



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, 2022*

| FUND FACTS | | | |
|---|--------------------------|---|-------------------------|
| Classification | Long Term Peso Bond Fund | Net Asset Value per unit (NAVpu) | 1.700828 |
| Launch Date | March 10, 2005 | Total Fund NAV | PHP 4,763,492.85 |
| 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: 0.38% of the NROSS Fee for the Quarter | *EXTERNAL AUDITOR FEE: 0.0092% 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 2021 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.

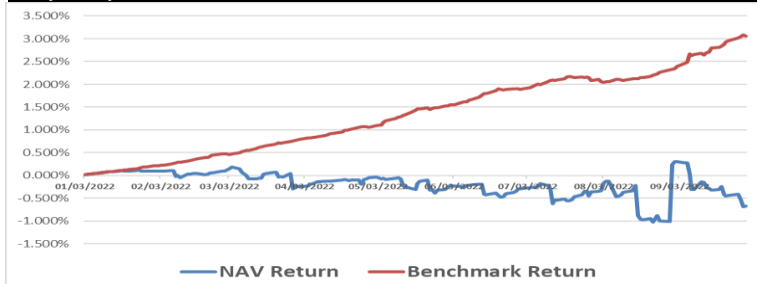
Country Risk. The possibility that an investor may experience losses arising from investments in securities issued by/in foreign countries due to the political, economic and social structures of such countries.

- 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
Tel No. 7214-8800; Fax: 477-5552

FUND PERFORMANCE AND STATISTICS AS OF 09/30/22
(Purely for reference purposes and is not a guarantee of future results)

NAV/pu Graph

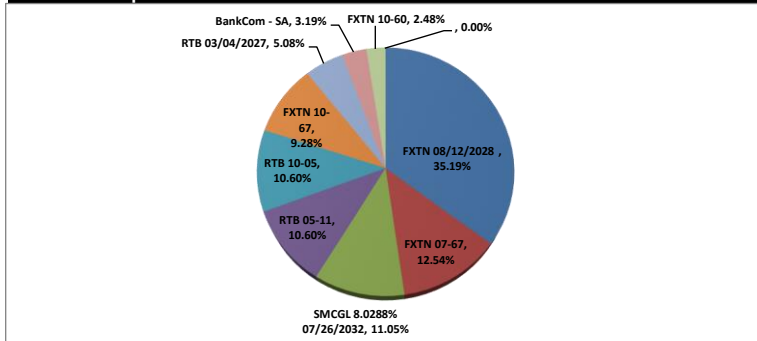


Cumulative Performance (%)

| Period | 1mo | 3mos | 6mos | 1yr | 3yrs |
|-----------|----------|----------|----------|----------|---------|
| Fund | -0.9057% | -0.3730% | -0.4291% | -0.6493% | 5.7215% |
| Benchmark | 3.4550% | 3.7520% | 3.1210% | 1.5912% | 2.5848% |

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

Portfolio Composition



NAVpu over the past 12 months

| | |
|---------|----------|
| Highest | 1.717626 |
| Lowest | 1.694799 |

Statistics

| | |
|----------------------|--------|
| Wtd. Ave. Duration | 4.73 |
| Volatility* | 0.13% |
| Sharpe Ratio** | (1.46) |
| Information Ratio*** | (3.51) |

*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 | 35.19% |
| FXTN 07-67 | 12.54% |
| SMCGL 8.0288% 07/26/2032 | 11.05% |
| RTB 05-11 | 10.60% |
| RTB 10-05 | 10.60% |
| FXTN 10-67 | 9.28% |
| RTB 03/04/2027 | 5.08% |
| BankCom - SA | 3.19% |
| FXTN 10-60 | 2.48% |
| TOTAL | 100.00% |

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

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The fund has deposit with Bank proper amounting to Php150,957.61 or 3.19% 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 Bureau of the Treasury (BTR) rejected all bids for its offer of the Treasury Bills on Monday, October 17, as investors continued to ask for a higher risk premium given the anticipated rise in interest rates in the months to come due to central banks all over the world raising their respective short-term interest rates to fight inflation. Had the government fully awarded the auction, average rates of the 3-month T-Bill would have risen to 4.820% (vs 3M BVAL of just 3.3704%), 182-day T-Bill to 5.226% (vs 6M BVAL of just 4.0154%), and 364-day T-Bill to 5.862% (vs 1Y BVAL of just 3.881%). The auction was oversubscribed by 1.1x with total tenders reaching Php 16.303 billion versus its programmed amount of Php 15.0 billion. Inflation averaged 5.1 percent between January and September and continues to exceed the BSP's two to four percent target range. The consumer price index (CPI) quickened its growth to 6.9 percent in September after easing slightly to 6.3 percent in August from 6.4 percent in July. During its meeting last Sept. 22, the BSP raised its inflation forecasts to 5.6 percent instead of 5.4 percent for this year and to 4.1 percent instead of four percent for next year. Last October 14, another quiet session for local yields as it capped off the week with still a somber trading volume, only recording Php 3.0 billion. On the short-end, most trades were seen on RTB 3-10 and FXTN 5-75. Both short-dated securities climbed 4 basis points and 38 basis points, ending the day at 4.85% and 5.05%, respectively. It was mostly unchanged on the other parts of the curve as the 5yr RTB 5-16 closed 6.405%, while the intermediate FXTN 7-68 remained at 6.935%.

Fund Strategy and Considerations

With the outlook of increasing interest rates, the Fund considers positioning in short-tenor securities to have room for rebalancing once the rate hikes materialize and yields start to normalize. The strategy considered positioning in IPO offering competitive rates for its maturing investments and available liquidity. Additional contribution will provide for deployments meant to rebalance the returns. The Fund is experiencing impact coming from the upward movement of yields both for local and global bond markets which are in line with the US FED tapering plans. Even then, the Fund performed as the most defensive among its market peers.