



BANK OF COMMERCE – TRUST SERVICES GROUP

BANK OF COMMERCE DIVERSITY PESO BOND FUND

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

For the Quarter ended *June 30, 2020*

FUND FACTS			
Classification	Long Term Peso Bond Fund	Net Asset Value per unit (NAVpu)	1.717343
Launch Date	March 10, 2005	Total Fund NAV	PHP 3,754,592.86
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% per annum	CUSTODIAN FEE: 0.60% of the NROSS Fee for the Quarter	*EXTERNAL AUDITOR FEE: 0.0143% of Total External Audit Fee of TSG	OTHER FEES: 0.00%
*based on the Net Asset Value (NAV) accrued daily	*Portion/Percentage of Php15,000 for the quarter Bureau of Treasury	KPMG Audit	N/A
		*based 2019 External Audit Fee	

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 PHP BVAL Rate.

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.

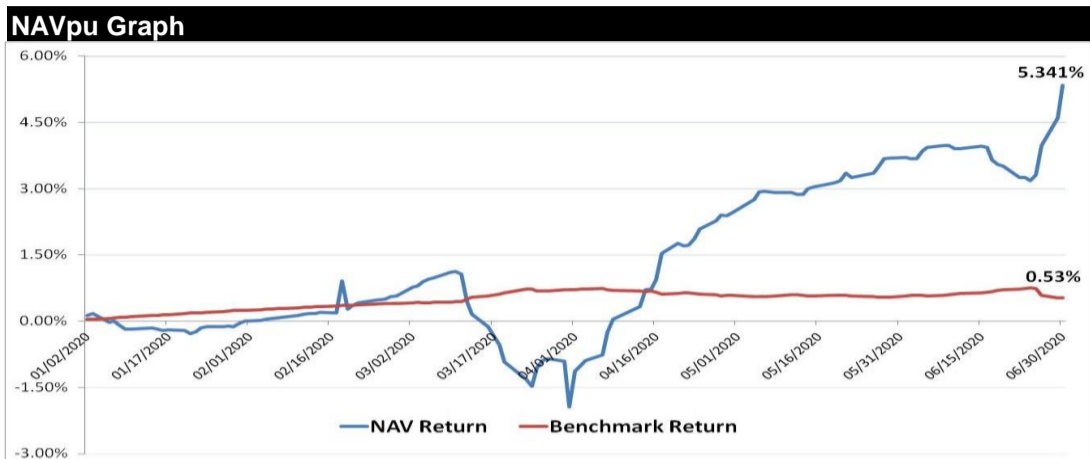
Reinvestment Risks. The possibility that an investor may experience losses due to probable lower returns or earnings when maturing funds or the interest earnings of the Fund are reinvested.

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
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FUND PERFORMANCE AND STATISTICS AS OF 06/30/20
(Purely for reference purposes and is not a guarantee of future results)



Highest	1.717343
Lowest	1.590262

Wtd. Ave. Duration	2.97
Volatility*	0.24%
Sharpe Ratio**	0.50
Information Ratio***	2.89

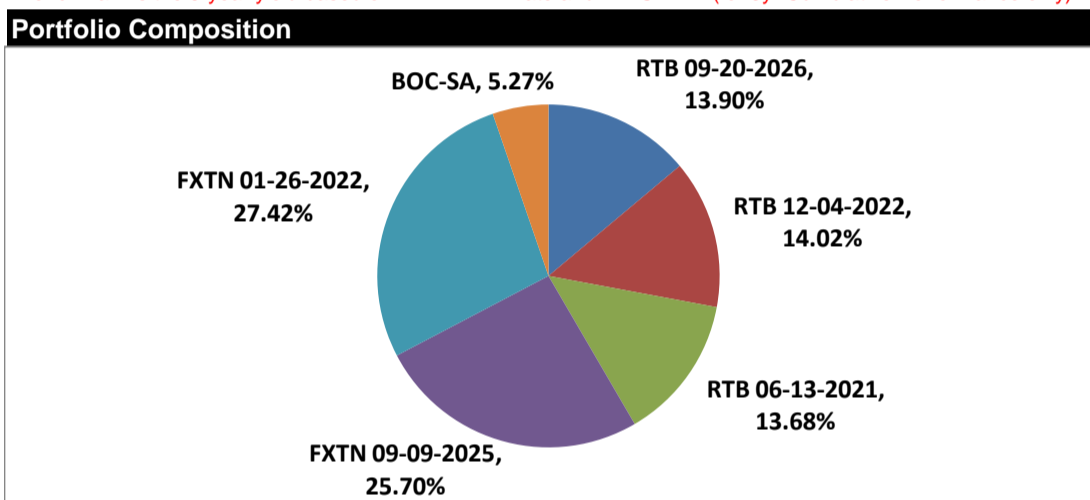
*Volatility measures the degree to which the Fund fluctuates vis-a-vis its average return over a period of time.

**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.

Period	1mo	3mos	6mos	1yr	*3yrs
Fund	1.5864%	7.4339%	5.3406%	7.9985%	11.5048%
Benchmark	1.2803%	2.6768%	2.2488%	2.9976%	2.2269%

*Benchmark is the 5-year yield based on PHP BVAL Rate and *PDST R-2 (for 3yr Cumulative Performance only)



Holdings	Weight
FXTN 01-26-2022	27.42%
FXTN 09-09-2025	25.70%
RTB 06-13-2021	13.68%
RTB 12-04-2022	14.02%
RTB 09-20-2026	13.90%
BOC-SA	5.27%
TOTAL	100.00%

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The fund has deposit with Bank proper amounting to Php196,880.09 or 5.27% 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 headline inflation continued to move at a slower rate of 2.1 percent in May 2020, from 2.2 percent in April 2020. This brings the year-to-date inflation for 2020 at 2.5 percent. In May 2019, inflation was higher at 3.2 percent. Slowdown in the headline inflation in May 2020 was mainly driven by the 5.6 percent annual drop in the transport index. Core inflation in May 2020 retained its previous month's annual rate of 2.9 percent. In May 2019, it was posted at 3.5 percent. The local bond market saw bid-offer spreads remain wide for the better part of previous day's session, as dealers look for fresh leads to dip back into the secondary market. Comments from the BSP governor threw some cold water on that idea, as the central bank sees a much better economy in 3Q while stating there is too much liquidity in the system. As such, indications for the 5-year re-issue adjusted higher following secondary market movement. Bond yields ended the day 7.5 to 15 bps higher on the back of implied rates inching up in the FX swap market, which continues to trade on a bid tone.

From Monetary Board Meeting last June 25, BSP surprises market with 50 basis points cut to spur the economy. This brings total rate cut this year to 175 basis points. The unexpected cut implies that the BSP is aggressively easing monetary policy in order to mitigate the negative economic impact of lockdown. It also implies that the central bank is comfortable with the inflation outlook.

Overnight reverse repurchase facility by 50 bp to 2.25%
Overnight deposit and lending facilities were reduced to 1.75% and 2.75% respectively.

In addition, The BSP this year has slashed reserve requirement ratio for universal and commercial banks by 200 bps to 12% in a bid to boost liquidity during the lockdown. Reserve requirement for rural and thrift banks were kept at four percent and three percent, respectively. The Monetary Board has authorized Mr. Diokno to cut RRR by up to 400 bps this year.

The following are the fund's strategy and considerations:

1. The fund's strategy considered positioning in IPO offering competitive rates for its maturing investments/liquidity.
2. For those with favorable return, the fund considers selling security holdings to realize gains and to renew with better yield to maturity and coupon rate instruments.