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, 2022***

FUND FACTS

Classification	**Long Term Peso Bond Fund**	**Net Asset Value per unit (NAVpu)**	**1.657948**
Launch Date	March 10, 2005	**Total Fund NAV**	**PHP 4,643,398.07**
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: 0.43% of the NROSS Fee for the Quarter**	***EXTERNAL AUDITOR FEE: 0.0066% 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**	**KPMG Audit**	**N/A**
	Bureau of Treasury	***based 2022 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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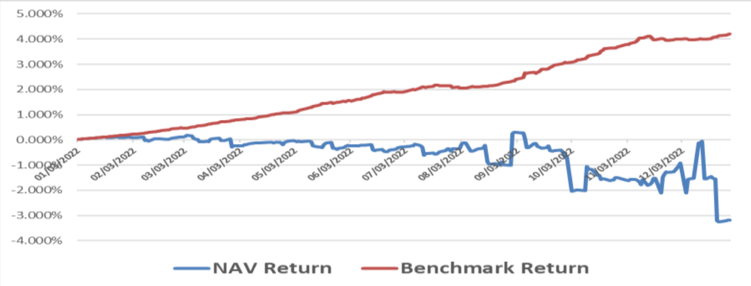
FUND PERFORMANCE AND STATISTICS AS OF *12/31/22*

(Purely for reference purposes and is not a guarantee of future results)

NAVpu Graph



NAVpu over the past 12 months

Highest	1.717626
Lowest	1.656402

Statistics

Wtd. Ave. Duration	5.19
Volatility*	0.26%
Sharpe Ratio**	(1.28)
Information Ratio***	(3.82)

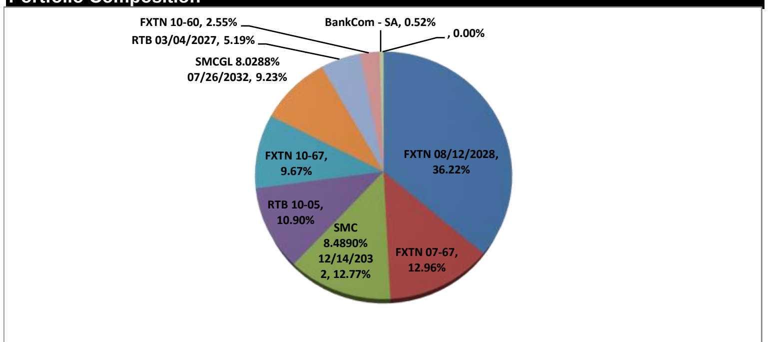
**Volatility measures the degree to which the Fund fluctuates vis-a-vis its average return over a period of time.*
***Sharpe ratio is used to characterize how well the return of the Fund compensates the investor for the level of risk taken.*
****Information ratio measures reward-to-risk efficiency of 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	-2.0092%	-2.5306%	-2.8942%	-3.1851%	1.6874%
Benchmark	4.3166%	4.0323%	3.7520%	2.3242%	2.2488%

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

Portfolio Composition



Top Ten Holdings (%)

Holdings	Weight
FXTN 08/12/2028	36.22%
FXTN 07-67	12.96%
SMC 8.4890% 12/14/2032	12.77%
RTB 10-05	10.90%
FXTN 10-67	9.67%
SMCGL 8.0288% 07/26/2032	9.23%
RTB 03/04/2027	5.19%
FXTN 10-60	2.55%
BankCom - SA	0.52%
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 Php23,925.09 or 0.52% 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 Philippine Development Budget Coordination Committee maintains its GDP growth forecast for 2022 at 6.50% to 7.50% and lowered its 2023 forecast to 6%-7% from 6.5% to 8% due to impact of weak peso and high inflation. For Year 2022, short-term PHP BVAL yields went up by 3.30-3.80 percentage points while long-term PHP BVAL yields were mostly higher by 3.80-4.50 percentage points. This largely reflects the increase in inflation for 2022 largely triggered by the Russia-Ukraine war that led to higher global crude oil and other major global commodity prices earlier in 2022 that, in turn, led to elevated inflation in many countries around the world, especially U.S. inflation/CPI that reached new 40-year highs earlier in 2022. This prompted central banks in the U.S. and in other countries to raise key short-term interest rates/tighter monetary policy to help ease elevated inflation and bring back lower to more sustainable inflation targets such as 2% for the US central bank. The Fed has already increased the Fed Fund rates by +4.25 percentage points since the start of 2022. As a result, local policy rates have already been raised by a total of +3.50 percentage points in 2022, thereby reflecting increase in local interest rate benchmarks, such as PHP BVAL yields, as well as Treasury bill and Treasury bond yields for 2022. Based on the latest Federal Reserve dot plot, Fed rates could reach 5.1% by end-2023 and 4.1% by end-2024. Thus, if Fed rates go up to around 5% levels in 2023, local policy rates could go up to around 6% levels. The expected easing of U.S. inflation amid aggressive Fed rate hikes that could increase the risk of recession in the U.S., which is the world's largest economy, could be one of the biggest catalysts for U.S./Global/Local interest rates for 2023, as this could support less aggressive future Fed rate hike/s, which could plateau especially if U.S./CPI inflation significantly eases further towards the Fed's target of 2%. Thus, local policy rates could follow or even match future Fed rate moves, higher to help stabilize the peso exchange rate and overall inflation and eventually lower/cuts if US/Global/Local inflation eased further, going forward. Short-term interest rates including Treasury bill yields would still continue to go up until the Fed is done and plateau the Fed Fund Rates in 2023 especially if U.S. inflation/CPI eased further, thereby would still lead to further local policy rate hikes that could match any future Fed rate hikes in 2023. However, long-term PHP BVAL yields and Treasury bond yields would still correct lower/ease especially if U.S./global/local interest rates ease further in the coming months of 2023 and U.S./global/local central banks raise policy rates in an effort to keep in check/better manage inflation and inflation expectations as part of their price stability/stable inflation mandate. Large amounts of local Treasury bond maturities would also help Treasury bond yields correct lower from the highest in 3-4 years, alongside the possible easing of year-on-year inflation for the coming months of 2023.

Fund Strategy and Considerations

With the outlook of continuously increasing interest rates, the Fund considers positioning in short-tenor securities to have room for rebalancing once the policy rate reached its stable level and yields start to normalize. The strategy considered positioning in IPO offering competitive rates for its maturing investments and available liquidity. With the expectation of easing longer-dated yields, the fund may consider adding duration and to take advantage of locking high-interest rates. Any additional contributions to the fund will provide liquidity for deployments meant to rebalance the returns. The Fund is experiencing an 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 defensively among its market peers. Lastly, the Fund will realize gains and trim bond exposure with SMC Group to bring it back to the prescribed level within January 2023.