

BANK OF COMMERCE – TRUST SERVICES DIVISION

**BANK OF COMMERCE DIVERSITY PESO BOND FUND**  
**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**

For the Quarter ended 09/30/2016

<b>FUND FACTS</b>			
<b>Classification</b>	<b>Peso Bond Fund</b>	<b>Net Asset Value per unit</b>	1.542387
<b>Launch Date</b>	March 9, 2005	<b>Total Fund NAV</b>	PHP 6,641,580.98
<b>Minimum Investment</b>	PhP 10,000.00	<b>Dealing Day</b>	11:30 AM
<b>Minimum Additional</b>	PhP 5,000.00	<b>Redemption Settlement</b>	T + 1
<b>Minimum Holding period</b>	30 days	<b>Early Redemption Fee</b>	5% on redeemed amount

<b>FEES*</b>			
<b>TRUSTEE FEE: 1.00% p.a.</b>	<b>CUSTODIAN FEE:</b>	<b>EXTERNAL AUDITOR FEE:</b>	<b>OTHER FEES:</b>
*As a percentage of daily NAV	N/A	N/A	N/A

**INVESTMENT OBJECTIVE & STRATEGY**

The Fund intends to achieve for its participants total returns consisting of current income and capital growth. The Fund aims to achieve a rate of return higher than the 5-year yield based on the Philippine Dealing System Treasury Reference Rate 2 (PDST-R2).

**CLIENT SUITABILITY**

The Bank of Commerce Diversity Peso Bond Fund is suitable only for investors who:

- Have a MODERATE risk profile
- With an investment horizon of more than five (5) years

**KEY RISKS AND RISK MANAGEMENT**

**You should not invest in this Fund if you do not understand or are not comfortable with the accompanying risks.**

**Credit Risk/Default Risk.** The possibility for an investor to experience losses due to a borrower's failure to pay principal and/or interest payments/amortizations in a timely manner on instruments such as bonds, loans, or other forms of security which the borrower issued.

**Interest Rate Risk.** The possibility that an investor may experience losses due to changes in interest rates.

**Market / Price Risk.** The possibility that an investor may experience losses due to changes in market prices of securities (e.g., bonds and equities).

**Liquidity Risk:** The possibility that an investor may experience losses due to the inability to sell or convert assets into cash immediately or in instances where conversion to cash is possible but at a loss.

**Reinvestment Risks.** The possibility that an investor may experience losses due to probable lower returns or earnings when maturing funds or the interest earnings of the Fund are reinvested.

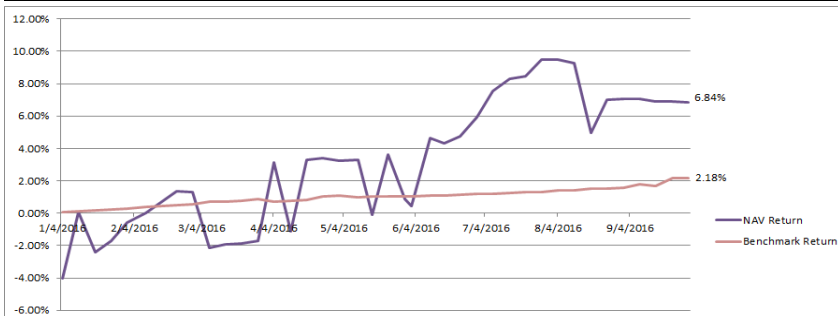
**Country Risk.** The possibility that an investor may experience losses arising from investments in securities issued by/in foreign countries due to the political, economic and social structures of such countries.

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| <ul style="list-style-type: none"><li>• <b>THE UIT FUND IS NOT A DEPOSIT AND NOT INSURED BY PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC).</b></li><li>• <b>RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENT/FLUCTUATIONS ONLY.</b></li><br/><li>• <b>WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT.</b></li><li>• <b>THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE.</b></li></ul> |
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**FUND PERFORMANCE AND STATISTICS AS OF 09/30/16**  
 (Purely for reference purposes and is not a guarantee of future results)

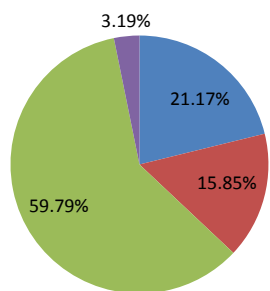
**NAVpu Graph**



**Cumulative Performance (%)**

Period	1mo	3mos	6mos	1yr	3yrs
Fund	-0.2098%	0.8549%	3.5127%	6.3998%	6.5272%
Benchmark	1.6328%	1.1579%	0.7189%	2.6192%	2.2631%

**Portfolio Composition**



**NAVpu over the past 12 months**

Highest	1.581156
Lowest	1.383682

**Statistics**

Wtd. Ave. Duration	4.80
Volatility, Past 1 Year*	5.63
Sharpe Ratio**	0.74
Information Ratio***	1.44

\*Volatility measures fluctuation in yield.

\*\*Sharpe ratio evaluates return-to-risk efficiency of the portfolio. The higher the value, the higher the reward per unit of risk.

\*\*\*Information ratio evaluates return-to-risk efficiency of the portfolio

**Top Ten Holdings (%)**

Holdings	Weight
Treasury Notes-Long Term	21.17%
Corporate Bond	15.85%
Special Deposit Account	59.79%
Liquid Cash	3.19%
<b>TOTAL</b>	<b>100.00%</b>

**OTHER DISCLOSURES**

**RELATED PARTY TRANSACTIONS**

The Fund has investments with San Miguel Brewery amounting to PHP 1,060,571.36. Such investment was approved by the Board of Directors. Likewise, all related party transactions are conducted on an arm's length basis.

**OUTLOOK AND STRATEGY**

September seems to be a challenging month in the global financial market as most investors were driven away from the emerging market brought about by the uncertainty with the US Federal Reserve's decision on the status of interest rate. The turn of event resulted to lower demand of corporate bonds and market sell-offs both in the stock market and foreign exchange.

In the local market, the Treasury bond auction did not meet the expectations since the market is in defensive mode since market asked for higher yields. During the last auction, the government awarded only P11.772 billion for the 7-YR bonds which is less than half of the expected volume with an average rate of 3.605% higher than the coupon rate of 3.5%.

For the last quarter of 2016, the government plans to borrow as much as P135 billion from the domestic market. T-bill rates are expected to increase due to higher demands for shorter term government papers.