



**Semi-annual report
as at 30th September 2022**

KBC INSTITUTIONAL INTEREST FUND

Investment Company with Variable Capital (SICAV)
Luxembourg

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KBC INSTITUTIONAL INTEREST FUND

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KBC INSTITUTIONAL INTEREST FUND

Organisation

Registered Office

80, route d'Esch
L-1470 LUXEMBOURG

Board of Directors

Chairman

Johan TYTECA

Independent Director
Rolandstraat 5 GV 01
B-8670 KOKSIJDE

Directors

Lazlo BELGRADO

General Manager
KBC ASSET MANAGEMENT N.V.
2, avenue du Port
B-1080 BRUSSELS

Koen VANDERAUWERA
(until 31st March 2022)

Company Risk Manager
KBC ASSET MANAGEMENT S.A.
4, rue du Fort Wallis
L-2714 LUXEMBOURG

Ivo BAUWENS
(since 1st April 2022)

General Manager
KBC GROUP RE S.A.
4, rue du Fort Wallis
L-2714 LUXEMBOURG

Patrick DALLEMAGNE

General Manager
CBC BANQUE & ASSURANCES
60, avenue Albert I
B-5000 NAMUR

Management Company/Alternative Investment Fund Manager ("AIFM")

KBC ASSET MANAGEMENT S.A.
4, rue du Fort Wallis
L-2714 LUXEMBOURG
(until 31st March 2022)

IVESAM N.V.
2, avenue du Port
B-1080 BRUSSELS
(since 1st April 2022)

Board of Directors of the Management Company/AIFM

Chairman

Johan LEMA

President of the Executive Committee
KBC ASSET MANAGEMENT N.V.
2, avenue du Port
B-1080 BRUSSELS

Directors

Ivo BAUWENS
(until 31st March 2022)

General Manager
KBC GROUP RE S.A.
4, rue du Fort Wallis
L-2714 LUXEMBOURG

KBC INSTITUTIONAL INTEREST FUND

Organisation (continued)

Board of Directors of the Management Company/AIFM (continued)

Christiaan STERCKX
(since 1st April 2022)

Executive Director
KBC ASSET MANAGEMENT N.V.
2, avenue du Port
B-1080 BRUSSELS

Lazlo BELGRADO
(until 31st August 2022)

General Manager
KBC ASSET MANAGEMENT N.V.
2, avenue du Port
B-1080 BRUSSELS

Jürgen VERSCHAEVE
(since 9th September 2022)

Executive Director
KBC ASSET MANAGEMENT N.V.
2, avenue du Port
B-1080 BRUSSELS

Natural persons to whom executive management of the Management Company/AIFM has been entrusted

Koen VANDERAUWERA
(until 31st March 2022)

Christiaan STERCKX
(since 1st April 2022)

Lazlo BELGRADO
(until 31st August 2022)

Jürgen VERSCHAEVE
(since 9th September 2022)

Central administration

KBC ASSET MANAGEMENT S.A.
4, rue du Fort Wallis
L-2714 LUXEMBOURG

Delegated central administration and domiciliary

BROWN BROTHERS HARRIMAN (LUXEMBOURG) S.C.A.
80, route d'Esch
L-1470 LUXEMBOURG

Depositary and principal paying agent

BROWN BROTHERS HARRIMAN (LUXEMBOURG) S.C.A.
80, route d'Esch
L-1470 LUXEMBOURG

Cabinet de révision agréé

MAZARS LUXEMBOURG
5, rue Guillaume J. Kroll
L-1882 LUXEMBOURG

KBC INSTITUTIONAL INTEREST FUND

Organisation (continued)

Financial services and paying agents

in Belgium

CBC BANQUE S.A.
60, avenue Albert I
B-5000 NAMUR

KBC BANK N.V.
2, avenue du Port
B-1080 BRUSSELS

in Luxembourg

BROWN BROTHERS HARRIMAN (LUXEMBOURG) S.C.A.
80, route d'Esch
L-1470 LUXEMBOURG

Delegated Investment Manager

KBC ASSET MANAGEMENT N.V.
2, avenue du Port
B-1080 BRUSSELS
(until 31st March 2022)

KBC INSTITUTIONAL INTEREST FUND

General information

KBC INSTITUTIONAL INTEREST FUND (the "SICAV") is a "*Société d'Investissement à Capital Variable*" established at Luxembourg on 30th January 1992 for an unlimited period under Luxembourg Law subject to Part II of the amended Law of 17th December 2010 ("2010 Law") relating to Undertakings for Collective Investment. The SICAV qualifies as an Alternative Investment Fund ("AIF") under Directive 2011/61/EU of the European Parliament and of the Council of 8th June 2011 on Alternative Investment Fund Managers ("AIFMD").

Until 31st March 2022, the KBC Asset Management S.A. was designated by the SICAV to act as its external Alternative Investment Fund Manager under Chapter II of the amended Law of 12th July 2013. Under the terms of the contract that took effect on 1st April 2022, KBC Asset Management S.A. has transferred its registered office from Luxembourg to Belgium and has changed its name into IVESAM N.V. (limited liability company) to which authorisation is granted by the Belgian regulator Financial Services and Markets Authority ("FSMA") in accordance with the Belgian Law of of the 19th April 2014 on alternative undertakings for collective investment and their managers (the "AIFM Law").

The SICAV has appointed IVESAM N.V. as Management Company in accordance with the AIFM Law on the basis of an agreement entered into force on 1st April 2022 to act as its external alternative investment fund manager (the "AIFM").

The articles of incorporation of the SICAV were published in the "*Mémorial C, Recueil des Sociétés et Associations*" on 6th March 1992 and have been filed with the "*Registre de Commerce et des Sociétés de Luxembourg*", where copies are available.

As from 1st June 2016, publications are made in the "*Recueil électronique des sociétés et associations* ("RESA")" through the website of "*Registre de Commerce et des Sociétés*" of Luxembourg.

KBC Institutional Interest Fund Cash Euro and KBC Institutional Interest Fund Cash Upper Grade Euro are money market funds under the Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14th June 2017 on money market funds ("MMF").

At the closing date, the following sub-funds are active:

- KBC INSTITUTIONAL INTEREST FUND CASH EURO in EUR
- KBC INSTITUTIONAL INTEREST FUND CASH UPPER GRADE EURO in EUR

Within each sub-fund of the SICAV, all shares issued are either distribution shares or capitalisation shares.

The sub-funds KBC INSTITUTIONAL INTEREST FUND CASH EURO and KBC INSTITUTIONAL INTEREST FUND CASH UPPER GRADE EURO issue two categories of shares which are "institutional shares" and "corporate shares". These sub-categories are distinguished by the minimum amount of share capital which should be held by the investor.

General Investment Climate

1st April 2022 - 30th September 2022

General overview

Economic context

It was already clear in 2021 that the strong economic recovery that followed the Covid crisis had come to an end. In the United States ("US"), especially, the pace of expansion slowed down from the very high levels seen at the start of 2021. The first months of 2022 were already marked by rising inflation, a consequence of the dislocations generated by the Covid crisis. The situation worsened dramatically after the invasion of Ukraine by Russian forces on 24th February. Prices of energy and industrial commodities went through the roof, adding to the inflation problem.

Over the past six months, consumer confidence has fallen due to the increased cost of living. Faced with ever-higher prices, households adjusted their spending patterns accordingly. This immediately created unease among companies, leading to a negative impact on producer confidence. As a result, the outlook for economic growth was revised downwards. Fears of recession emerged in both Europe and the United States. The situation in China continued to deteriorate during the reporting period due to the zero-Covid policy and ongoing problems in the real estate sector. The Chinese government is trying to turn the tide using old remedies such as infrastructure projects.

Central banks initially swept the inflation problem under the carpet as a "temporary" issue, but were soon forced to acknowledge that the problem was more entrenched and that a tighter monetary policy was required. A combination of financial tightening and purchasing power erosion due to skyrocketing inflation led to a continued downward revision of growth forecasts over the reporting period.

Monetary policy

The robust economic recovery and the spike in energy prices due to the war in Ukraine pushed up inflation further and made clear that the very accommodative monetary policy introduced during the Covid crisis could not be sustained indefinitely.

After first raising interest rates by 25 basis points ("bps") in March 2022, the US Federal Reserve ("Fed") followed up with three more rate hikes in the past six months. Rates were raised by 50 bps in May and 75 bps in June. Fed chairman Jerome Powell announced to central bankers at the Economic Symposium in Jackson Hole in August that he would do everything in his power to curb inflation.

When the inflation figure published in September (for August) was worse than expected, he immediately put his money where his mouth was and raised interest rates again by 75 bps.

The European Central Bank ("ECB") initially tried to play for time, referring to the temporary nature of the surge in inflation in the euro area. However, this did not last long and the ECB soon announced that the bond purchase programme would be discontinued in June. The first rate hike, of 50 bps, was implemented in July 2022. This was followed by a second hike of 75 bps in early September 2022 as inflation continued to rise in Europe.

Currency markets

Differing expectations on monetary policy caused the euro to lose more ground during the reporting period. Overall, the euro lost 11.31% against the USD, while the Swiss franc strengthened by 6.26%. The euro appreciated by 5.3% against the Japanese yen, and gained 4.8% against sterling.

Stock markets

Stock markets dipped sharply in February 2022 following Russia's invasion of Ukraine, but rallied in the second half of March. In April, the stock markets stagnated for quite a while, but were hit again between mid-April and mid-May by inflation and uncertainty about the growth outlook. June brought no improvement. The further rise in inflation fuelled fears of a sharp rise in interest rates. Inflation figures released in the US in early July were better than expected, triggering a bear market rally. Financial markets assumed that the Fed might take a break from rate hikes, a so-called Fed pivot. Between mid-July and mid-August 2022, the MSCI World All Countries Index gained 10%. Subsequently, recessionary fears increased again due to higher inflation in early September and long-term interest rates rose, causing stock markets to take another step back. From mid-August to the end of September 2022, the World Index fell 12.63%. Over the past six months, it has fallen by 10.7%.

Among traditional markets, US stocks have fallen half a percent less than the World Index over the past six months. Thanks to the stronger dollar, this decline was limited for European investors and a small gain was even recorded. Corporate earnings were strong in the second quarter, boosting stock markets. Higher long-term interest rates weighed on the heavyweights of the US stock market, which are largely found in the media and technology sectors.

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Financial climate (continued)

The euro area, which has been hit harder by the war in Ukraine and fears of interest rate hikes due to high inflation, lost 12.7% during the reporting period. The situation in Ukraine has a big impact because of the dependence of several European countries on energy supplies (gas and oil) from Russia. The gas tap being turned off in certain countries has led to persistently high energy prices. United Kingdom ("UK") equities fell 9.3%. Japan was also affected by the decline, shedding 10.5% despite the strong vaccination campaign and improving economic data.

2022 was a challenging year for shares from emerging markets (countries or regions that are expected to experience rapid economic growth to make up their lag with the West. Chinese shares lost more ground in the past six months, falling by 9%. The combination of a slowdown in growth in the third quarter of the previous year, regulatory uncertainty at large media and technology companies, and the problems at real estate giant Evergrande prompted investors to be cautious. Despite supportive measures by the Chinese government, including reducing banks' reserves and increasing lending, the Chinese stock market lost ground again in the first half of the year. The Indian stock market recovered after a dip, gaining 4.4% over the past six months. Latin America shed 8.1% due to the fall in commodity prices; Brazil fell 6.8%. The Russian stock market was hit by the conflict with Ukraine. The market was closed and then reopened only for local traders. Turkey has gained 17.6% over the last six months. The major financial crisis that has affected the country in the recent past is gradually being absorbed.

Cyclical companies have had a tough time. Successive waves of coronavirus, China's flagging economy and fears of recession have all thrown a spanner in the works. Materials had a weak third quarter, losing 15.9% over six months. Commodity prices fell, especially in June. The picture was the same for Industrials, which have fallen by 10.6% over the past six months, despite the recovery in defence industry companies. The fall in output caused by lower consumer demand and steadily rising inflation are weighing on sentiment. The Transportation sector, which originally benefited from higher transportation costs, slumped further, falling 14.2%, reflecting the sharp fall in transportation costs in recent months, with further decreases likely going forward.

The Energy sector benefited from higher energy prices, rising 5.9% over the past six months, albeit a smaller increase than in the first months of 2022. This weaker performance was prompted by the fall in oil and gas prices.

Financials lost 10.1% despite the further rise in interest rates. The sector surged ahead in the first weeks of 2022, but has lost ground in recent months on rising fears of weakening economic growth with lower demand for credit.

Consumer Discretionary sectors suffered from waning consumer confidence, falling 11.9%. The retail sector, which did well during the pandemic, fell by 10.7%. It was mainly consumer durables that performed weakly over the past six months, falling 17.1%. The luxury sector is being hit by weaker demand from China. Car makers are suffering from falling demand due to the economic uncertainty, and fell 13.9% during the reporting period. Consumer-focused services (tourism, restaurants) mainly made gains after the lifting of lockdowns. Although the initial explosion of travel and restaurant bookings has now subsided, putting pressure on this sub-sector, too. The consumer-focused services sector recorded the smallest decline, losing 6.6%.

Consumer Staples, which are typically defensive sectors, shed only 0.6%. Food companies held their ground, gaining 2.3% since the beginning of the year. Retail and household products fell by 6.9% and 1.3%, respectively, over the past six months. Utilities, another defensive sector, also did less badly in the uncertain times, falling 3% over the past six months. Renewable energy companies did particularly well. Health Care, another defensive sector, recorded only a small decline of 2.1%.

Technology has lost 17.5% in the last six months due to rising interest rates. The best-performing subsector here was Hardware, though this still lost 12.3%. Semiconductors (computer chips) fell more sharply, losing 28.3% and making this the worst-performing subsector. The software sector also lost 15.1%, due primarily to climbing interest rates, which has caused a correction in prices of the more expensive software names since the beginning of 2022. Communication Services consists of the Telecom subsector (defensive), and the Media and Entertainment subsector (more focused on IT). Telecom fell 7.8% over the past six months while Media slumped by 23.7%, due mainly to the waning interest in video games following the lifting of lockdowns and constrained advertising budgets.

Bond markets

Since the end of August 2021, bond yields in the US and the euro area have been on a bumpy but sharply upward trajectory. Overall, US and German ten-year yields increased by more than 2% over the reporting period. Inflation has risen sharply, due in part to mounting commodity prices. Price rises in the US accelerated from 5% to more than 8% year-on-year, and climbed even more sharply in the euro area, from 2% to 9%. This left the central banks with no other choice but to adjust their monetary policy more quickly; this prompted investors to sell bonds, which explains the increase in yields.

The adjustment by central banks had been under way for some time, with the first major step being taken by the Fed in March 2022. The key rate was raised for the first time since 2015, and has since been raised substantially several times, lifting it to 2.5%. It is clear that more steps will follow. The ECB continues to support the economy and financial markets by pursuing a very loose monetary policy.

Financial climate (continued)

However, the bond purchase programme was discontinued at the end of June 2022 and a first interest rate hike of 0.5% followed on 21st July. This put an end to the negative key rate policy era and there is no doubt that additional steps towards even higher levels will follow here too.

As a result of nervousness and fears of a recession, investors have become more cautious towards riskier assets and have been selling corporate bonds. As a result, credit premiums have risen sharply over the past year. At the same time, this fear of a recession has led to sharp fluctuations in interest rate markets. German ten-year yields, for instance, fell by almost 1% shortly after the start of summer 2022, but by the end of August that decline had been erased. Within the euro area, the spread in government bond yields between Germany and peripheral countries such as Italy has also widened sharply. In July, however, a new ECB instrument was introduced to stop any further widening of the spread.

All this has been reflected in extremely disappointing performances for bond investors over the past 12 months. Returns on euro-denominated government bonds with a term to maturity of between one and five years came to -5%, while they hit -15% for a diversified basket of maturities, the same as the returns on corporate bonds.

Outlook

Economic context

The war between Russia and Ukraine continues to destabilise the global economy. Oil prices rose to 120 USD per barrel, but fell back again to 88 USD by the end of September 2022. Analysts are working on the assumption of an oil price of 95 USD for full-year 2022. Food prices also reached record highs as millions of tonnes of grain remained stuck in the port of Odessa. The situation changed in early August, and the first ships left Ukraine. The Food and Agriculture Organization of the United Nations ("FAO") index of food prices fell from 157 in June to 136 at the end of September. Deteriorating climatic conditions and high fertiliser prices make it unlikely that food prices will fall further in the near term.

High commodity prices have exacerbated the inflationary shock initially caused by problems in supply chains, strong fiscal stimulus measures and the rapid reopening of economies after the Covid pandemic. General inflation continues to defy gravity all over the world. In September, inflation was running at 10% year-on-year in the euro area and 8.2% year-on-year in the US. In both economies, inflation is moreover becoming broader-based and more entrenched. Core inflation in September stood at 4.8% in the euro area and 6.6% in the US. We accordingly expect average inflation in the euro area and the US to reach 8.2% and 8%, respectively, over 2022 as a whole, falling to 5.3% and 3.1% in 2023.

Higher and more persistent inflation, coupled with tighter monetary policy, are hitting growth expectations. Inflation erodes savings and reduces purchasing power since real wage growth remains negative, and there are negative wealth effects. Meanwhile, higher real interest rates and greater uncertainty are driving up savings volumes, while discouraging investment and consumption. Consequently, we expect lower growth dynamics (well below potential) in most advanced economies in the second half of 2022 and in 2023. In the euro area, where the economy is particularly vulnerable to rising energy prices, we are projecting growth of 3.0% in 2022 and 0% in 2023. In the US, where the central bank's tightening of the monetary reins began earlier and the fiscal stimulus measures are being phased out, we are expecting growth of 1.7% in 2022, falling to 0.6% in 2023.

In China, the economic damage caused by the government's Covid measures is becoming increasingly clear. Low retail sales combined with weak business and consumer confidence do not bode well for growth this year. We expect growth to be just 3.0% in 2022, though it is likely to pick up again in 2023, to 5.2%. The potential for new lockdowns and the vulnerability of the real estate sector remain downside risks.

Monetary policy

The combination of mounting inflationary pressures and the squeeze on the labour market is increasing the pressure on central banks to normalise monetary policy. The ECB will continue to raise interest rates, with key rates likely to reach around 3.25% by 2023. In the US, too, the Fed will not take its foot off the pedal anytime soon. US interest rates are expected to peak around 4.625%.

Currency markets

The developments in Ukraine and the increasing interest rate spreads have strengthened the USD. The USD is expected to weaken against the euro over time driven by the growing twin deficit, i.e. a current account deficit and a budget deficit, and the resultant borrowing requirements.

Financial markets

A hard landing for the economy has become more likely:

- High energy and food prices are weighing on consumer confidence and although inflation seems to be peaking, it is still very high, and it remains unclear how quickly and to what extent it can come back down. Historically low unemployment is driving up wage growth in the US, meaning that the rate of inflation is unlikely to return to a level deemed acceptable by the Fed any time soon. The central bank in Europe is also discontinuing its bond purchase programme and will raise its key rate in the not too distant future.

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Financial climate (continued)

- Further interest rate hikes are in the pipeline, and the potential impact on the cost of financing home loans and instalment loans has households worried.
- It has recently become increasingly clear that things are starting to look a little more shaky for businesses who were still coasting on the overflowing order books and re-openings following the pandemic.
- The ultimate extent of the Fed's efforts to fight inflation remains a matter of conjecture. Is slowing down growth enough or are other steps necessary? It is clear that we are now much more likely to experience a hard landing, where interest rate policies slow down the economy to such an extent that it causes a downturn.

Stock markets continue to be wracked by economic uncertainty:

- A soft landing for the economy usually involves a stock market correction of 10-20%, and this has already taken place. A more serious economic downturn would usually entail an additional drop of 10-20% and this remains the risk.
- Nothing is certain but we are taking precautions. We are investing in shares at slightly under the long-term average, closely tracking the latest developments and supplementing the stock component somewhat with sectors that are less affected by economic turbulence (such as health care, and producers of food, beverages and household products).

Bond markets remain gripped by rising interest rates:

- Interest rates have climbed sharply in recent months and have now exceeded pre-pandemic levels. Further interest rate hikes are still on the cards, especially now that the US central bank has started a cycle of interest rate hikes, taking big steps right out of the gate. The ECB is following at a distance but the direction of interest rates seems clear. As a result, we remain invested below the benchmark level for bonds.
- Nevertheless, we are still giving considerable weighting to bonds in the portfolio and we recently built this up a little further. Increased interest rates have helped build up a larger interest buffer, which partly protects yields from interest rates climbing further, and furthermore, if the economic situation continues to deteriorate, there will undoubtedly be a flight to the 'safe haven' of government bonds.

The cash position in euros enables us to respond to opportunities as they arise.

Stock markets

The Russian invasion of Ukraine caused a spike in energy prices, adversely affecting investor and consumer confidence. We have recently increased our position in the euro area to neutral and gone slightly underweight in the US. We also remain slightly overweight in UK equities, which have become fairly cheap after performing poorly for several years.

The significant uncertainty for investors in China prompted us to somewhat reduce the weighting of Asian emerging markets in the summer months of last year. Our main reasons for doing this was the new regulation for Chinese technology companies, weak Chinese economic growth and real estate issues (Evergrande). The higher recommendation for China was due to the central bank's decision to support the economy, and infrastructure works are in the pipeline. The easing of lockdowns may bring about improvement. Lastly, the regulation for Chinese technology companies is being eased. Chinese equities are therefore now slightly overweight. We are neutral on the Pacific region, which consists mainly of Japanese stocks. The weak Japanese yen has caused the value of the Japanese stock market to fall further, with few prospects for improvement any time soon.

At sector level, we have also become somewhat more cautious, especially in Europe. Overall, we are approaching the end of the current economic cycle, which implies a slowdown in economic growth and an increased risk of economic recession in the medium term. Higher inflation figures and interest rate hikes are also causing some shifts in the portfolio, with considerable differences at sector level, too.

We are cautious towards the consumer discretionary sectors, as high inflation is forcing consumers to dig deeper into their pockets. We therefore reduced consumer services to a neutral weighting. The consumer discretionary sector also includes e-commerce companies that have lost some of their appeal after their robust growth of the past two years, and traditional retailers that are coming under pressure from higher inflation and somewhat waning consumer confidence in the US. We have further reduced the proportion of retailers because of the potential negative impact, especially in Europe, of the crisis situation in Ukraine. We have reduced the automotive subsegment following the strong rally and fears of a fall in consumer confidence. We remain underweight for the US automotive industry, which is strongly dominated by Tesla. We are recommending an underweight position for the Consumer Discretionary sector.

We have now also moved to an underweight recommendation for Industrials. Demand for capital goods declined as companies postponed investments due to falling demand and the economic uncertainty. The Transportation subsector is under pressure due to falling transportation prices and expectations of a further decline. The weighting of the Materials sector (mining and chemicals) was increased slightly in January. The Chinese government is clearly looking to boost the economy, which is a key driver of this sector. However, we are maintaining our cautiously neutral position for materials, as high energy prices continue to weigh on the sector.

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Financial climate (continued)

For most of the reporting period we were strongly overweight in the Energy sector, but reduced our position to overweight in response to the fall in energy prices.

Media companies are well positioned to benefit in difficult as well as recovering economic environments, including through increased advertising revenues. We did however reduce the overweighting of Internet shares at the end of last year. We are maintaining a somewhat neutral stance on traditional technology companies. The easing of the supply chain problems put pressure on the semiconductor sector. We continued to reduce our holdings the semiconductor sector due to the lower growth outlook in the short term. In the Technology sector, we raised software companies to a slightly overweight position. We remain neutral on Hardware.

The outlook for financial stocks, such as banks and insurers, is still quite positive in the US and Europe. The Fed has meanwhile raised interest rates in the US, which is good news for the sector. The ECB also indicated that it would raise its key rate in July, which led to a slight rise in long-term interest rates in the euro area, too. Because of the war in Ukraine, we have however slightly reduced the strong overweighting of financial stocks, and are now positioned neutrally.

In the defensive sectors, we are overweight in Health Care. This is a defensive sector, which is able to post solid corporate earnings and for which the risk of regulation has decreased. Moreover, companies in this sector have pricing power. We have increased our position in Consumer Staples to overweight. Businesses such as food & beverage producers and household and personal products are benefiting from the uncertainty in the market. We remain underweight in Utilities and Real Estate.

Bond markets

The economic environment is weakening and the risk of recession has increased. In addition to numerous uncertainties, for example relating to China and the war in Ukraine, higher commodity prices and general inflation are weighing particularly heavily on consumers' purchasing power. Bonds are seen as a safe haven. Positions are built up whenever fears of recession increase, which causes yields to fall. However, central banks are being forced to raise key rates more quickly and more sharply due to price increases in many countries, which have been exceeding targets for some time now. This argues in favour of higher bond yields. The situation is complex and it is unclear whether investors will pay more attention to the economic slowdown or high inflation. Against this backdrop, we still expect to see major fluctuations in bond yields, although German ten-year yields are expected to peak (temporarily) in the near future.

The first priority of the Fed is to combat sky-high inflation. Although the key rate has already been raised to what is considered a neutral level, a further major shift towards restrictive monetary policy has been announced in order to steer inflation back towards 2%. A clear sustainable downward inflation trend is needed before the Fed considers an adjustment, and the ECB is in the same boat. Interest rate hikes will also continue for some time to come. While investors are taking note of the central banks' outlook, a recession in the euro area this winter might shed new light on the situation.

We remain invested below the benchmark level for bonds. We continue to prefer government bonds, which are seen as a safe haven and can bring stability to the portfolio whenever fears of recession increase. In addition, maturities were extended slightly following the sharp rise in interest rates in 2022 and a possible spike in long-term interest rates. On the other hand, we will see an increase in corporate bankruptcies due to the weaker economic environment, leading us to be cautious towards corporate bonds and also to avoid other higher-risk bond themes.

Luxembourg, 18th October 2022

The Board of Directors of the SICAV

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

KBC INSTITUTIONAL INTEREST FUND

Combined statement of net assets (in EUR)

as at 30th September 2022

Assets

Investments

Securities portfolio at market value	140,204,326.17
Term deposits at market value	20,327,389.63
	<hr/>
	160,531,715.80

Cash and cash equivalents

Cash at banks	4,160,326.51
	<hr/>
	4,160,326.51

Receivables

Receivable on sales of securities	28,973,001.98
Receivable on term deposits	6,040,000.00
Income receivable on portfolio	26,106.38
Interest receivable on term deposits	16.85
	<hr/>
	35,039,125.21

Total assets

199,731,167.52

Liabilities

Payables

Payable on purchases of securities	6,949,744.76
Payable on redemptions of shares	30,520,848.99
Payable on term deposits	3,840,000.00
Interest payable on term deposits	7,144.17
Expenses payable and other payables	30,335.46
	<hr/>
	41,348,073.38

Borrowings

Bank overdrafts and borrowings	3,450,817.94
	<hr/>
	3,450,817.94

Total liabilities

44,798,891.32

Total net assets at the end of the period

154,932,276.20

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

KBC INSTITUTIONAL INTEREST FUND CASH EURO

Investment policy and outlook

from 1st April 2022 to 30th September 2022

During the reporting period the main focus in the markets was divided between inflation scare on the one hand and recession fear on the other hand; with fluctuating emphasis on one of the two. Inflation readings in both the US and Europe continued to surprise to the upside, which mainly lead to higher yields in the government bond market and equity market sell-off because of the central banks getting ever more hawkish. They have declared war against the inflation beast and so far they have not hesitated to employ the big means. The Fed delivered jumbo hike after jumbo hike, but also the ECB delivered on two hikes (50 bps and 75 bps, in that order), bringing the policy rate above 0 for the first time since the negative interest rate 'experiment'. When the market focused on recession pricing, also equity markets were selling off, but that resulted in somewhat lower yields. However, these yield 'rallies' were usually short lived and the momentum is still for higher yields.

The performance of the sub-fund is compared with the 3-month euribor rate. The 3-month euribor started the reporting period at -0.461% and started increasing as from then, reflecting the rate hike expectations. The 3 -onth Euribor ended at +1.173% at the end of September 2022.

The European money market yield curve was relatively flat at the beginning of the reporting period, but steepened massively, due to hikes that got priced in. The difference between the 1-month euribor and the 12-month euribor increased from 46 to around 188 bps. The duration of the portfolio oscillated in the interval 60 to 100 days. The sub-fund invested an important part in issuers with A-2 rating.

The duration of the portfolio was, especially in the last months of the reporting period, relatively short, but got increased towards the end of September, as the market was pricing additional hikes by the end of the year of almost 1.5%. This policy will be maintained during the next months.

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

KBC INSTITUTIONAL INTEREST FUND CASH EURO

Statement of net assets (in EUR)

as at 30th September 2022

Assets

Investments

Securities portfolio at market value	105,647,375.85
Term deposits at market value	14,982,044.78
	<hr/>
	120,629,420.63

Cash and cash equivalents

Cash at banks	4,150,333.46
	<hr/>
	4,150,333.46

Receivables

Receivable on sales of securities	27,473,001.98
Receivable on term deposits	4,000,000.00
Income receivable on portfolio	19,130.35
	<hr/>
	31,492,132.33

Total assets

156,271,886.42

Liabilities

Payables

Payable on purchases of securities	5,450,311.21
Payable on redemptions of shares	30,271,781.14
Interest payable on term deposits	7,144.17
Expenses payable and other payables	27,459.13
	<hr/>
	35,756,695.65

Borrowings

Bank overdrafts and borrowings	3,450,817.94
	<hr/>
	3,450,817.94

Total liabilities

39,207,513.59

Total net assets at the end of the period

117,064,372.83

Number of capitalisation "corporate shares" outstanding	17,732.8218
Net asset value per capitalisation "corporate share"	4,803.35
Number of distribution "corporate shares" outstanding	6,682.0000
Net asset value per distribution "corporate share"	4,328.41
Number of capitalisation "institutional shares" outstanding	629.6012
Net asset value per capitalisation "institutional share"	4,709.35

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

KBC INSTITUTIONAL INTEREST FUND CASH EURO

Statistical information (in EUR)

as at 30th September 2022

Total net assets	
- as at 30.09.2022	117,064,372.83
- as at 31.03.2022	423,767,068.26
- as at 31.03.2021	778,271,489.49
Number of capitalisation "corporate shares"	
- outstanding at the beginning of the period	20,744.7447
- issued	1,909.4892
- redeemed	-4,921.4121
- outstanding at the end of the period	17,732.8218
Net asset value per capitalisation "corporate share"	
- as at 30.09.2022	4,803.35
- as at 31.03.2022	4,814.44
- as at 31.03.2021	4,843.60
Number of distribution "corporate shares"	
- outstanding at the beginning of the period	73,898.0000
- issued	362.0000
- redeemed	-67,578.0000
- outstanding at the end of the period	6,682.0000
Net asset value per distribution "corporate share"	
- as at 30.09.2022	4,328.41
- as at 31.03.2022	4,338.22
- as at 31.03.2021	4,364.44
Number of capitalisation "institutional shares"	
- outstanding at the beginning of the period	700.6012
- issued	-
- redeemed	-71.0000
- outstanding at the end of the period	629.6012
Net asset value per capitalisation "institutional share"	
- as at 30.09.2022	4,709.35
- as at 31.03.2022	4,720.22
- as at 31.03.2021	4,751.53

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

KBC INSTITUTIONAL INTEREST FUND CASH EURO

Statement of investments and other net assets (in EUR) as at 30th September 2022

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<u>Investments in securities</u>					
<u>Transferable securities admitted to an official stock exchange listing or traded on another regulated market</u>					
Bonds					
EUR	4,000,000	Commerzbank AG 24.11.23	4,061,160.00	4,031,720.00	3.45
EUR	4,500,000	Volkswagen Leasing GmbH 16.11.22	4,511,835.00	4,498,785.00	3.84
EUR	5,500,000	Volvo Treasury AB 31.05.24	5,539,050.00	5,524,832.50	4.72
EUR	5,500,000	Woori Bank 22.05.23	5,483,367.12	5,427,156.30	4.64
Total bonds			19,595,412.12	19,482,493.80	16.65
<u>Money market instruments</u>					
Money market instruments					
EUR	3,000,000	Agricultural Bank of China 0.55% 15.12.22	2,996,706.24	2,993,099.13	2.56
EUR	5,000,000	Bank of China Ltd 0.45% 14.11.22	4,997,468.87	4,994,596.50	4.27
EUR	4,500,000	Befimmo SA -0.12% 31.10.22	4,500,408.59	4,496,926.01	3.84
EUR	4,000,000	China Development Bank 1.99% 04.04.23	3,960,375.34	3,960,370.20	3.38
EUR	5,500,000	Cofinimmo SA 0.43% 04.01.23	5,493,969.32	5,480,286.57	4.68
EUR	5,000,000	Continental AG -0.02% 26.10.22	5,000,061.14	4,996,807.45	4.27
EUR	3,000,000	Fluxys Finance -0.22% 01.03.23	3,002,694.34	2,978,635.95	2.54
EUR	5,000,000	Industrial & Commercial Bank 1.49% 30.01.23	4,975,705.25	4,975,737.85	4.25
EUR	5,500,000	Kookmin Bank Co Ltd 0.10% 30.11.22	5,499,129.71	5,490,269.07	4.69
EUR	5,500,000	National Grid Plc 0.47% 09.11.22	5,497,390.61	5,494,426.03	4.69
EUR	4,000,000	Nextensa SA 0.66% 15.12.22	3,994,713.94	3,986,693.04	3.41
EUR	1,500,000	Nextensa SA 1.98% 31.01.23	1,490,263.15	1,490,305.23	1.27
EUR	2,000,000	Operateur 0.34% 31.10.22	1,999,493.42	1,998,698.22	1.71
EUR	2,500,000	Operateur 0.58% 12.10.22	2,499,677.40	2,499,292.45	2.13
EUR	5,500,000	Qatar National Bank 0.40% 26.04.23	5,487,583.41	5,432,057.18	4.64
EUR	5,500,000	Société Publique de Gestion de L'Eau -0.11% 09.11.22	5,500,583.37	5,495,058.75	4.69
EUR	5,000,000	Société Wallonne de Logement 0.60% 14.10.22	4,999,172.65	4,998,344.45	4.27
EUR	5,500,000	UCB SA 0.09% 05.10.22	5,499,985.65	5,499,298.42	4.70
EUR	4,000,000	UCB SA 0.35% 06.12.22	3,997,525.68	3,991,287.08	3.41
EUR	1,000,000	Warehouse 0.95% 24.05.23	993,917.12	983,158.19	0.84
EUR	4,000,000	Warehouse 0.96% 01.06.23	3,974,620.00	3,929,534.28	3.36
Total money market instruments			86,361,445.20	86,164,882.05	73.60
Total investments in securities			105,956,857.32	105,647,375.85	90.25
<u>Term deposits</u>					
Term deposits					
EUR	8,000,000	Credit Agricole 0.15% 12.12.22	8,000,000.00	7,987,374.16	6.82
EUR	7,000,000	Credit Agricole -0.27% 02.11.22	7,000,000.00	6,994,670.62	5.98
Total term deposits			15,000,000.00	14,982,044.78	12.80
Cash at banks				4,150,333.46	3.55
Bank overdrafts and borrowings				-3,450,817.94	-2.95
Other net assets/(liabilities)				-4,264,563.32	-3.65
Total				117,064,372.83	100.00

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

KBC INSTITUTIONAL INTEREST FUND CASH UPPER GRADE EURO

Investment policy and outlook

from 1st April 2022 to 30th September 2022

During the reporting period the main focus in the markets was divided between inflation scare on the one hand and recession fear on the other hand; with fluctuating emphasis on one of the two. Inflation readings in both the US and Europe continued to surprise to the upside, which mainly lead to higher yields in the government bond market and equity market sell-off because of the central banks getting ever more hawkish. They have declared war against the inflation beast and so far they have not hesitated to employ the big means. The Fed delivered jumbo hike after jumbo hike, but also the ECB delivered on two hikes (50 bps and 75 bps, in that order), bringing the policy rate above 0 for the first time since the negative interest rate 'experiment'. When the market focused on recession pricing, also equity markets were selling off, but that resulted in somewhat lower yields. However, these yield 'rallies' were usually short lived and the momentum is still for higher yields.

This sub-fund has an official "AAAm" rating by Standard & Poor's. The portfolio allocation is determined by the rules concerning liquidity and credit risk. Eligible assets are deposits, commercial paper and floating rate notes. The performance of the fund is compared with the 1-month euribor rate. The 1-month euribor started the reporting period at -0.541% and stayed at around that level until the beginning of July where the first hike got delivered. As we also got the second hike, the 1-month Euribor ended at +0.679% at the end of September 2022.

Initially, the duration of the portfolio oscillated in the interval 45 to 60 days, which is a maximum for this sub-fund. But, getting into the hikes, the duration was brought back to well below 40. As the market was pricing additional hikes by the end of the year of almost 1.5%, the duration got increased again. All investments have a high quality: only issuers with A-1+ and A-1 short term rating by Standard & Poor's are allowed. This policy will not be changed during the next months.

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

KBC INSTITUTIONAL INTEREST FUND CASH UPPER GRADE EURO

Statement of net assets (in EUR)

as at 30th September 2022

Assets

Investments

Securities portfolio at market value	34,556,950.32
Term deposits at market value	5,345,344.85
	<hr/>
	39,902,295.17

Cash and cash equivalents

Cash at banks	9,993.05
	<hr/>
	9,993.05

Receivables

Receivable on sales of securities	1,500,000.00
Receivable on term deposits	2,040,000.00
Income receivable on portfolio	6,976.03
Interest receivable on term deposits	16.85
	<hr/>
	3,546,992.88

Total assets

43,459,281.10

Liabilities

Payables

Payable on purchases of securities	1,499,433.55
Payable on redemptions of shares	249,067.85
Payable on term deposits	3,840,000.00
Expenses payable and other payables	2,876.33
	<hr/>
	5,591,377.73

Total liabilities

5,591,377.73

Total net assets at the end of the period

37,867,903.37

Number of capitalisation "corporate shares" outstanding	9,239.0004
Net asset value per capitalisation "corporate share"	2,970.86
Number of distribution "corporate shares" outstanding	1,525.0000
Net asset value per distribution "corporate share"	2,664.27
Number of capitalisation "institutional shares" outstanding	1,831.9900
Net asset value per capitalisation "institutional share"	2,930.32
Number of distribution "institutional shares" outstanding	374.0005
Net asset value per distribution "institutional share"	2,643.78

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

KBC INSTITUTIONAL INTEREST FUND CASH UPPER GRADE EURO

Statistical information (in EUR)

as at 30th September 2022

Total net assets	
- as at 30.09.2022	37,867,903.37
- as at 31.03.2022	38,206,591.51
- as at 31.03.2021	131,801,197.69
Number of capitalisation "corporate shares"	
- outstanding at the beginning of the period	9,239.0004
- issued	-
- redeemed	-
- outstanding at the end of the period	9,239.0004
Net asset value per capitalisation "corporate share"	
- as at 30.09.2022	2,970.86
- as at 31.03.2022	2,977.62
- as at 31.03.2021	2,996.55
Number of distribution "corporate shares"	
- outstanding at the beginning of the period	1,525.0000
- issued	-
- redeemed	-
- outstanding at the end of the period	1,525.0000
Net asset value per distribution "corporate share"	
- as at 30.09.2022	2,664.27
- as at 31.03.2022	2,670.33
- as at 31.03.2021	2,687.32
Number of capitalisation "institutional shares"	
- outstanding at the beginning of the period	1,917.9900
- issued	-
- redeemed	-86.0000
- outstanding at the end of the period	1,831.9900
Net asset value per capitalisation "institutional share"	
- as at 30.09.2022	2,930.32
- as at 31.03.2022	2,936.99
- as at 31.03.2021	2,955.80
Number of distribution "institutional shares"	
- outstanding at the beginning of the period	374.0005
- issued	-
- redeemed	-
- outstanding at the end of the period	374.0005
Net asset value per distribution "institutional share"	
- as at 30.09.2022	2,643.78
- as at 31.03.2022	2,649.79
- as at 31.03.2021	2,666.76

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

KBC INSTITUTIONAL INTEREST FUND CASH UPPER GRADE EURO

Statement of investments and other net assets (in EUR)

as at 30th September 2022

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<u>Investments in securities</u>					
<u>Transferable securities admitted to an official stock exchange listing or traded on another regulated market</u>					
Bonds					
EUR	1,000,000	Bank of China Luxembourg SA 0.13% 16.01.23	999,000.00	993,795.00	2.62
EUR	1,200,000	China Development Bank 0.63% 12.12.22	1,205,400.00	1,198,929.00	3.17
Total bonds			2,204,400.00	2,192,724.00	5.79
<u>Money market instruments</u>					
Money market instruments					
EUR	1,500,000	Agricultural Bank of China 1.22% 29.11.22	1,497,159.21	1,497,210.14	3.95
EUR	1,500,000	AXA Banque 0.52% 12.10.22	1,499,826.76	1,499,565.81	3.96
EUR	1,500,000	BMW Finance 0.32% 25.10.22	1,499,720.18	1,499,249.69	3.96
EUR	500,000	Brussels Municipal 0.75% 05.10.22	499,989.59	499,948.52	1.32
EUR	1,300,000	Brussels Municipal 0.79% 21.10.22	1,299,515.33	1,299,434.42	3.43
EUR	1,500,000	DNB Bank ASA 1.32% 25.01.23	1,493,813.37	1,493,725.37	3.94
EUR	1,600,000	Industrial & Commercial Bank 0.55% 15.11.22	1,598,974.57	1,598,189.28	4.22
EUR	1,500,000	Industrial 0.93% 08.12.22	1,497,486.29	1,497,440.09	3.95
EUR	1,500,000	Jyske Bank 0.61% 13.10.22	1,499,773.25	1,499,580.02	3.96
EUR	1,000,000	Kering Finance 1.10% 23.12.22	997,562.32	997,559.06	2.63
EUR	1,000,000	Kookmin Bank Co, Ltd 0.10% 30.11.22	999,841.83	998,230.74	2.64
EUR	1,000,000	Korea Development Bank 0.63% 05.10.22	999,982.51	999,912.42	2.64
EUR	1,500,000	MUFG Bank, Ltd 0.27% 27.10.22	1,499,741.37	1,499,238.77	3.96
EUR	1,500,000	Nordea Bank Abp 0.27% 04.11.22	1,499,651.41	1,498,971.27	3.96
EUR	1,500,000	Paccar Financial Plc 0.74% 05.10.22	1,499,969.19	1,499,815.55	3.96
EUR	1,500,000	Qatar National Bank 0.47% 18.11.22	1,499,119.81	1,498,123.11	3.96
EUR	1,500,000	Région Auvergne-Rhône-Alpes 0.68% 20.10.22	1,499,546.83	1,499,438.45	3.96
EUR	1,000,000	Région de Bruxelles-Capitale 0.35% 15.11.22	999,591.97	999,000.36	2.64
EUR	1,500,000	Région Hauts-de-France 0.70% 20.10.22	1,499,533.61	1,499,432.21	3.96
EUR	1,500,000	Shinhan Bank 0.52% 25.11.22	1,498,874.79	1,497,926.52	3.96
EUR	1,500,000	Société Wallonne de Logement -0.16% 16.11.22	1,500,288.74	1,498,402.97	3.96
EUR	1,500,000	Toronto-Dominion Bank Anleihe 1.15% 06.01.23	1,495,510.30	1,495,556.16	3.95
EUR	1,500,000	Ville de Paris 0.58% 10.10.22	1,499,855.07	1,499,654.87	3.96
EUR	1,000,000	Woori Bank 0.01% 23.11.22	999,986.25	998,620.52	2.64
Total money market instruments			32,375,314.55	32,364,226.32	85.47
Total investments in securities			34,579,714.55	34,556,950.32	91.26
<u>Term deposits</u>					
Term deposits					
EUR	1,500,000	Bred Banque Populaire -0.13% 04.10.22	1,500,000.00	1,500,000.00	3.96
EUR	1,500,000	Bred Banque Populaire 1.33% 04.01.23	1,500,000.00	1,500,600.03	3.97
EUR	1,500,000	Credit Agricole 0.25% 19.10.22	1,500,000.00	1,499,744.73	3.96
EUR	545,000	KBC Bank SA 0.67% 03.10.22	545,000.00	545,000.00	1.44
EUR	300,000	KBC Bank SA 0.67% 04.10.22	300,000.00	300,000.09	0.79
Total term deposits			5,345,000.00	5,345,344.85	14.12
Cash at banks				9,993.05	0.03
Other net assets/(liabilities)				-2,044,384.85	-5.41
Total				37,867,903.37	100.00

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

KBC INSTITUTIONAL INTEREST FUND

Notes to the financial statements

as at 30th September 2022

Note 1 - Significant accounting policies

a) Presentation of the financial statements

The financial statements of the SICAV are established in accordance with the legal and regulatory requirements in force and with generally accepted accounting principles in Luxembourg concerning Undertakings for Collective Investment.

b) Valuation of assets

- 1) The value of cash in hand, bills and demand notes payable and accounts receivable, prepaid expenses, received dividends and interest declared or accrued but not yet received is formed by the nominal value of such assets, unless it appears unlikely that the full value can be received at maturity, in which case the value will be determined by making such deduction as the Board of Directors of the SICAV considers appropriate to reflect the fair value thereof.
- 2) Term deposits are valued at the net present value of the future cash flows using the interest rate applicable to their residual maturity. The difference between the net present value as calculated and their book value plus accrued interests is recorded in the caption Term Deposits at market value in the statement of net assets.
- 3) The money market instruments with an average residual term to maturity of less than one year will be valued conservatively by using mark-to-model. The model accurately estimates the intrinsic value of the instrument based on all of the appropriate key factors. More specifically, the model includes interest rate risk and credit risk (constant spreads) for commercial paper and interest rate risk for term deposits.
- 4) The value of all transferable securities and money market instruments traded or listed on a stock exchange or on another regulated market is determined on the basis of the last available price unless this price is not representative.
- 5) 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 money market instruments traded or listed on a stock exchange or other regulated market where the price determined according to the stipulations of the above indent is not representative of the fair value of such transferable securities and money market instruments, will be determined on the basis of the foreseeable sale price, as estimated by the Board of Directors of the SICAV prudently and in good faith.
- 6) If, as a result of special circumstances or features, the valuation based on the rules set out above proves to be impracticable or inaccurate, other generally accepted, verifiable valuation criteria are applied to obtain a fair value. These criteria shall be determined prudently and in good faith by the Board of Directors of the SICAV based on information or other market data. In these circumstances, the valuation of these assets is established on the basis of mathematical or financial models or other alternative methods of valuation to reflect in the financial statements their fair value at valuation date.

c) Acquisition cost of securities in the portfolio

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

d) Realised gain/(loss) on sales of securities portfolio

The realised gain or loss on sales of securities portfolio is calculated on the basis of the average acquisition cost.

e) Investment portfolio income

Interest income accrued and payable are recorded, net of any withholding tax. Due to negative coupon rates the interest earned may be less than zero.

f) Formation expenses

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

g) Conversion of foreign currencies

Cash at banks, other net assets and liabilities, and the market value of the securities in portfolio expressed in currencies other than the reference currency of the sub-fund are converted into this currency at the exchange rates prevailing on the closing date.

KBC INSTITUTIONAL INTEREST FUND

Notes to the financial statements

as at 30th September 2022

Note 1 - Significant accounting policies (continued)

h) Combined financial statements

The combined financial statements of the SICAV are expressed in EUR and are equal to the sum of the corresponding captions in the financial statements of each sub-fund.

Note 2 - Cash at banks

All cash at banks balances as at 30th September 2022 are held with Brown Brothers Harriman (Luxembourg) S.C.A. (the Depository Bank) or on overnight deposit directly with sub-custodians, that have short-term credit rating above investment grade.

Note 3 - Portfolio management fee

Until 31st March 2022, in respect with the agreement which entered into force on 1st May 2006, the KBC Asset Management S.A. was designated by the SICAV to act as its external Alternative Investment Fund Manager under Chapter II of the amended Law of 12th July 2013. Under the terms of the contract that took effect on 1st April 2022, KBC Asset Management S.A. has transferred its registered office from Luxembourg to Belgium and has changed its name into IVESAM N.V. (limited liability company) to which authorisation is granted by the Belgian regulator FSMA in accordance with the the AIFM Law.

The SICAV has appointed IVESAM N.V. as Management Company in accordance with the AIFM Law on the basis of an agreement entered into force on 1st April 2022 to act as its AIFM.

The Management Company/AIFM, IVESAM N.V., receives for its services concerning portfolio management an annual management fee payable monthly on the average net asset value of each sub-fund during the relevant month. The effective and maximum annual rates as at 30th September 2022 are as follows:

Sub-fund	Sub-categories	Effective Fee	Maximum Fee
KBC INSTITUTIONAL INTEREST FUND CASH EURO	institutional shares	0.10%	0.50%
	corporate shares	0.10%	0.20%
KBC INSTITUTIONAL INTEREST FUND CASH UPPER GRADE EURO	institutional shares	0.10%	0.30%
	corporate shares	0.10%	0.20%

Note 4 - Subscription, redemption and conversion fees

The shares are issued at a price corresponding to the net asset value per share, plus a subscription fee up to 8% payable by the subscriber in favour of the financial intermediaries.

For the period ended 30th September 2022, there is no entry fee for the "institutional shares" and "corporate shares" sub-categories of the sub-funds.

No fee is applied in case of conversion or redemption of shares during the period ended 30th September 2022.

Note 5 - Fixed Service Fee and Depository Fee

Until 31st March 2022, apart from the portfolio management fee, each share class, unless otherwise stated in the description of the relevant sub-fund, was charged a Fixed Service Fee to cover the administration, the depository and other on-going operating and administrative expenses, as it was indicated for each share class in the latest prospectus. The Fixed Service Fee was paid to the Management Company/AIFM, KBC Asset Management S.A. The Fixed Service Fee was charged at the level of the share class of each sub-fund. The Fixed Service Fee was determined on each calculation of the net asset value and was paid on a monthly basis.

KBC INSTITUTIONAL INTEREST FUND

Notes to the financial statements

as at 30th September 2022

Note 5 - Fixed Service Fee and Depositary Fee (continued)

This Fixed Service Fee was fixed to the extent that the Management Company/AIFM would bear any real expense above the aforementioned fee invoiced to the share class. Furthermore, the Management Company/AIFM could 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.

With effect as of 1st April 2022, the Fixed Service Fee has been replaced by:

- a maximum fund administration fee paid to IVESAM N.V.;
- a maximum depositary fee paid to Brown Brothers Harriman (Luxembourg) S.C.A. as Depositary Bank;
- a maximum research fee, if applicable; and
- an estimate of other costs which were included in the Fixed Service Fee but not included in the above-mentioned fees.

Note 6 - Fund Administration Fee

In remuneration for the fund administration services it provides, the designated Management Company/AIFM, IVESAM N.V., receives a Fund Administration fee of which the maximum level charged to a sub-fund is indicated for each share class in the latest prospectus.

The Fund Administration fee shall also cover costs and expenses related to services rendered by service providers other than the management company to which the Management Company/AIFM has delegated one or more fund administration related tasks.

The effective and maximum annual rates as at 30th September 2022 are as follows:

Sub-fund	Sub-categories	Effective Fee	Maximum Fee
KBC INSTITUTIONAL INTEREST FUND CASH EURO	institutional shares	0.02%	0.02%
	corporate shares	0.02%	0.02%
KBC INSTITUTIONAL INTEREST FUND CASH UPPER GRADE EURO	institutional shares	0.02%	0.02%
	corporate shares	0.02%	0.02%

Note 7 - Depositary and Custody Fees

Apart from the Portfolio management fee and the Fund Administration fee charged by the Management Company/AIFM, each sub-fund, is charged a Depositary and Custody fees to cover the depositary and custody fees charged by the Depositary Brown Brothers Harriman (Luxembourg) S.C.A., as it is indicated for each share class in the latest prospectus.

The effective and maximum annual rates as at 30th September 2022 are as follows:

Sub-fund	Sub-categories	Effective Fee	Maximum Fee
KBC INSTITUTIONAL INTEREST FUND CASH EURO	institutional shares	0.02%	0.02%
	corporate shares	0.02%	0.02%
KBC INSTITUTIONAL INTEREST FUND CASH UPPER GRADE EURO	institutional shares	0.02%	0.02%
	corporate shares	0.02%	0.02%

KBC INSTITUTIONAL INTEREST FUND

Notes to the financial statements

as at 30th September 2022

Note 8 - Research Fee

Apart from the Portfolio management fee, the Fund Administration fee and the Depositary and Custody fees, the designated Management Company/AIFM, IVESAM N.V., receives a Research fee of which the maximum level charged to a sub-fund is indicated for each share class in the latest prospectus. The Research fee compensates for the use of research on bonds and debt securities which the sub-fund is invested in.

The effective and maximum annual rates as at 30th September 2022 are as follows:

Sub-fund	Sub-categories	Effective Fee	Maximum Fee
KBC INSTITUTIONAL INTEREST FUND CASH EURO	institutional shares	0.003%	0.005%
	corporate shares	0.003%	0.005%
KBC INSTITUTIONAL INTEREST FUND CASH UPPER GRADE EURO	institutional shares	0.003%	0.005%
	corporate shares	0.003%	0.005%

Note 9 - Other expenses

Apart from the Portfolio management fee, the Fund Administration fee, the Research fee and the Depositary and Custody fees, the sub-fund is charged with a number of other expenses of which an estimate is indicated in the latest prospectus for each share class. The estimated rate of other expenses is determined based on the net asset value of each sub-fund. The estimation includes but is not limited to the expenses such as costs of providing information to Shareholders, advertising and marketing expenses, regulators fees, statutory auditor's fees, paying agent and other professional and legal services.

For all sub-funds, the estimated annual rates of other expenses as at 30th September 2022 amounts to 0.06% of the net asset value.

Note 10 - Subscription tax ("*Taxe d'abonnement*")

The SICAV is governed by Luxembourg law.

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

Pursuant to Article 175 (a) of the 2010 Law, the net assets invested in investment funds already subject to the "*taxe d'abonnement*" are exempt from this tax.

This tax amounts to 0.01% per annum of the net assets for sub-funds investing in liquid assets and money market instruments with an average remaining term to maturity not exceeding 12 months at any time, except for the KBC INSTITUTIONAL INTEREST FUND CASH UPPER GRADE EURO sub-fund which since 1 January 2004 has no longer paid the subscription tax in view of its investment policy.

Note 11 - Statement of changes in investments

A list of changes in the portfolios for the period ended 30th September 2022 is available free of charge at the registered office of the Management Company/AIFM of the SICAV.

Notes to the financial statements

as at 30th September 2022

Note 12 - Events

With effect as of 1st April 2022, KBC Asset Management S.A. ("KBC AM S.A."), the AIF Manager of the SICAV, has transferred its registered office from Luxembourg to Belgium and has changed its name into IVESAM N.V. (limited liability company) to which authorisation has been granted by the Belgian regulator FSMA in accordance with the Belgian Law of the 19th April 2014 on alternative undertakings for collective investment and their managers. In addition, the Fixed Service Fee which used to be paid to KBC AM S.A. and which covered the fund administration services, the depositary services and other ongoing operating and administrative costs, except some costs and charges explicitly mentioned in the prospectus, has been replaced, with effect as of 1st April 2022, by:

- a maximum fund administration fee paid to IVESAM N.V.;
- a maximum depositary fee paid to Brown Brothers Harriman (Luxembourg) S.C.A. as Depositary Bank;
- a maximum research fee, if applicable; and
- an estimate of other costs which were included in the Fixed Service Fee but not included in the above-mentioned fees.

Shareholders of the SICAV have been informed of these changes by a letter dated 1st April 2022.

This restructuring has no impact on the investments of retail or professional investors in the SICAV:

- KBC AM S.A. continues to manage the SICAV in the best interest of the investors on a cross-border basis from Belgium.
- Brown Brothers Harriman (Luxembourg) S.C.A. remains the delegated central administration, domiciliary agent, depositary and principal paying agent of the SICAV.

Brown Brothers Harriman & Co. ("BBH") has entered into an agreement with State Street Corporation ("State Street") under which State Street will acquire BBH's Investor Services business; which includes its custody, fund accounting and administration, transfer agency, depositary services, foreign exchange and securities lending services. The completion of the transaction is subject to customary closing conditions and regulatory approvals. BBH and State Street are committed to providing uninterrupted service and a seamless transition for our clients. During this period, there has been no change to the current control environment and no impact to the execution of control activities.

Since 24th February 2022, daily monitoring of operational processes and in particular of Russian and Ukrainian positions has been activated. In addition, the Investment Committee was convened on 25th and 28th February 2022, and the decision was made to reduce positions to the maximum extent possible.

However, regarding the funds in scope, there is no significant exposure to Russian and/or Ukrainian positions. The main risk related to the Russian-Ukrainian conflict is market and performance risks, as we observe increased volatility in global financial markets. Obviously, countries, sectors and companies more closely linked to the conflict are more heavily impacted than others.

There were no other events affecting the SICAV during the period ended 30th September 2022.

Note 9 - Subsequent events

There were no subsequent events affecting the SICAV after the period ended 30th September 2022.

KBC INSTITUTIONAL INTEREST FUND

Additional Information

as at 30th September 2022

I. Securities Financing Transaction Regulation (EU Regulation n°2015/2365)

During the period ended 30th September 2022, the SICAV did not engage in transactions which are subject to EU Regulation n°2015/2365 on the transparency of securities financing transactions and reuse. Accordingly, no global, concentration and transactions data or information on the reuse of safekeeping is required to be reported.

II. EU Sustainable Finance Disclosure Regulation (SFDR)

All sub-funds in the SICAV are categorised under Article 6 of the EU Sustainable Finance Disclosures Regulation (Regulation EU/2019/2088) ("SFDR") and their underlying investments do not take into account the EU criteria for environmentally sustainable economic activities as defined by the EU Taxonomy Regulation (Regulation EU/2020/852) ("EU Taxonomy"). Accordingly, no further information is required to be disclosed in this annual report under the SFDR or EU Taxonomy.