

**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, 2021*

<b>FUND FACTS</b>			
<b>Classification</b>	Long Term Peso Bond Fund	<b>Net Asset Value per unit (NAVpu)</b>	<b>1.711944</b>
<b>Launch Date</b>	March 10, 2005	<b>Total Fund NAV</b>	<b>PHP 5,795,431.31</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

<b>FEES*</b>			
<b>*TRUSTEE FEE: 1.00% per annum</b>	<b>CUSTODIAN FEE: 0.55% of the NROSS Fee for the Quarter</b>	<b>*EXTERNAL AUDITOR FEE: 0.0137% 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 *based 2020 External Audit Fee</b>	<b>N/A</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.

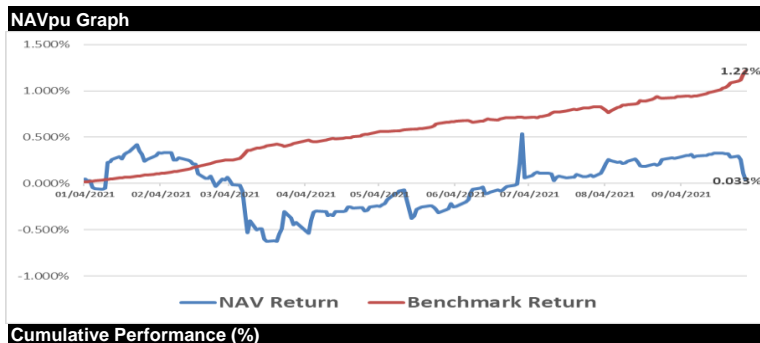
**Reinvestment Risks.** The possibility that an investor may experience losses due to probable lower returns or earnings when maturing funds or the interest earnings of the Fund are reinvested.

**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.

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| <ul style="list-style-type: none"><li>• THE UIT FUND IS NOT A DEPOSIT AND NOT INSURED BY PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC).</li><li>• RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENT/FLUCTUATIONS ONLY.</li><br/><li>• WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT.</li><li>• THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE.</li></ul> |
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**FUND PERFORMANCE AND STATISTICS AS OF 09/30/21**  
(Purely for reference purposes and is not a guarantee of future results)

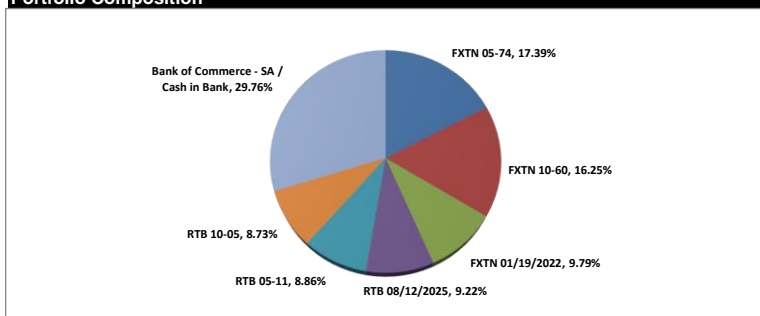


**Cumulative Performance (%)**

Period	1mo	3mos	6mos	1yr	*3yrs
Fund	-0.2435%	-0.1820%	0.4554%	0.5177%	14.7385%
Benchmark	1.3604%	1.4134%	1.7158%	1.1864%	4.6316%

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

**Portfolio Composition**



**OTHER DISCLOSURES**

**RELATED PARTY TRANSACTIONS**

The fund has deposit with Bank proper amounting to Php 1,724,971.73 or 29.76% 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 BSP decided to keep the interest rate at 2.0 percent for the overnight reverse repurchase (RRP) facility in its meeting on 12 August and 23 September 2021. Latest BSP inflation forecasts showed that average inflation is likely to settle slightly above the upper end of the target band of the Government's 2-4 percent target range in 2021 before reverting towards the midpoint of the target range in 2022 and 2023. Meanwhile, GS sold-off on Fed news which caused belly to long-end yields to adjust slightly higher by 1-2 bps from previous levels. The market has long been anticipating (and digesting) the timeline of the US Fed tapering and its implications on local interest rates and monetary policy settings, which is expected to remain accommodative. Risk appetite is also somewhat improving after some indications show that COVID-19 transmission may already be waning in the NCR, which may have caused for players to reduce some safe assets such as bonds. On the other hand, the headline inflation in the Philippines eased to 4.8 percent in September 2021, from 4.9 percent in August 2021. Year-on-year (y-o-y) headline inflation rose to an average of 4.5 percent in Q3 2021 from 4.3 percent in the previous quarter. This brought the year-to-date average inflation to 4.5 percent, higher than the National Government's (NG) target of 2-4 percent for the year.

According to BSP Deputy Gov. Francisco Dakila, BSP revised up its inflation forecast to 4.4% (from 4.1%) this year, 3.3% in 2022 and 3.2% in 2023 (both from 3.1%). In addition, BSP Gov. Diokno commented that keeping an accommodative monetary stance remains appropriate as price pressures are expected to dissipate further and "counter risk aversion among banks which continue to temper credit activity despite liquidity in the financial system."

The following are the fund's strategy and considerations:

1. The fund considered positioning in IPO/Auction offering competitive rates for its maturing investments/liquidity. The fund is experiencing impact coming from the uptrend on yields both for local and global bond market. For marketing side, push for the additional contribution to have deployments on rebalancing the return.
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.

**NAVpu over the past 12 months**

Highest	1.720619
Lowest	1.700627

**Statistics**

Wtd. Ave. Duration	2.15
Volatility*	0.07%
Sharpe Ratio**	(1.50)
Information Ratio***	(3.16)

\*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
FXTN 05-74	17.39%
FXTN 10-60	16.25%
FXTN 01/19/2022	9.79%
RTB 08/12/2025	9.22%
RTB 05-11	8.86%
RTB 10-05	8.73%
Bank of Commerce - SA / Cash in Bank	29.76%
<b>TOTAL</b>	<b>100.00%</b>

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