



BANK OF COMMERCE – TRUST SERVICES GROUP

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

For the Quarter ended **September 30, 2024**

FUND FACTS			
Classification	Dollar Bond Fund	Net Asset Value per unit (NAVpu)	2.076255
Launch Date	March 11, 2005	Total Fund NAV	USD 772,329.39
Minimum Investment/ Maintaining Participation	USD 1,000	Dealing Day	11:30 AM
Minimum Additional	USD 100	Redemption Settlement	T + 1
Minimum Holding period	30 days	Early Redemption Fee	5% on redeemed amount

FEES*			
*TRUSTEE FEE: 1.00% p.a.	CUSTODIAN FEE: USD29.62 for the quarter BankCom - Treasury	*EXTERNAL AUDITOR FEE: Php137,995.61 KPMG Audit *based 2023 External Audit Fee	OTHER FEES: N/A
*based on the Net Asset value (NAV) accrued daily			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 bid price of 10-year Republic of the Philippines (ROP) Bonds from Bloomberg Generic (BGN) at the start of the quarter.

CLIENT SUITABILITY

The Bank of Commerce Diversity Dollar Bond Fund is suitable only for investors who:

- Have a **MODERATE** risk profile
- With an investment horizon of more than 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 09/30/24
(Purely for reference purposes and is not a guarantee of future results)

NAVpu Graph

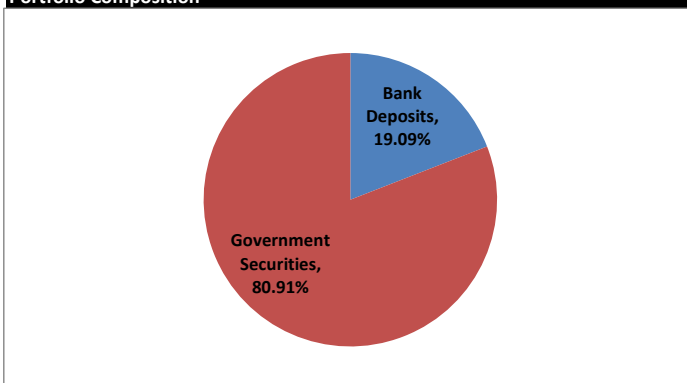


Cumulative Performance (%)

Period	1mo	3mos	6mos	1yr	3yrs
Fund	1.15%	4.27%	3.75%	12.13%	-10.34%
Benchmark	-0.04%	2.52%	1.07%	3.45%	-19.03%

Note: Benchmark is bid price of 10-Year ROP Bonds from Bloomberg (BGN).

Portfolio Composition



NAVpu over the past 12 months

Highest	2.079522
Lowest	1.795343

Statistics

Wtd. Ave. Duration	8.91
Volatility*	0.35%
Sharpe Ratio**	(0.62)
Information Ratio***	1.18

*Volatility measures the degree to which the Fund fluctuates vis-à-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
PHILIP 5 01/13/37 Govt	38.01%
PHILIP 5.25 05/14/34 Govt	27.54%
PSBank- USD TD	14.08%
PHILIP 7.75 01/14/31 Govt	10.88%
RCBC - USD TD	4.63%
PHILIP 9.5 02/02/2030 Govt	2.78%
PHILIP 3.7 02/02/42 Govt	1.70%
BankCom - USD SA	0.38%

TOTAL	100.00%
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Note: Percentage (%) of holdings is based on market values.

OTHER DISCLOSURES

RELATED PARTY TRANSACTIONS

The fund has savings deposit with Bank proper amounting to US\$ 2,859.81 which is 0.38% of the fund. The said funds is for disposition to Dollar Time Deposit or will serve as liquidity. 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

In September, the U.S. yield curve bull-steepened following a 50-basis-point (bps) rate cut by the Federal Reserve (Fed), with yields declining an average of 17 bps. The short-end outperformed, as the 2-year rate dropped by 25 bps to 3.66%, while the 10-year rate fell by 10 bps to 3.81%, widening the 2-year vs. 10-year spread to 15 bps. Long-end rates declined by an average of 8 bps. Philippine ROP yields mirrored this trend, falling an average of 20 bps, with the 2-year down 23 bps to 4.09% and the 10-year slipping 13 bps to 4.6%. U.S. inflation continued to ease in August, with the consumer price index dropping to 2.5% year-on-year, the lowest since February 2021, driven by lower energy and food prices. Core inflation held steady at 3.2% annually, with a slight month-on-month increase, signaling persistent inflation pressures. Meanwhile, the U.S. labor market showed softness, with unemployment claims rising slightly and payroll data weaker than expected.

In response to cooling inflation and labor market weakness, the Fed implemented a 50-bps rate cut in September, its first since 2020. This move was larger than anticipated, with the market split between expectations of a 25-bps or 50-bps cut. The Fed's focus has shifted toward protecting the labor market, with policymakers signaling an additional 100 bps in cuts by year-end, followed by further easing in 2025. Despite the rate cut, U.S. bond yields retraced some gains on a "sell the news" reaction, with 10-year Treasuries rising back toward 4%. ROP bonds also saw modest gains, with the 25-year trading at 108.25 and the 34-year at 104.75. The labor market's rebound, highlighted by a stronger-than-expected payrolls report, triggered a sell-off in bonds, casting uncertainty over future Fed cuts, particularly the November decision. While near-term volatility is expected, the broader outlook remains positive, with rates on a downward trend. Once the market shifts its focus to 2025, a recovery in bond prices is likely, especially after recent yield pullbacks.

Forecast/Outlook : Looking ahead, market sentiment will be shaped by key U.S. macroeconomic reports and statements from Fed officials. The focus will be on jobs data and inflation, with a higher-than-expected unemployment rate likely reinforcing the Fed's dovish stance. The initial forecast for USD/PHP for 2024 is at 54.20-58.00.

Fund Strategy and Considerations

The fund has optimized its portfolio by swapping low-coupon securities for high-coupon ones. It is currently focused on long-duration dollar bonds and high-yield time deposits. By maintaining its portfolio strategy, the fund aims to navigate ongoing market volatility and shifts in sentiment regarding potential Fed rate adjustments. Interest income from ROP investments is expected to have a marginal impact on NAVPU, while fresh subscriptions will support strategic rebalancing.