

Brussels, 9 November 2020

A first for Belgian KBC/CBC clients: KBC Asset Management introduces a new way of fund management

Optimum Fund Enhanced Intelligence* is a balanced dynamic fund - launched by KBC Asset Management (KBC AM)** - whose asset allocation and asset classes are determined with the help of AI-controlled models.

Objectives and investment policy

The objective of Optimum Fund Enhanced Intelligence is to achieve the highest possible return by investing directly or indirectly in various asset classes, such as shares and/or share- related investments (the 'stock component'), bonds and/or bond-related investments (the 'bond component'), money market instruments, cash and cash equivalents, and/or alternative investments (including real estate and financial instruments that are linked to price movements on the commodity market).

The target allocation is 55% for the stock component and 45% for the bond component. Deviation from the target asset allocation is possible on the basis of various mathematical models The portfolio allocation is generally a balanced mix between shares and bonds. These models use market and economic data to generate expectations or forecasts regarding the performance of financial markets and asset classes. This data is carefully selected by experts at KBC Asset Management NV. KBC Asset Management NV first decides which asset classes, regions, sectors and themes are eligible for investment. The models then apply a variety of artificial intelligence techniques to the generated expectations or forecasts to help determine on a daily basis the population or diversification of the stock component and bond component across the eligible regions, sectors and themes. Use can also be made of sentiment data to determine the content and the spread of the stock component. Examples of this can be the sentiment expressed in news articles or the quantity of publications about a particular company The influence of artificial intelligence is more limited for populating the bond component than for the stock component or for determining the allocation between asset classes (for more details, see the 'selected strategy' section in the information concerning this sub-fund in the prospectus). However, the fund manager may decide at any time not to follow the models or to follow them only partially. Human intervention is more likely in exceptional circumstances. It is possible for the fund to invest in asset classes that are not included in the target allocation. The stock component is invested in a worldwide selection of shares. The bond component is invested in a worldwide selection of bonds. The credit rating*** that the bond component must meet is set out in the prospectus (for more details, see the 'Investment details' section in the information concerning this sub-fund in the prospectus). Investments in both components may be made in any region, sector or theme. Optimum Fund Enhanced Intelligence is actively managed with reference to the following composite benchmark: MSCI All Countries Net Return Index (55%), JP Morgan EMU Government Bonds Investment

Grade 1-5 Year Total Return Index (31.5%) and iBoxx Euro Corporate Bonds Total Return Index

(13.5%). The fund does not aim to replicate the benchmarks. The composition of the benchmark is taken into account when compiling the portfolio. The composition of the portfolio will to a large extent be similar to that of the benchmark. The benchmark is also used to assess the performance of the fund. The benchmark is also used to determine the fund's risk limitation mechanism. This limits the extent to which the fund's return may deviate from the benchmark. The long-term expected tracking error for this fund is 2%. The tracking error measures the volatility of the fund's return relative to that of the benchmark. The higher the tracking error, the more the fund's return fluctuates relative to the benchmark. Market conditions may cause the actual tracking error to differ from the expected tracking error. Optimum Fund Enhanced Intelligence may make limited use of derivatives****. This means it can use derivatives to help achieve the investment objectives (for instance, to increase or decrease exposure to one or more market segments in line with the investment strategy) or to neutralise the portfolio's sensitivity to market factors (such as by hedging an exchange rate risk).

The portfolio is populated primarily through funds managed by a KBC group company based on criteria such as how transparent the investment policy of those funds is and whether or not their strategy is in line with this fund's investment strategy.

Risk and return indicator : 4

4 on a scale of 1 (lower risk and potentially lower return) to 7 (higher risk and potentially higher return). 4 reflects how sensitive the various assets in which the fund invests are to the markets. Consequently, the indicator lies between that of a typical bond fund (3) and typical equity fund (6). Moreover, an investment in this fund involves: - a moderate inflation risk: the bond component does not provide any protection against an increase in inflation; - a moderate exchange rate risk: since there are investments in securities that are denominated in currencies other than the euro, there is a real chance that the value of an investment will be affected by movements in exchange rates; - a moderate credit risk: the bond component invests primarily - but not exclusively- in bonds with an investment grade rating. Consequently, the risk that an issuer can no longer meet its obligations is higher than in an investment that consists only of bonds with an investment grade rating***. If investors are in doubt about the creditworthiness of the issuers of the bonds, the value of those bonds can fall.

Enhanced Intelligence has no maturity date and does not offer capital protection.

The fund is denominated in euros. The subscription amount is a minimum of 10 000 euros.

Fees and tax treatment

Entry fee: 2%. Exit fee: 0%. Charge to discourage exit within one month of purchase: max 5 %. Ongoing charges (estimate as the fund will be launched in December 2020): 1.71%. Anti-dilution levy: When net subscriptions and redemptions involve exceptionally large amounts, KBC Asset Management may decide to apply an additional charge to the investors concerned [those entering or exiting the fund on that day] to mitigate the negative impact on the net asset value. The size of this levy is based on the transaction charges incurred by the manager. Applied in very exceptional situations, this levy is in the interests of those investors remaining in the fund.

Tax treatment which applies to individual investors who are subject to Belgian personal income taks: - stock market tax: for capitalization shares: 1.32% on sale (max. 4 000 EUR); for distribution shares: 0%.

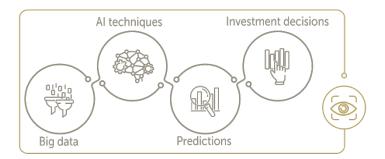
- tax treatment in Belgium: for capitalization shares: possibility of 30% withholding tax on the interest component of the capital gain on redemption. For distribution shares: 30% withholding tax on the coupon payment. Possibility of 30% withholding tax on the interest component of the capital gain on redemption (Open the asset test document on the www.kbc.be/investment-legal-documents page). The tax treatment depends on your individual circumstances and may be subject to change in the future.

KBC and Artificial Intelligence

'Artificial Intelligence has become part of our clients' everyday experience, as they firmly opt for solutions that make life easier for themselves. Lots of businesses are looking at how they can deploy AI to offer their clients

an even better, faster or more personal service. Which is exactly what we're doing at KBC Asset Management too.'

'Al enhances what human beings can achieve. Al software can process on a daily basis over 1 000 parameters, including economic indicators, market and company data, and analysis results. What's more, this larger volume of data is processed in a faster and more objective way than a human being could ever manage. The tone of a company's coverage and the responses it receives on news websites and in blogs and social media is also used. Drawing on 'sentiment data' for fund management purposes is new for KBC AM. It enables us as a fund manager to make new connections and to enrich our investment decision-making', says **KBC Asset Management's CEO Johan Lema**.



- Big data: the AI software processes over 1 000 pieces of economic and market data points on a daily basis.
- Al techniques: the software consists of over 100 Al models, including both machine learning and deep learning, that search for correlations, patterns, anomalies and so forth in this data.
- Forecasting: a forecast is then made of expected returns on equities, bonds, etc.
- Investment decisions: from here, the software compiles a specific portfolio for the client.
- Human supervision remains extremely important: our data scientists and investment experts closely monitor the functioning and decisions of the AI software.

'In exceptional circumstances such as Brexit or Covid-19, data is missing for the AI software to react immediately. That's when it's up to the flexibility and insights of the experts to intervene swiftly. They continually train and update the software by regularly feeding it with new data.', **Johan Lema** says.

KBC AM deploys Artificial Intelligence in a new step in fund management

In October 2017, KBC Asset Management tasked a multidisciplinary team with exploring the possibilities of AI-assisted investing and developing this concept further. The AI software went live in-house on 29 June 2018. KBC AM then monitored and optimised fund management with the help of AI-controlled software for over two years. This software has now reached the stage where the first AI-assisted fund in Belgium can be launched, which will enable clients to add some diversity to their investment portfolios.

"Just as Artificial Intelligence has become an almost standard component in your GPS or smartphone, we have the same ambition for investing. We are at a tipping point. The increasing computing power of software makes it possible to analyse almost real-time data. New techniques such as Artificial Intelligence then make it possible for software to take part in investment decisions," Johan Lema, CEO of KBC Asset Management, explains. "This enables us to respond to market developments faster and more efficiently. Every day that we feed our software with new data, the machine becomes more powerful."

A first for KBC/CBC clients

'We took our time before offering this innovative investment solution to our Private Banking and Wealth clients', says **Regine Debeuckelaere, General Manager of KBC Private Banking & Wealth**. 'We've worked very hard on it and are especially proud to present a first like this today for our clients. Working within our strategy, we always take every opportunity to introduce innovative solutions to our clients. And that's exactly what we're doing with this fund too.'

Please read the Key Investor Information Document and the prospectus before investing in Enhanced Intelligence. You can obtain these documents free of charge in Dutch and in English from your KBC or CBC branch. This information is governed by the laws of Belgium and is subject to the exclusive jurisdiction of its courts. You can address complaints to complaints@kbc.be, by telephone on 0800 62 084 or to ombudsman@ombudsfin.be. The financial services are provided by KBC Bank NV or CBC Banque SA. The net asset value is published at <u>www.beama.be</u>.

* Enhanced Intelligence is a sub-fund of the open-ended investment company under Belgian law Optimum Fund. KBC/CBC are promotors.

** KBC Asset Management is KBC's in-house asset manager. It manages and protects the client's assets and helps KBC play its role in society by providing the right investment solutions tailored to the client. *** A bond's rating indicates the probability of an investor actually receiving the postulated payments of interest and capital. Standard and Poor's (S&P) and Fitch express their ratings as letters on a scale from AAA to D. Moody's expresses its ratings as letters on a scale from Aaa to Ca. Under this system, a bond rated AAA (S&P and Fitch) or Aaa (Moody's) provides the highest probability that an investor will receive the postulated payments of interest and capital. Bonds with an investment grade rating have a long-term rating of BBB- (S&P and Fitch) or Baa3 (Moody's) or higher.

**** Derivative products are financial instruments, the value of which is derived from the value of another asset (the underlying asset). The value of the derivative is determined not only by the value of the underlying asset, but also by many other factors (e.g. interest-rate movements and the duration and volatility of the underlying asset). There are different types of derivative (forwards, futures, swaps, options, etc.) on different types of asset (e.g. commodities, currencies and shares). The power of derivatives lies in the leverage they offer. They can be used for speculative purposes, but also to protect a portfolio against specific market risks, such as exchange and interest-rate risks.

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