



**BANK OF COMMERCE – TRUST SERVICES GROUP**

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

For the Quarter ended *September 30, 2020*

**FUND FACTS**

|   |                                 |   |                         |
|---|---------------------------------|---|-------------------------|
| <b>Classification</b>                               | <b>Long Term Peso Bond Fund</b> | <b>Net Asset Value per unit (NAVpu)</b> | <b>1.703127</b>         |
| <b>Launch Date</b>                                  | March 10, 2005                  | <b>Total Fund NAV</b>                   | <b>PHP 4,722,331.77</b> |
| <b>Minimum Investment/Maintaining Participation</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   |

**FEES\***

|  |  |  |                          |
|--|--|--|--------------------------|
| <b>*TRUSTEE FEE: 1.00% per annum</b>                     | <b>CUSTODIAN FEE: 0.51% of the NROSS Fee for the Quarter</b>               | <b>*EXTERNAL AUDITOR FEE: 0.0143% of Total External Audit Fee of TSG</b> | <b>OTHER FEES: 0.00%</b> |
| <b>*based on the Net Asset Value (NAV) accrued daily</b> | <b>*Portion/Percentage of Php15,000 for the quarter Bureau of Treasury</b> | <b>KPMG Audit</b>  | <b>N/A</b>               |
|  |  | <b>*based 2019 External Audit Fee</b>                                    |                          |

**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.

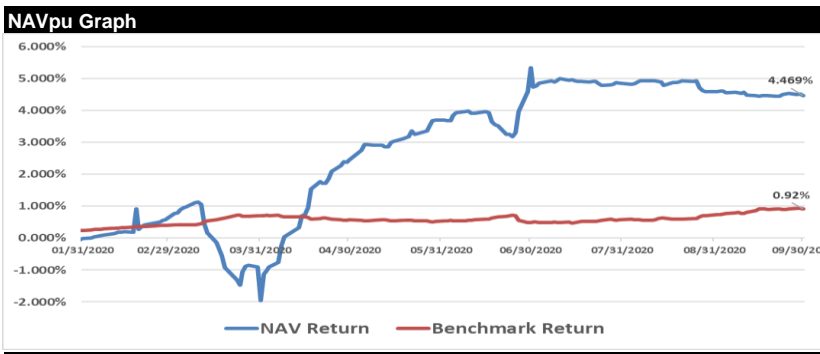
**Reinvestment Risks.** The possibility that an investor may experience losses due to probable lower returns or earnings when maturing funds or the interest earnings of the Fund are reinvested.

**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](mailto:trustmarketing@bankcom.com.ph)  
 Tel No. 7 214-8800; Fax: 477-5552

**FUND PERFORMANCE AND STATISTICS AS OF 09/30/20**  
(Purely for reference purposes and is not a guarantee of future results)



**NAVpu over the past 12 months**

|         |          |
|---------|----------|
| Highest | 1.717343 |
| Lowest  | 1.598512 |

**Statistics**

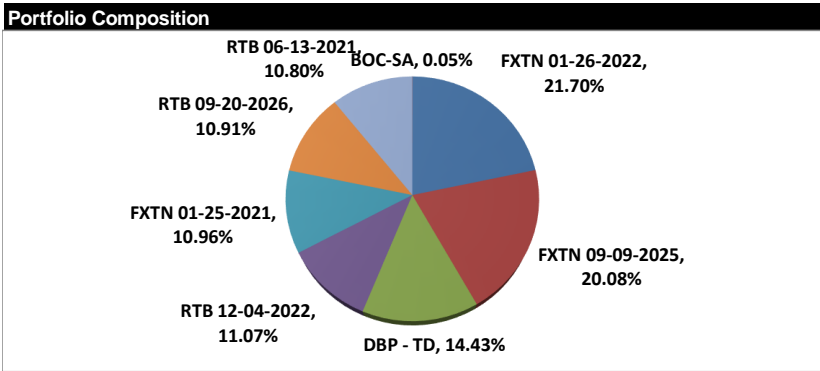
|                      |       |
|----------------------|-------|
| Wtd. Ave. Duration   | 2.08  |
| Volatility*          | 0.20% |
| Sharpe Ratio**       | 0.96  |
| Information Ratio*** | 1.72  |

\*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      | -0.1181% | -0.8278% | 6.5445% | 5.8644% | 10.1542% |
| Benchmark | 1.0367%  | 0.9514%  | 2.6768% | 2.5848% | 2.7100%  |

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



**Top Ten Holdings (%)**

| Holdings        | Weight         |
|-----------------|----------------|
| FXTN 01-26-2022 | 21.70%         |
| FXTN 09-09-2025 | 20.08%         |
| DBP - TD        | 14.43%         |
| RTB 12-04-2022  | 11.07%         |
| FXTN 01-25-2021 | 10.96%         |
| RTB 09-20-2026  | 10.91%         |
| RTB 06-13-2021  | 10.80%         |
| BOC-SA          | 0.05%          |
| <b>TOTAL</b>    | <b>100.00%</b> |

Note: Percentage (%) of holdings is based on market values.

**OTHER DISCLOSURES**

**RELATED PARTY TRANSACTIONS**

The fund has deposit with Bank proper amounting to Php2,299.38 or 0.05% 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**

Last September 22 - Tuesday, the BTR rejected all bids for its offer of reissued 10-year Treasury bonds (T-bonds) as investors sought higher yields amid expectations the central bank will keep rates steady in the near term. The Bureau of the Treasury (BTr) did not award any 10-year T-bonds even as tenders reached P44.507 billion, more than the P30 billion on the auction block. This, as the bonds fetched an average rate of 3.329%, up 60.5 basis points (bps) from the 2.724% quoted for the tenor at the Aug. 12 auction, where it made a full P30-billion award of its offer of the reissued papers. At the secondary market, the 10-year bonds fetched a rate of 3.093%. The National Treasurer Rosalia V. de Leon said investors asked for higher yields on the long tenor as the Bangko Sentral ng Pilipinas (BSP) is seen keeping benchmark rates steady. "Investors' appetite remains on [the] immediate part of [the] curve. They see policy rates will remain steady for [the] rest of [the] year," Ms. De Leon mentioned after the auction. Meanwhile, Bureau of the Treasury accepted all tenders on September 21 treasury bills auction resulting to average yield of 1.156% for 91 days, 1.615% for 182 days and 1.85% for 364 days. BSP Governor Benjamin E. Diokno said on September 21 - Monday, the central bank may maintain the low interest rate environment in the next two years to provide support to the economy amid uncertainty caused by the coronavirus disease 2019 (COVID-19) pandemic.

Meanwhile, the headline inflation in the Philippines eased to 2.4 percent in August 2020, from 2.7 percent in the previous month. This brings the year-to-date inflation for 2020 at 2.5 percent. The slowdown in inflation in August 2020 was primarily due to the deceleration in the inflation for the heavily-weighted food and non-alcoholic beverages which slid at an annual rate of 1.8 percent during the period, from 2.4 percent in the previous month. Moreover, core inflation, which excludes selected food and energy items, slowed down to 3.1 percent in August 2020, from 3.3 percent in the previous month. Core inflation in August 2019 was recorded at 2.9 percent. HSBC - the banking giant estimated an 11.1-percent fall in the gross domestic product (GDP) in July to September this year. BSP Inflation Forecast for 2020: 2.3% and 2021: 2.6%

The following are the fund's strategy and considerations:

1. The fund's strategy considered positioning in IPO offering/ Secondary Market 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.