KBCAM ECO Alternative Energy Strategy

2nd Quarter 2010

KBC Asset Management

Investment Strategy

The KBCAM Eco Alternative Energy Strategy invests in an international selection of shares in companies active in the alternative energy sector. These companies are active in producing, manufacturing, providing equipment or supplying power from sources such as wind power, solar energy, hydro-power, biomass, micro-turbines and fuel cells.

Investment Thesis

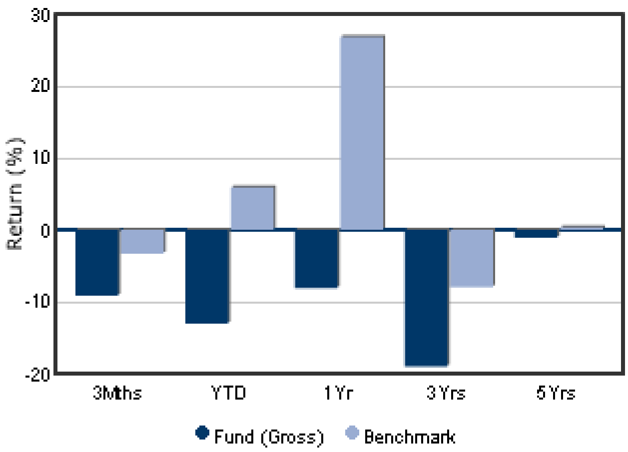
- Demand for new energy sources is growing due to soaring energy demand - global energy demand is expected to increase 50% by 2030 and supplies of fossil fuels are dwindling - oil is a depleting resource, with 54 of the largest 65 oil fields in decline.
- Renewable energy will have to become a bigger part of the energy mix - forecast to rise from 3-4% to 20-25% by 2025.
- Pace of technological development in renewable sectors is impressive, increasing competitiveness of these energy sources vs. traditional production sources.
- Government incentive and subsidies a major plank of national energy policies.
- Profitable companies generating superior returns offering compelling opportunities for investors.

Summary Details		
Strategy Inception Date	08 Nov 2000	
Benchmark	MSCI World Total Return Index	
Assets under Mgmt.	€470.6 million	
Number of Stocks	54	
Risk Characteristics		
Beta (5 Yrs)	1.36	
Information Ratio (5 Yrs)	-0.07	
Portfolio Statistics	**Fund**	**Index**
Current Dividend Yield	1.4%	2.7%
Price to Earnings	16.7x	11.9x
Price to Book	1.6x	1.5x
Avg Weighted Market Cap.	€3.3 bn	€41.7 bn

Source: KBCAM as of 30/06/10. The risk characteristics are calculated using monthly returns over a 5 year period relative to the Benchmark.

ECO Alternative Energy Strategy

Performance



	3Mths	YTD	1Yr	3Yrs	5Yrs
Fund (Gross)	-9.19	-13.08	-8.13	-19.06	-1.09
Benchmark	-3.33	5.93	26.84	-8.00	0.37

Source: KBCAM/Datastream. Returns from July 2005 to April 2008 relate to the Belgian version of the Fund which follows the same strategy as the KBCAM Institutional Fund Alternative Energy Fund. The returns from May 2008 are actual returns from the KBCAM Institutional Fund Alternative Energy Fund. Returns are gross of fees to 30/06/10. Returns for periods of more than 1 year are annualised.

Market Commentary

Global equity markets endured a turbulent quarter with the MSCI World returning -3.3% with European equities among the worst performers. Following a sharp sell off during late April, sparked by European sovereign debt concerns, developed markets continued their slide in early May. Sentiment was briefly lifted following the Euro bailout package, but risk assets continued to underperform through the latter part of May. The quarter ended on a negative note as weaker than expected jobs data from the US dented investor sentiment. The Euro remained under severe pressure, depreciating by 9.5% versus the USD in the quarter.

Portfolio Recap

In this environment, the KBCAM Eco Alternative Energy Strategy declined 9.2% in Q2. The relative underperformance is largely explained by the large European exposure, sovereign risk concerns and uncertainty regarding cuts to renewable subsidy schemes in key markets. The weakening Euro negatively impacted the bottom line of non European listed companies. Nowhere was this more apparent than in the solar sector, where almost 70% of the world's modules are sold. Meanwhile Iberian Wind companies (Iberdrola Renovable, Acciona and EDPR) underperformed over the quarter due to sovereign related credit fears and uncertainty around new tariffs. Shares of wind turbine manufacturers underperformed following renewed pessimism from the US market. However Vestas announced its largest ever order from EDPR and we believe big orders like this indicate a recovery is underway. The solar sector underperformed the broader market during the quarter despite a stronger than expected quarterly results season. Underlying demand for solar wafers and modules remains healthy with many companies now running at full capacity and we expect a robust H2 2010 as some wafer and module manufacturers revealed they are sold out.

About KBCAM

Established in 2000, KBCAM's team of environmental investment specialists focuses on the markets for cleaner and more efficient delivery of energy, water and products and services related to climate change mitigation.

The team consists of a dedicated team of portfolio managers and analysts based in Dublin; an independent sustainability research unit as well as an external Environmental Advisory Committee which provides expert advice on technology developments.

KBCAM launched its first two environmental strategies in 2000 in Alternative Energy and Water.

The thematic focus was broadened to include Climate Change (2007) and Agribusiness (2008).

The Global Environmental Solutions Strategy is the most recent addition to the product range.

Contact Details

Name: Jean Ryan
Phone: +353 1 4384720
Email: Jean.Ryan@KBCAM.com
Web: www.kbcam.com

Address: KBC Asset Management Ltd
Joshua Dawson House
Dawson Street
Dublin 2
Ireland

KBC Asset Management

Market Outlook and Strategy

The renewable energy sector received a sentiment boost following US President Obama's speech post the BP oil spill and his call to introduce energy legislation increased focus on the sector. The alternative energy sector will continue to be affected by regulatory decisions in the coming months and news on new equipment orders. We would expect volatility of companies with exposure to the Spanish market to continue until the market gets some clarification on changes to subsidies. We expect the US government to re-affirm its support for renewable energy by proposing a new energy law, inclusive of a Federal Renewable Energy Standard (RES). However, we do not expect a new Energy bill to be signed prior to 2011. We remain most favourable on the fundamentals of the Wind sector. Current valuations in our view are overly discounting a sluggish market for 2010 while not factoring in significant growth thereafter. Within Solar, we remain confident installations will record double digit growth in 2010. We remain holders of low cost upstream manufacturers such as MEMC and Wacker Chemie. We also hold low cost Chinese wafer manufacturer Renesola as we believe low-cost Chinese wafer manufacturers are in the sweet-spot of the value chain.

Portfolio Positioning

Sector Breakdown

Sector	%
Wind Power	40.8
Solar Power	31.8
Utilities	11.1
Biomass	7.5
Fuel Cells	4.8
Misc Energy	4.0

Geographical Breakdown

Region	%
Euroland	41.1
North America	24.3
Rest of Europe	18.5
Rest of World	16.1

Top 10 Holdings

Stock	Country	%
Iberdrola Renovables	Spain	8.0
Vestas Wind Systems	Denmark	5.5
MEMC Electronic Materials Inc	U.S.	5.3
EDP Renovaveis SA	Spain	4.8
Gamesa Corp Tecnologica SA	Spain	4.6
Wacker Chemie AG	Germany	4.5
Hansen Transmissions International NV	Belgium	4.3
SMA Solar Technology AG	Germany	3.7
Taewoong Company Limited	South Korea	3.2
Fortum Oyj	Finland	3.2

Source of all data: KBCAM. Data as of 30/06/10