



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, 2024**

FUND FACTS			
Classification	Long Term Peso Bond Fund	Net Asset Value per unit (NAVpu)	1.774920
Launch Date	March 10, 2005	Total Fund NAV	PHP 4,155,611.05
Minimum Investment/Maintaining Participation	PhP 10,000.00	Dealing Day	11:30 AM
Minimum Additional	PhP 1,000.00	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: Php16.03 of the NROSS Fee for the Quarter	*EXTERNAL AUDITOR FEE: Php9,755.78	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	N/A
		*based 2023 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.

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 Peso Bond Fund is suitable only for investors who:

- Have a **MODERATE** risk profile
- With an investment horizon of more than five (5) years
- 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.

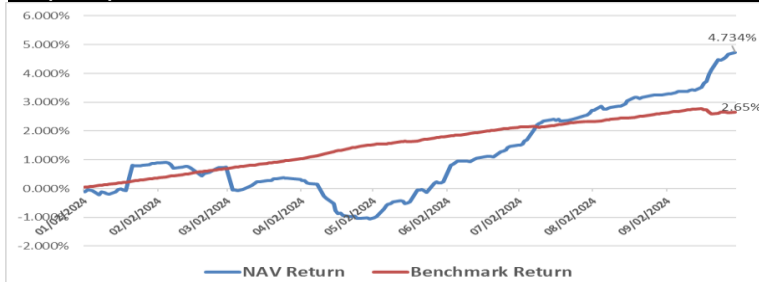
Country Risk. The possibility that an investor may experience losses arising from investments in securities issued by/in foreign countries due to the political, economic and social structures of such countries.

- 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
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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)

NAV/pu Graph

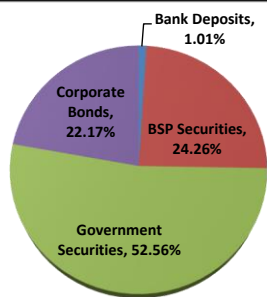


Cumulative Performance (%)

Period	1mo	3mos	6mos	1yr	3yrs
Fund	1.4299%	3.2307%	4.3602%	6.9247%	3.6786%
Benchmark	3.8346%	4.1438%	3.9464%	4.0756%	1.5913%

Note: Benchmark is the 5-Year yield based on PHP BVAL Reference Rates.

Portfolio Composition



NAV/pu over the past 12 months

Highest	1.774920
Lowest	1.638676

Statistics

Wtd. Ave. Duration	2.93
Volatility*	0.13%
Sharpe Ratio**	(0.35)
Information Ratio***	1.98

*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
SMC 12/14/2032	15.02%
FXTN 05/19/2029	14.84%
RTB08/22/2028	13.44%
FXTN 07/19/2031	13.34%
BSPBIL 11/12/2024	12.29%
BSPBIL 10/15/2024	11.97%
FXTN 7-62 02/14/2026	7.26%
CLI 04/07/2026	7.15%
RTB02/28/2029	3.68%
BankCom - PHP SA	1.01%
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 Php42,289.96 or 1.01% 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

Local bond yields continued to decline in September, extending third-quarter gains. The BSP's August rate cut rally, alongside the Fed's 50 bps rate cut and a 250 bps RRR reduction by the BSP, drove yields 20-40 bps lower MoM, with the 20-year yield briefly touching 5.70%. However, yields retraced slightly due to profit-taking, with the 5- and 10-year bonds breaking December 2023 lows, closing at 5.60% and 5.68%, respectively.

Inflation continued to decelerate, with September CPI at 1.9%, below both BSP and market expectations. Lower food and oil prices, along with a stronger Philippine peso, contributed to this disinflationary trend. Given this, the BSP is expected to cut policy rates by an additional 50 bps before year-end.

Though local yields started higher in 2024, they have since recovered following rate cuts by the BSP and Fed. However, strong US labor market data, with non-farm payrolls (NFP) at 254k versus the expected 150k, may slow the pace of Fed rate cuts. Markets now price in a further 50 bps cut in Q4, down from earlier expectations.

Despite this, bond yields remain well-positioned for gains, especially with the dovish policy stance of both the Fed and BSP. Any yield upticks provide an opportunity to add positions ahead of 2025, as markets anticipate more rate cuts.

Forecast/Outlook: In the coming month, market direction will likely hinge on key inflation data, macroeconomic indicators, and the upcoming BTr auctions, which are set at significantly lower volumes than previous quarters. The BSP Monetary Board is also expected to decide on policy rates in October, with markets anticipating a 25 bp rate cut.

Fund Strategy and Considerations

With slowing inflation and peaking interest rates, the fund is strategically positioning itself by investing in three- to seven-year bonds to secure high yields as part of its long-term core holdings. Anticipating a more rate cuts in Q4 2024 until 2025, the fund has replaced low-coupon securities with higher-coupon ones and extended its duration to benefit from current high rates. Additional contributions will be used for rebalancing to optimize returns. The fund remains sensitive to the upward trend in yields driven by the US Federal Reserve's inflation-fighting measures.