



BANK OF COMMERCE – TRUST SERVICES GROUP

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

For the Quarter ended *December 31, 2021*

<b>FUND FACTS</b>			
Classification	Long Term Peso Bond Fund	Net Asset Value per unit (NAVpu)	1.712186
Launch Date	March 10, 2005	Total Fund NAV	PHP 5,796,252.54
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

<b>FEES*</b>			
*TRUSTEE FEE: 1.00% per annum	CUSTODIAN FEE: 0.37% of the NROSS Fee for the Quarter	*EXTERNAL AUDITOR FEE: 0.0137% 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 *based 2020 External Audit Fee	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 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.

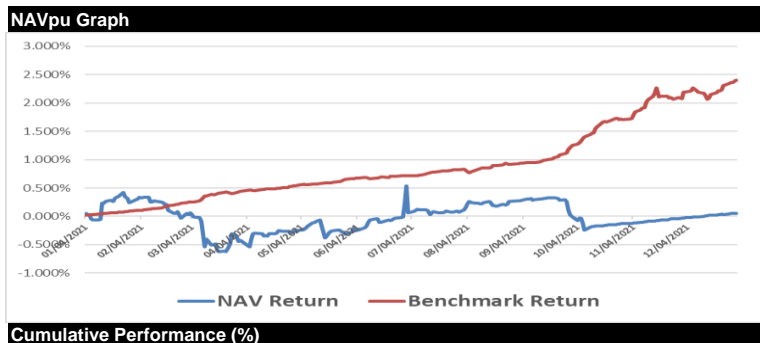
**Reinvestment Risks.** The possibility that an investor may experience losses due to probable lower returns or earnings when maturing funds or the interest earnings of the Fund are reinvested.

**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 12/31/21**  
(Purely for reference purposes and is not a guarantee of future results)

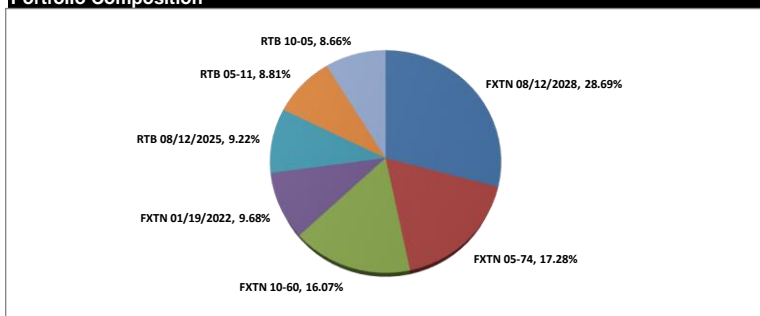


**Cumulative Performance (%)**

Period	1mo	3mos	6mos	1yr	3yrs
Fund	0.0915%	0.0142%	-0.1679%	0.0473%	13.5448%
Benchmark	2.2485%	1.5912%	1.4134%	1.0024%	4.6296%

\*Benchmark is the 5-year yield based on PHP BVAL Rate.

**Portfolio Composition**



**OTHER DISCLOSURES**

**RELATED PARTY TRANSACTIONS**

The fund has deposit with Bank proper amounting to Php 91,709.59 or 1.58% 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 December 16, 2021. The decision of the Monetary Board is based on the assessment that, while latest inflation forecasts for 2021 and 2022 are higher, the projected inflation path remains within the inflation target band of 2-4 percent over the policy horizon. Supply-side price pressures are also being actively addressed through non-monetary measures. Meanwhile, inflation expectations continue to be anchored within the inflation target band. Upon consideration of these key developments, the Monetary Board sees enough scope to keep a patient hand on the BSP's policy levers owing to a manageable inflation environment. At the same time, downside risks to the economic recovery emanate from the emergence of new COVID-19 variants as well as the potential tightening of global financial conditions. Hence, preserving ongoing monetary policy support at this juncture shall help sustain the economy's momentum over the next few quarters.

Meanwhile, headline inflation eased to 4.2 percent in November 2021 on the back of lower food inflation. Inflation for food slowed down in November, driven by slower price increases of major food items such as, meat, fish, and vegetables. This was due in part to base effects from the significant price increases for these commodities a year ago. At the same time, demand-driven inflation has remained subdued. Core inflation, which excludes selected volatile food and energy items to depict underlying demand-side price pressures, eased in November to 3.3 percent year-on-year (from 3.4 percent in the previous month). Year-to date core inflation is at 3.3 percent.

According to BSP Deputy Gov. Francisco Dakila, BSP revised up its inflation forecast to 4.4% this 2021, 3.3% in 2022 and 3.1% in 2023 . 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	3.03
Volatility*	0.06%
Sharpe Ratio**	(1.29)
Information Ratio***	(3.31)

\*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 08/12/2028	28.69%
FXTN 05-74	17.28%
FXTN 10-60	16.07%
FXTN 01/19/2022	9.68%
RTB 08/12/2025	9.22%
RTB 05-11	8.81%
RTB 10-05	8.66%
Bank of Commerce - SA / Cash in Bank	1.58%
<b>TOTAL</b>	<b>100.00%</b>

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