



## BANK OF COMMERCE – TRUST SERVICES GROUP

### BANK OF COMMERCE DIVERSITY MONEY MARKET FUND KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

For the Quarter ended **June 30, 2023**

#### FUND FACTS

<b>Classification</b>	<b>Money Market Fund</b>	<b>Net Asset Value per unit (NAVpu)</b>	<b>1.181140</b>
<b>Launch Date</b>	August 16, 2013	<b>Total Fund NAV</b>	<b>PHP 227,212,624.47</b>
<b>Minimum Initial Investment</b>	Php 10,000.00	<b>Dealing Day</b>	11:30 AM
<b>Minimum Additional</b>	Php 1,000.00	<b>Redemption Settlement</b>	T + 1
<b>Minimum Holding period</b>	7 days	<b>Early Redemption Fee</b>	5% on redeemed amount

#### FEES\*

<b>TRUSTEE FEE: 0.25% p.a. based on the Net Asset value (NAV) accrued daily</b>	<b>CUSTODIAN FEE: 4.38% of the NROSS Fee for the Quarter</b>	<b>*EXTERNAL AUDITOR FEE: 0.3699% of Total External Audit Fee of TSG</b>	<b>OTHER FEES: N/A</b>
	<b>*Portion/Percentage of Php15,000 for the quarter</b>	<b>KPMG Audit</b>	<b>N/A</b>
	<b>Bureau of Treasury</b>	<b>*based 2022 External Audit Fee</b>	

#### INVESTMENT OBJECTIVE & STRATEGY

The Fund's primary goal is to prevent the loss of principal and generate income by investing in fixed-income securities and deposits with maximum terms to maturity of up to three (3) years and has a weighted average portfolio life of one (1) year or less. The Fund is suitable for individual and institutional investors with a "Conservative" risk profile who prefers a low level of risk, favor fixed return and have an investment horizon of less than one (1) year. The Fund aims to achieve a rate of return higher than the three-month yield based on the PHP BVAL at the start of the quarter.

The Fund may avail itself of financial derivatives instruments solely for the purpose of hedging risk exposures of the existing investments of the Fund, provided, these are accounted for in accordance with existing BSP hedging guidelines as well as the Trustee's risk management and hedging policies duly approved by the Trust and Investments Committee and disclosed to participants.

#### CLIENT SUITABILITY

The Bank of Commerce Diversity Money Market Fund is suitable only for investors who:

- Have a **CONSERVATIVE** risk profile
- With an investment horizon of less than one (1) year
- Who are Philippine Residents Only

#### 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.

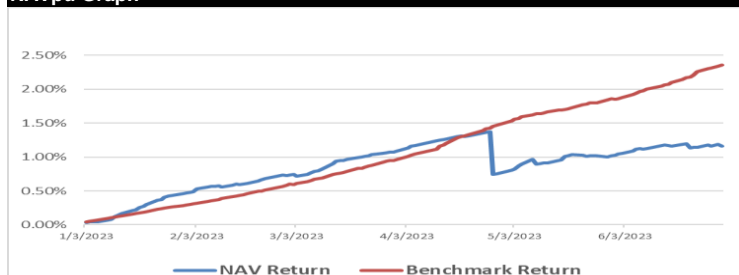
**Country Risk.** The possibility that an investor may experience losses arising from investments in securities issued by/in foreign countries due to the political, economic and social structures of such countries.

- **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)  
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**FUND PERFORMANCE AND STATISTICS AS OF 06/30/23**  
(Purely for reference purposes and is not a guarantee of future results)

**NAVpu Graph**

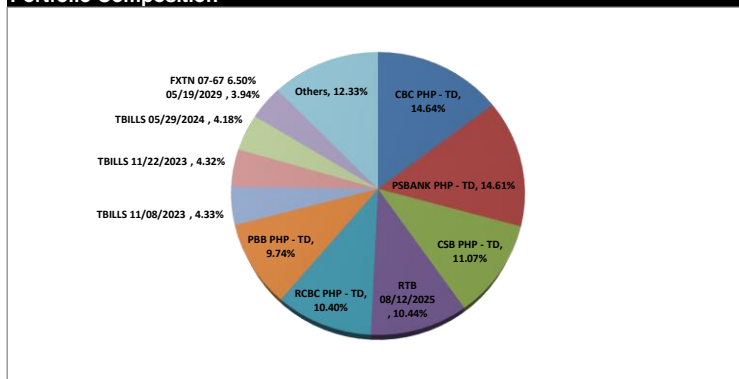


**Cumulative Performance (%)**

Period	1mo	3mos	6mos	1yr	3yrs
Fund	0.1309%	0.0873%	1.1632%	1.9037%	3.8941%
Benchmark	4.3512%	3.7406%	3.1315%	1.1410%	1.2724%

Note: Benchmark is the 3-month yield based on PHP BVAL Rate.

**Portfolio Composition**



**NAVpu over the past 12 months**

Highest	1.183576
Lowest	1.158973

**Statistics**

Wtd. Ave. Duration	0.73
Volatility*	0.06%
Sharpe Ratio**	(0.50)
Information Ratio***	(2.53)

\*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
CBC PHP - TD	14.64%
PSBANK PHP - TD	14.61%
CSB PHP - TD	11.07%
RTB 08/12/2025	10.44%
RCBC PHP - TD	10.40%
PBB PHP - TD	9.74%
TBILLS 11/08/2023	4.33%
TBILLS 11/22/2023	4.32%
TBILLS 05/29/2024	4.18%
FXTN 07-67 6.50% 05/19/2029	3.94%
Others	12.33%
<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 Php 422,972.49 which is 0.19% of the funds. 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**

On June 8, 2023, the Bangko Sentral ng Pilipinas (BSP) announced cuts in the reserve requirement ratio (RRR) effective June 30 for universal and commercial banks (U/KBs) and non-bank financial institutions with quasi-banking functions (NBQBs), digital banks, thrift banks, rural banks, and cooperative banks. A 250 basis points (bps) cut in the reserve requirement ratio (RRR) for universal and commercial banks (U/KBs) and non-bank financial institutions with quasi-banking functions (NBQBs). The RRR for digital banks was cut by 200 bps, while the RRR for thrift banks, rural banks, and cooperative banks was cut by 100 bps. The RRR is the amount of money that banks must hold in reserve at the central bank. By reducing the RRR, the BSP is essentially injecting more money into the financial system. This is typically inflationary, but the recent RRR cuts will likely be offset by the lapse of the Covid-era relief measure that allowed banks to count MSME loans as part of their RRR. Nonetheless, the RRR cut is a positive development for the Philippine economy, as it will free up more money for banks to lend out in the medium to long-term. However, the impact of the cut on the forex market is likely to be minimal. Meanwhile, the headline inflation rate for June 2023 came in at 5.4% year-on-year (YoY), and 0.2% month-on-month (MoM) showing a sustained moderation from the previous month's figure of 6.1%. At the same time, core inflation declined marginally to 7.4% from 7.7%. The main contributor to the decline in headline CPI was the decrease in transport prices, while of particular concern is the risk posed by rice price gains. Wage and fare hikes, plus El Niño, pose further upside risks. Given these developments, the Bangko Sentral ng Pilipinas (BSP) might consider a policy action in August. BSP keeps door open to further rate hikes. BSP Governor Eli M. Remolona signaled that further monetary policy tightening is still on the table for the country. This comes as the central bank remains data-driven as it monitors upside risks to inflation, including El Niño and wage hikes. However, Remolona remains of the view that a rate cut would be considered if inflation is within the central bank's 2-4% target range.

**Forecast/Outlook:** The Bangko Sentral ng Pilipinas (BSP) has raised interest rates by a total of 425 basis points to 6.25% in an effort to bring inflation under control. We continue to believe that upside risks still remain with inflation. Aside from El Niño and wage hikes, US Fed hawkishness also remains as a risk to the exchange rate, with the rate differential potentially narrowing and thus affecting PHP stability. Despite this, we think that once the US continues to experience a decelerating inflation environment and employment metrics stabilize, our base case of a rate cut by Dec '23 or Q1 '24 would still stand. Policy rate is now expected at 6.50% by EOY, and GIR remains at very good levels (\$100 bn as of April) which can sustain BSP target of Php54-57 to the dollar

**Fund's Strategy and Considerations:**

The fund's strategy is to deploy funds in various terms of money market instruments without compromising its liquidity feature. The fund shall invest more in Government Securities when the Bank Deposit rate is significantly lower and vice versa. The fund is experiencing an impact from the uptrend on yields for local and global bond space due to the significant rate hikes from BSP and US FED and the expectation of possible additional rate normalization activities for July & September 2023 after the rate pause on June 2023. The fund is now positioned to be more exposed to time deposits as rates are more attractive than Government Securities. It is poised to overweight in 30 to 180-day tenor securities to strategically position given the outlook of elevated inflation due to the Russia-Ukraine war, oil price volatility, and policy rate adjustments locally and globally. The fund will continue to invest in the most competitive money market rates available among the accredited counterparties. The fund will soon start trading BSP-issued securities to optimize returns. Lastly, fresh or additional cash inflow will help in the strategic investment execution of the fund.