

BANK OF COMMERCE – TRUST SERVICES DIVISION

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

For the Quarter ended 12/31/2018

FUND FACTS				
Classification	Peso Bond Fund	Net Asset Value per unit (NAVpu)	1.508206	
Launch Date	March 9, 2005	Total Fund NAV	PHP	5,571,093.92
Minimum Investment/Maintaining Participation	PhP 10,000.00	Dealing Day		11:30 AM
Minimum Additional	PhP 5,000.00	Redemption Settlement		T + 1
Minimum Holding period	30 days	Early Redemption Fee		5% on redeemed amount

FEES*				
TRUSTEE FEE: 1.00% p.a. *As a percentage of daily NAV	CUSTODIAN FEE: 0.00% Bureau of Treasury	EXTERNAL AUDITOR FEE: 0.00% R.G. Manabat and Co.	OTHER FEES:	0.00% 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) / **PHP BVAL Rate.

*period covered Jan - Oct 2018
** period covered Nov - Dec 2018

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.

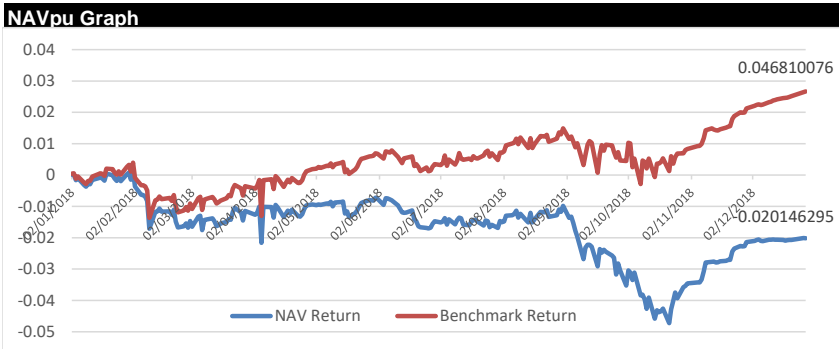
Reinvestment Risks. The possibility that an investor may experience losses due to probable lower returns or earnings when maturing funds or the interest earnings of the Fund are reinvested.

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.

- THE UIT FUND IS NOT A DEPOSIT AND NOT INSURED BY PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC).
- RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENT/FLUCTUATIONS ONLY.
- WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT.
- THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE.

For queries, contact us via email at trustmarketing@bankcom.com.ph
Tel No. 214-8800; Fax: 477-5552

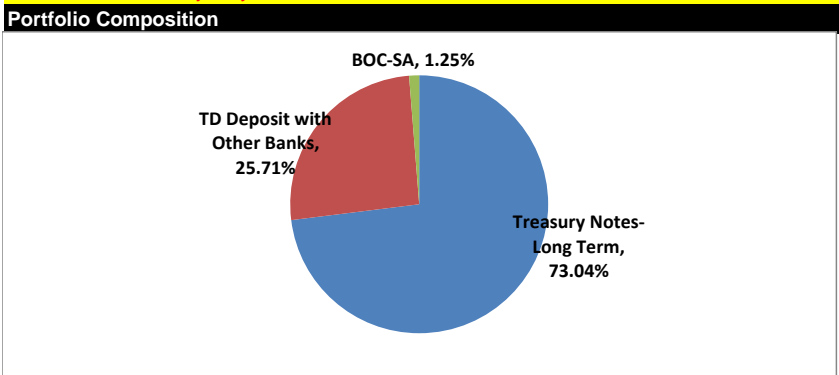
FUND PERFORMANCE AND STATISTICS AS OF 12/31/2018
(Purely for reference purposes and is not a guarantee of future results)



Cumulative Performance (%)

Period	1mo	3mos	6mos	1yr	3yrs
Fund	0.1282%	1.0656%	-0.3401%	-2.0146%	4.4415%
Benchmark	4.5803%	4.6316%	3.6441%	2.7950%	2.1400%

*Benchmark is the 5-year yield based on PDST-R2/PHP BVAL



OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The fund has deposit with Bank proper amounting to Php73,933.40 or 1.25% 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

The yield curve trended down despite the influx of fresh supply, giving a strong indication that the lower inflation outlook weighed more on market sentiment. The government has a programmed borrowing of Php1.2tn this year, 20% higher than 2018's to fund its infrastructure program, with Php360bn scheduled for the first quarter or Php30bn more monthly compared to the same period last year.

Inflation expectations this year and the next continue to trend down as fuel and food prices, particularly rice, declined from highs last September 2018. December's inflation print of 5.1% was the lowest since May and brought 2018's average to 5.2%, in line with BSP forecast for the year but beyond the 2%-4% target band. This was also lower than consensus estimate of 5.6%. Upside risks to inflation this year is still present as 2019 is an election year, but the high base from 2018 and the decline in global oil (~30% from peak in October) and rice (~12% from peak in end-September) plus the Bangko Sentral's monetary action last year (150-bp hike) should keep inflation tethered. As such, we expect the yield curve to continue to flatten. A possible reversal of the Fed's previously believed policy tightening this year could help sustain the downtrend in local bond yields.

The local benchmark yield curve fell by 9bps on average week-on-week (WoW) following the release of lower-than-expected December inflation print. The spread between the local 10-yr local benchmark and the 10-yr US Treasury (UST) stayed at 427bps as the former fell by 5bps to 6.94% while the latter likewise fell by 5bps to 2.67%. Yields of ROPs fell by 10bps on average, tracking the movement in US Treasuries which likewise shed 2bps on average.

For Fixed Income - Capital Market, analysts see 94% increase on overall potential new issuances which will be coming mainly from banks, government and corporate borrowings compared last year. Thus, the Fund may take advantage of the upcoming issuances which will give opportunity to lock-in high yields given the forecast of slow correction on interest rates in the market.

NAVpu over the past 12 months

Highest	1.540944
Lowest	1.466246

Statistics

Wtd. Ave. Duration	2.43
Volatility, Past 1 Year*	0.23%
Sharpe Ratio**	(1.56)
Information Ratio***	(2.77)

*Volatility measures the degree to which the Fund fluctuates vis-a-vis its average return over a period of time.

**Sharpe ratio is used to characterize how well the return of the Fund compensates the investor for the level of risk taken.

***Information ratio measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

Top Ten Holdings (%)

Holdings	Weight
Treasury Notes-Long Term	73.04%
Time Deposit with Other Banks	25.71%
BOC-SA	1.25%
TOTAL	100.00%