

BANK OF COMMERCE – TRUST SERVICES DIVISION

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

For the Quarter ended **31/03/2018**

<b>FUND FACTS</b>			
<b>Classification</b>	<b>Peso Bond Fund</b>	<b>Net Asset Value per unit</b>	<b>1.521446</b>
<b>Launch Date</b>	March 9, 2005	<b>Total Fund NAV</b>	<b>PHP 5,457,928.16</b>
<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.

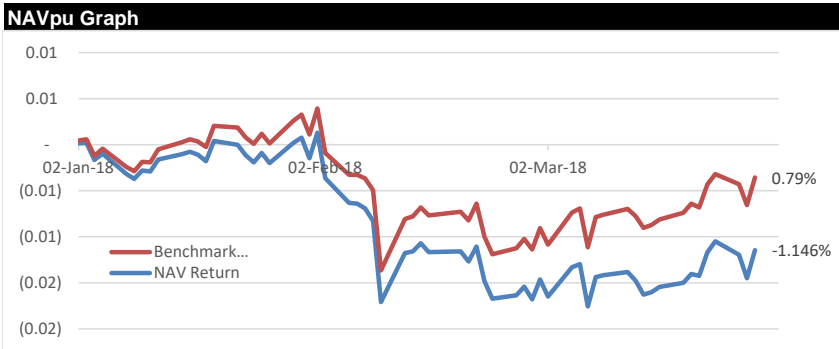
**Reinvestment Risks.** The possibility that an investor may experience losses due to probable lower returns or earnings when maturing funds or the interest earnings of the Fund are reinvested.

**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.

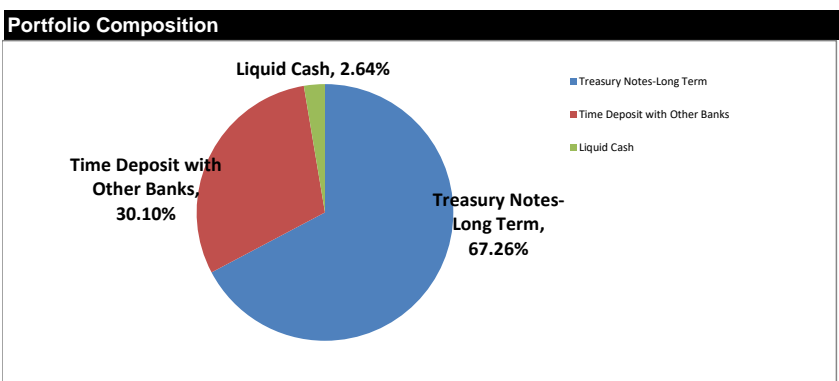
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| <ul style="list-style-type: none"><li>• <b>THE UIT FUND IS NOT A DEPOSIT AND NOT INSURED BY PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC).</b></li><li>• <b>RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENT/FLUCTUATIONS ONLY.</b></li><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 03/31/18**  
(Purely for reference purposes and is not a guarantee of future results)



Cumulative Performance (%)					
Period	1mo	3mos	6mos	1yr	3yrs
Fund	0.5437%	-1.1459%	-1.6054%	-0.6633%	6.0158%
Benchmark	3.2018%	2.7950%	2.7100%	2.4062%	1.5057%



**OTHER DISCLOSURES**

**RELATED PARTY TRANSACTIONS**

The fund has deposit with Bank proper amounting to Php149,462.54 or 2.6424% of the fund, Bank of Commerce is an approved counterparty by the Trust and Investment Committee and the Board of Directors. All related party transactions are conducted on an arm's length basis.

**OUTLOOK AND STRATEGY**

Inflation or the movement of prices of basic goods and services, continued to rise to 4.3% in March from the revised 3.8% in February, as the tax reform law jacked up the costs of food and oil in the country. The Philippine Statistics Authority only provided inflation data using the 2012 series starting January 2013. Using base year 2012, inflation in the 1st quarter averaged 3.8%, closer to the higher end of the 2% to 4% target set by the Bangko Sentral ng Pilipinas (BSP) for 2018. The PSA has rebased the inflation index to 2012 prices, from the previous series using the 2006 prices, as part of the protocol of statistical rebasing regularly done every 6 years. Higher annual rates were noted for food and non-alcoholic beverages; alcoholic beverages and tobacco; housing, water, electricity, gas, and other fuels; furnishing, household equipment, and routine maintenance of the house, among others.

The government raised P10-Bn worth of reissued three-year Treasury bonds (T-bonds) last April 3, 2018 auction as yields saw a minimal rise despite persistent concerns on domestic inflation and uncertainties in the global market. The Bureau of the Treasury made a full award of the reissued debt papers, which have a remaining life of two years and nine months. The decision came as offers reached P20.006Bn, double the amount which the government is eyeing to raise. The papers fetched a 4.632% average yield, just some five basis points higher than the 4.5838% rate at the secondary market prior to the auction. The yield on the three-year bonds was steady as trading at the secondary market closed. The Fed raised benchmark rates by another 25 basis points last month, with officials hinting that successive tightening moves are to be expected within 2018.

The fund is slowly deploying its liquid position to higher yielding medium-term instruments in anticipation of interest rate increase by the Bangko Sentral ng Pilipinas.

NAVpu over the past 12 months	
Highest	1.566244
Lowest	1.511915

Statistics	
Wtd. Ave. Duration	2.97
Volatility, Past 1 Year*	0.22%
Sharpe Ratio**	(1.46)
Information Ratio***	(2.26)

\*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	67.26%
Time Deposit with Other Banks	30.10%
Liquid Cash	2.64%
<b>TOTAL</b>	<b>100.00%</b>