



BANK OF COMMERCE – TRUST SERVICES GROUP

**BANK OF COMMERCE DIVERSITY MONEY MARKET FUND
KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**

For the Quarter ended **March 31, 2020**

FUND FACTS

| | | | |
|--|--------------------------|---|--------------------------|
| Classification | Money Market Fund | Net Asset Value per unit (NAVpu) | 1.126859 |
| Launch Date | August 16, 2013 | Total Fund NAV | PHP 77,760,651.90 |
| 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 | 7 days | Early Redemption Fee | 5% on redeemed amount |

FEES*

| | | | |
|---|---|--|--------------------------------------|
| TRUSTEE FEE: 0.25% p.a. based on the Net Asset value (NAV) accrued daily | CUSTODIAN FEE: 1.15% of the NROSS Fee for the Quarter *Portion/Percentage of Php15,000 for the quarter Bureau of Treasury | *EXTERNAL AUDITOR FEE: 0.1632% of Total External Audit Fee of TSG KPMG Audit <small>*based 2019 External Audit Fee</small> | OTHER FEES: N/A N/A |
|---|---|--|--------------------------------------|

INVESTMENT OBJECTIVE & STRATEGY

The Fund intends to maximize income potential with steady return while preserving capital and maintaining adequate liquidity. The Fund shall be invested in a diversified portfolio of peso deposits with minimal price volatility and has a duration of less than one (1) year. These include short-term peso deposits with local banks, including the Bangko Sentral ng Pilipinas, and/or branches of foreign banks operating in the Philippines and Government Securities. The Fund is suitable for individual and institutional investors with a "Conservative" risk profile who prefers low level of risk, favors fixed return and have an investment horizon of less than one (1) year. The Fund aims to achieve a rate of return higher than the Three-month yield based on the PHP BVAL at the start of the quarter.

CLIENT SUITABILITY

The Bank of Commerce Diversity Money Market Fund is suitable only for investors who:

- Have a CONSERVATIVE risk profile
- With an investment horizon of less than one (1) year

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.

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FUND PERFORMANCE AND STATISTICS AS OF 03/31/20
(Purely for reference purposes and is not a guarantee of future results)

NAVpu Graph



NAVpu over the past 12 months

| | |
|---------|----------|
| Highest | 1.128929 |
| Lowest | 1.094002 |

Statistics

| | |
|----------------------|--------|
| Wtd. Ave. Duration | 0.23 |
| Volatility* | 0.05% |
| Sharpe Ratio** | 0.77 |
| Information Ratio*** | (2.38) |

*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.

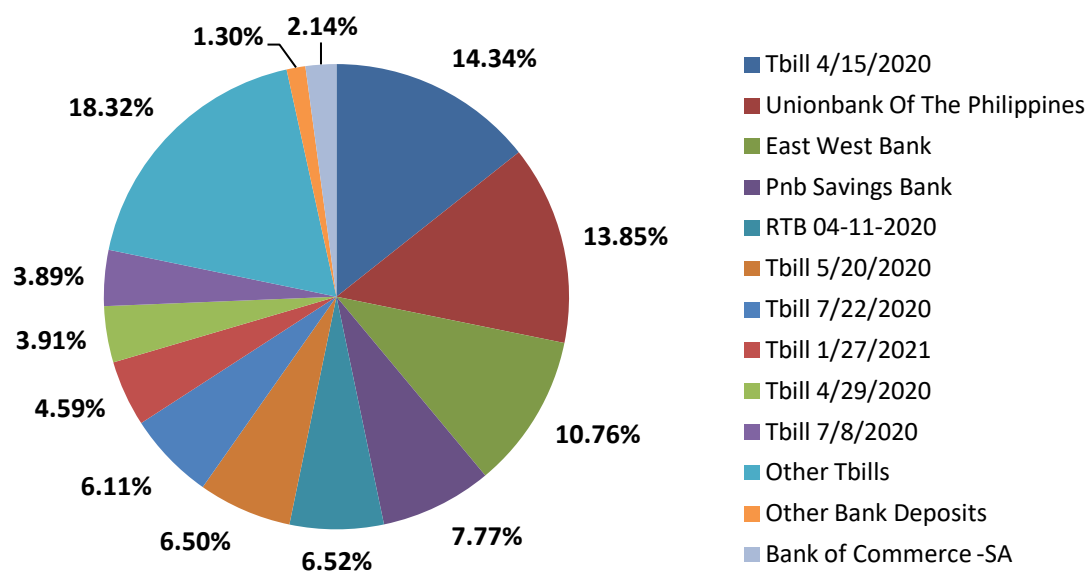
***Information ratio measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

Cumulative Performance (%)

| Period | 1mo | 3mos | 6mos | 1yr | 3yrs |
|-----------|----------|---------|---------|---------|---------|
| Fund | -0.0042% | 0.4772% | 1.0716% | 3.0399% | 7.7091% |
| Benchmark | 2.2108% | 2.3132% | 2.2316% | 4.3892% | 2.1257% |

*Benchmark is the 3-month yield based on PDST R-2 and PHP BVAL Rate

Portfolio Composition



Top Ten Holdings (%)

| Holdings | Weight |
|------------------------------|----------------|
| Tbill 4/15/2020 | 14.34% |
| Unionbank Of The Philippines | 13.85% |
| East West Bank | 10.76% |
| Pnb Savings Bank | 7.77% |
| RTB 04-11-2020 | 6.52% |
| Tbill 5/20/2020 | 6.50% |
| Tbill 7/22/2020 | 6.11% |
| Tbill 1/27/2021 | 4.59% |
| Tbill 4/29/2020 | 3.91% |
| Tbill 7/8/2020 | 3.89% |
| Other Tbills | 18.32% |
| Other Bank Deposits | 1.30% |
| Bank of Commerce -SA | 2.14% |
| TOTAL | 100.00% |

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The fund has deposit with Bank proper amounting to Php1,639,157.10 which is 2.14% of the funds. 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

Following the actions taken by the BSP, secondary trading saw a good 2-way interest last March 26. Yields on the belly to long fell by 5-10bps as bargain hunters continue to reposition. Also, Bureau of Treasury released its borrowing program and they will borrow 190Billion vs 160Billion un March, composed of P130Billion in bills and P60Billion of short-dated bonds. Last March 24, the Bureau of the Treasury rejected all tenders for the Php 30 billion fresh 7-year Treasury bonds auction yesterday. The yield of the benchmark 5-year bond went up by 65 basis points (bps) to close at 4.73%. Also, BTr rejected bids on its T-bills auction for 91, 182 and 364 day papers last March 23.

At its meeting on monetary policy last March 19, the Monetary Board decided to cut the interest rate on the BSP's overnight reverse repurchase (RRP) facility by 50 basis points (bps) to 3.25 percent, effective March 20. The interest rates on the overnight lending and deposit facilities were reduced to 3.75 percent and 2.75 percent, respectively. By reducing the policy rate, more funds will be made available for lending at a cheaper cost. This will boost consumption and investments for business, households, and individuals, helping them cushion the impact of COVID-19.

BSP Governor Diokno announced a 200 bps reduction in the RR ratio of reservable liabilities of universal and commercial banks (U/KBs) effective 30 March 2020. Potential cuts on the reserve requirements for other banks and non-bank financial institutions will also be explored. The RR cut is intended to calm the markets and to encourage banks to continue lending to both retail and corporate sectors. This will ensure sufficient domestic liquidity in support of economic activity amidst this global pandemic due to the Coronavirus Disease (COVID-19).

The following are the fund's strategy and considerations:

1. The fund's strategy is to deploy funds in various term and money market instruments without compromising its liquidity feature. The fund shall invest more in GS when Bank Deposit Rate is significantly lower.
2. The fund is positioned to be more exposed with Government Securities that are liquid and tradeable assets and has better interest rates than Bank Deposits. Also, it is poised to expose in more than 30-365 days tenor securities to lock-in good rates given the decreasing outlook in interest rates.
3. The fund will continue to invest in most competitive money market rates available among the accredited counterparties for the Bank Deposits and participate in BTR's T-bills Auction and buy in secondary market with consideration of the recent and future rate cuts and RRR cuts move of the Bangko Sentral ng Pilipinas.