on strategies creating corporate credit risk exposure. Secondary market liquidity will be key in the security and derivative selection process. The sub-fund can invest in investment grade, sub-investment grade and unrated securities. The sub-fund can also invest in securities denominated in any currency. The currency risk will not be hedged systematically. The fund may invest in bonds issued by public authorities and bodies and corporate bonds. In addition, the portfolio may, within the legal limits, be concentrated in certain issuers, currencies or types of bonds. The portfolio composition may therefore vary significantly over time.

To achieve the sub-fund's investment objectives or reduce its exposure to credit risk on issuers of debt instruments, the sub-fund may conclude credit default swaps (CDS) on indices (such as iTraxx and CDX). The sold amount of protection may be large (over 25% of the assets under management), subject to a maximum of 50%.

The sub-fund may invest up to 50% of its assets in:

- bonds and debt instruments with a rating lower than investment grade
- bonds and debt instruments of issuers with a rating lower than investment grade

Lower than investment grade means: lower than BBB-/Baa3 (long term) and/or A3/F3/P3 (short term) from at least one of the following rating agencies: Moody's (Moody's Investor Service), S&P (Standard & Poor's, a division of McGraw Hill Companies) or Fitch (Fitch Ratings).

It may invest up to 50% of the assets in bonds and debt instruments that have not been assigned a rating by any of the rating agencies or whose issuers have not been assigned a rating by any of the aforementioned agencies.

The net asset value of the sub-fund is expressed in euros.

Investors should note that the sub-fund may, in accordance with the principle of spreading risk, invest up to 100% of its net assets in securities issued or guaranteed by an OECD Member State or one or more EU Member States, subject to the conditions set out in section 6, 'Investment policy and objectives'.

1.20.2. Risk profile

1.20.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

A synthetic risk and reward indicator (SRRI) has been established in accordance with Directive 583/2010 to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading ‘Risk and reward profile’.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:
– a capital risk: there is no capital protection.

– a high credit risk: the fund may invest a high percentage of its assets in bonds with a poor credit rating. There is a significant risk of an issuer being unable to honour its obligations. If investors come to doubt the solvency of the issuers, the value of the bonds may decline.

– a moderate exchange risk: since the fund invests in securities denominated in currencies other than the euro, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

– a moderate inflation risk: there is no protection against an increase in inflation.

1.20.2.2. Risk profile of the typical investor
The sub-fund was set up for defensive investors.

1.20.3. Issue, redemption and fees
1.20.3.1. ‘Institutional B Shares’ sub-category
An ‘Institutional B Shares’ sub-category will be available on 14 September 2015 at an initial subscription price of 1 000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 17 September 2015, at the first net asset value of 15 September 2015.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of charge. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

At present, only capitalisation shares in this ‘Institutional B Shares’ sub-category are being issued. The

‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.5% of the net asset value for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.30% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.21. KBC BONDS STRATEGIC HIGHER YIELDING CURRENCIES

1.21.1. Investment policy

The KBC Bonds Strategic Higher Yielding Currencies sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures, interest rate swaps and total return swaps) or units in UCIs within the limits specified in point 6.1.2.3 of the prospectus. The remaining 10% can be invested in other assets as defined in Section 6.1. 'Eligible Instruments'.

The sub-fund's objective is to invest at least 50% of its assets in bonds denominated in currencies offering a considerably higher return than that of strong currencies and/or in derivatives (mainly interest-rate swaps and futures) based on strategies creating similar exposure. High-yield currencies are those with high returns, those with returns at least 0.5% higher than the interest on bonds issued by the Federal Republic of Germany. Secondary market liquidity will be key in the security and derivative selection process. The fund may invest in bonds issued by public authorities and bodies and supranational institutions and in corporate bonds. The portfolio composition may therefore vary significantly over time. In addition, the portfolio may, within the legal limits, be concentrated in certain issuers, currencies or types of bonds.

The investor bears the entire risk of this portfolio of bonds and/or debt instruments. This particularly means that the return and/or redemption price will not be determined solely by the interest rate trends and the credit risk of the bonds and/or debt instruments but also by changes in the exchange rate of the currency in which they are denominated in relation to the euro. In principle, the currency exchange risks are not hedged.

The sub-fund may invest up to 100% of its assets directly or indirectly in:
– bonds and debt instruments with a rating lower than investment grade
– bonds and debt instruments of issuers with a rating lower than investment grade

Lower than investment grade means: lower than BBB-/Baa3 (long term) or A3/F3/P3 (short term) from at least one of the following rating agencies: Moody's (Moody's Investor Service), S&P (Standard & Poor's, a division of McGraw Hill Companies) or Fitch (Fitch Ratings).

It may invest up to 50% of the assets in bonds and debt instruments that have not been assigned a rating by any of the rating agencies or whose issuers have not been assigned a rating by any of the aforementioned agencies.

The net asset value of the sub-fund is expressed in euros.

Investors should note that the sub-fund may, in accordance with the principle of spreading risk, invest up to 100% of its net assets in transferable securities and debt instruments issued or guaranteed by an OECD Member State or one or more EU Member States, subject to the conditions set out in Section 6 – 'Investment policy and objectives'.

1.21.2. Risk profile

1.21.2.1. Risk profile of the sub-fund

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading 'Risk and reward profile'.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this fund is also subject to:

– a capital risk: there is no capital protection.

– a high credit risk: the fund may invest a high percentage of its assets in bonds with a poor credit rating. There is a significant risk of an issuer being unable to honour its obligations. If investors come to doubt the solvency of the issuers, the value of the bonds may decline.

– a high exchange risk: since the fund invests in securities denominated in currencies other than the euro, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

– a moderate inflation risk: there is no protection against an increase in inflation.

1.21.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

1.21.3. Issue, redemption and fees

1.21.3.1. 'Institutional B Shares' sub-category

An 'Institutional B Shares' sub-category will be available on 14 September 2015 at an initial subscription price of 1 000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 17 September 2015, at the first net asset value of 15 September 2015.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost.
Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.

At present, only capitalisation shares in this ‘Institutional B Shares’ sub-category are being issued. The ‘Institutional B Shares’ sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.5% of the net asset value for the sub-fund.

As described in Section 17 ‘Fees and expenses’, the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 1.30% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 1.22. KBC BONDS SHORT DURATION

1.22.1. Investment policy

The ***KBC Bonds Short Duration*** sub-fund will be invested directly or indirectly in transferable securities, preferably corporate bonds, government bonds, money market instruments, other debt instruments, derivatives (futures and forward contracts, options, swaps of shares, indices, foreign currency or interest rates or other transactions in derivatives), deposits or units in UCIs within the limits defined in point 6.1.2.3.; with a moderate interest rate risk of two years maximum and denominated in euros. The manager will engage in investments denominated in currencies other than the euro if it considers that their yield will be higher. These will, in principle, be subject to hedging.

The sub-fund may invest in bonds/notes officially listed on a stock exchange of a European Union Member State and issued by Special Purpose Vehicles (SPV) incorporated under Irish law.

The underlying for notes issued by these SPVs is a diversified portfolio of deposits with financial institutions, bonds, structured notes, other debt instruments and financial derivatives managed by KBC Asset Management (Belgium) or one of its subsidiaries. The underlying assets shall comply with the eligibility criteria established under the regulations obtaining in Luxembourg. These criteria are set out in the prospectus of the relevant SPVs, available for consultation at [http://www.kbcam.be/prospectus/spv/].

Investors should note that bonds issued by certain of these SPVs are subject to lower liquidity compared to that of other bonds in the sub-fund. However, the long-term liquidity of the assets in the sub-fund as a whole is ensured.

The net asset value of the sub-fund is expressed in euros.

The sub-fund may invest up to 100% of its net assets in transferable securities and money market instruments issued or guaranteed by an OECD Member State or one or more European Union Member States, according to the conditions set out in Section 6 – 'Investment policy and objectives'.

The sub-fund invests at least 75% of its assets, directly and/or indirectly, in bonds and debt instruments with an investment grade rating (at least BBB-/Baa3 (long term) or A3/F3/P3 (short term)) from at least one of the following rating agencies: Moody's (Moody's Investors Service), S&P (Standard & Poor's, a division of McGraw-Hill Companies) and Fitch (Fitch Ratings). The sub-fund invests up to 25% of its assets in bonds and debt instruments with a rating below 'investment grade' or that have not been assigned a rating by any of the aforementioned rating agencies.

1.22.2. Risk profile

<u>1.22.2.1. Risk profile of the sub-fund</u>

The method used to calculate the overall risk is the commitment approach.

In accordance with Directive 583/2010, a synthetic risk and reward indicator (SRRI) is established to provide an indication of the potential returns, and also the attendant risks, of the sub-fund, expressed in the currency of the sub-fund. The indicator uses a risk scale (risk classes) of 1 to 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The synthetic risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. The past data are not always a reliable indicator of the future return and risk.

The most recent figure for the indicator can be found in the Key Investor Information Documents under the heading 'Risk and reward profile'.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this sub-fund is also subject to:

– a moderate capital risk: there is no capital protection.

1.22.2.2. Risk profile of the typical investor

The sub-fund was set up for highly defensive investors.

1.22.3. Issue, redemption and fees

1.22.3.1. 'Institutional B Shares' sub-category

An 'Institutional B Shares' sub-category will be available from 28 April 2016 to 29 April 2016 at an initial subscription price of 250 euros plus an entry fee of 0.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate.

Subscriptions to shares in the sub-class will only be accepted if one and the same person subscribes in an amount of at least 5 000 euros.

The initial subscription price must be paid on 4 May 2016, at the first net asset value of 2 May 2016.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 0.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 0.5% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion 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.
At present, only capitalisation shares in this 'Institutional B Shares' sub-category are being issued. The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 0.5% of the net asset value for the sub-fund.

As described in Section 17 'Fees and expenses', the sub-fund will pay the Management Company:

- Portfolio Management Fee: max. 0.40% annually;
- Fixed Service Fee: max. 0.125% annually.

These fees will be paid monthly and will be calculated on the average net asset value of the sub-fund.

Appendix 2 Subscription form

Copy for shareholder

KBC BONDS

Société d'Investissement à Capital Variable (Sicav – Open-ended Investment Company)

11 rue Aldringen, Luxembourg

Luxembourg Trade Register No. B 39.062

SUBSCRIPTION FORM

The Legal Notice has been filed with the Chancery of the District Court of and in Luxembourg.

The undersigned:

Surname : ....

First name : ....

Address : ....

having received and read the prospectus of KBC BONDS (the 'Sicav') declare(s) that he/she (they) is (are) subscribing to

.... shares in the 'KBC BONDS – INCOME FUND' sub-fund

.... shares in the 'KBC BONDS – CAPITAL FUND' sub-fund

.... shares in the 'KBC BONDS – HIGH INTEREST' sub-fund

.... shares in the 'KBC BONDS – EMERGING MARKETS' sub-fund

.... shares in the 'KBC BONDS – CORPORATES EURO' sub-fund

.... shares in the 'KBC BONDS – EUROPE EX-EMU' sub-fund

.... shares in the 'KBC BONDS – CONVERTIBLES' sub-fund

.... shares in the 'KBC BONDS – INFLATION-LINKED BONDS' sub-fund

.... shares in the 'KBC BONDS – EUROPE' sub-fund

.... shares in the 'KBC BONDS – CORPORATES USD' sub-fund

.... shares in the 'KBC BONDS – EMERGING EUROPE' sub-fund

.... shares in the 'KBC BONDS – GLOBAL EMERGING OPPORTUNITIES' sub-fund

.... shares in the 'KBC BONDS – EMU SHORT' sub-fund

.... shares in the 'KBC BONDS – EMU SHORT MEDIUM' sub-fund

…………shares in the 'KBC BONDS – STRATEGIC EMERGING MARKETS' sub-fund

…………shares in the 'KBC BONDS – SRI HIGH INTEREST' sub-fund

…… ……shares in the 'KBC BONDS – STRATEGIC EMERGING OPPORTUNITIES' sub-fund

… ………shares in the 'KBC BONDS – STRATEGIC CORPORATE BONDS' sub-fund

…… ……shares in the 'KBC BONDS – STRATEGIC GOVERNMENT BONDS' sub-fund

…........…shares in the 'KBC BONDS – STRATEGIC EURO CORPORATE BONDS' sub-fund

…………shares in the 'KBC BONDS – STRATEGIC HIGHER YIELDING CURRENCIES' sub-fund

…………shares in the 'KBC BONDS – SHORT DURATION' sub-fund

Note that the KBC BONDS Income Fund sub-fund will issue distribution shares only and that the KBC BONDS Capital Fund sub-fund will issue capitalisation shares only.

The shares are to be issued and delivered in the form of

- a registration certificate for registered distribution/capitalisation (*) shares
- a confirmation of registration for registered distribution/capitalisation (*) shares

Drawn up in duplicate in .... on ....

The signature should be preceded by the words 'read and approved'.

Signature(s)

(*) delete as appropriate

Copy for the bank

KBC BONDS

Société d'Investissement à Capital Variable (Sicav – Open-ended Investment Company)

11 rue Aldringen, Luxembourg

Luxembourg Trade Register No. B 39.062

SUBSCRIPTION FORM

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shares in the 'KBC BONDS – STRATEGIC EURO CORPORATE BONDS' sub-fund

shares in the 'KBC BONDS – STRATEGIC HIGHER YIELDING CURRENCIES' sub-fund

shares in the 'KBC BONDS – SHORT DURATION' sub-fund

Note that the KBC BONDS Income Fund sub-fund will issue distribution shares only and that the KBC BONDS Capital Fund sub-fund will issue capitalisation shares only.

The shares are to be issued and delivered in the form of

- a registration certificate for registered distribution/capitalisation (*) shares
- a confirmation of registration for registered distribution/capitalisation (*) shares
-

Drawn up in duplicate in .... on ....

The signature should be preceded by the words 'read and approved'.

Signature(s)

(*) delete as appropriate

Appendix 2 Addenda concerning the marketing of KBC Bonds outside Luxembourg