



BANK OF COMMERCE – TRUST SERVICES GROUP

BANK OF COMMERCE DIVERSITY PESO BOND FUND

KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT

For the Quarter ended **March 27, 2024**

| <b>FUND FACTS</b>                                   |                          |   |                         |
|---|--------------------------|---|-------------------------|
| <b>Classification</b>                               | Long Term Peso Bond Fund | <b>Net Asset Value per unit (NAVpu)</b> | <b>1.700764</b>         |
| <b>Launch Date</b>                                  | March 10, 2005           | <b>Total Fund NAV</b>                   | <b>PHP 3,971,972.30</b> |
| <b>Minimum Investment/Maintaining Participation</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>                       | 30 days                  | <b>Early Redemption Fee</b>             | 5% on redeemed amount   |

| <b>FEES*</b>   |   |   |                          |
|--|---|---|--------------------------|
| <b>*TRUSTEE FEE: 1.00% per annum</b>                     | <b>CUSTODIAN FEE: Php22.61 of the NROSS Fee for the Quarter</b> | <b>*EXTERNAL AUDITOR FEE: Php5,329.99</b> | <b>OTHER FEES: 0.00%</b> |
| <b>*based on the Net Asset Value (NAV) accrued daily</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 2023 External Audit Fee</b>     |                          |

**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.

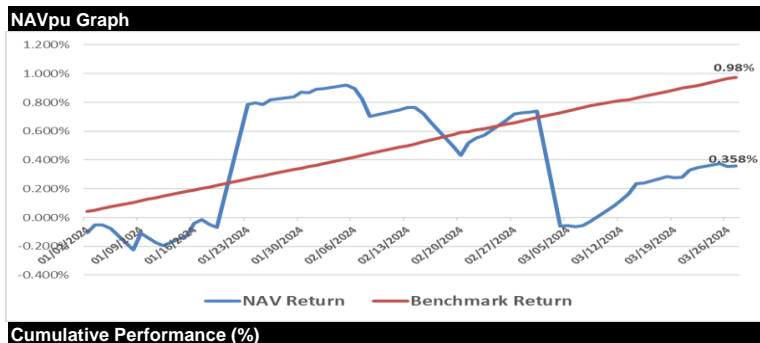
**Reinvestment Risks.** The possibility that an investor may experience losses due to probable lower returns or earnings when maturing funds or the interest earnings of the Fund are reinvested.

**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.

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**FUND PERFORMANCE AND STATISTICS AS OF 03/27/24**  
(Purely for reference purposes and is not a guarantee of future results)

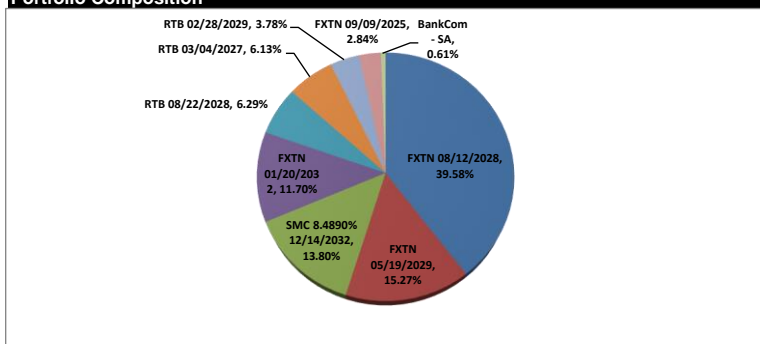


**Cumulative Performance (%)**

| Period    | 1mo      | 3mos    | 6mos    | 1yr      | 3yrs     |
|-----------|----------|---------|---------|----------|----------|
| Fund      | -0.3712% | 0.3579% | 2.4574% | -0.7884% | -0.2006% |
| Benchmark | 3.9638%  | 3.7509% | 4.0756% | 3.7744%  | 1.7158%  |

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

**Portfolio Composition**



**NAV/pu over the past 12 months**

|         |          |
|---------|----------|
| Highest | 1.719766 |
| Lowest  | 1.638676 |

**Statistics**

|                      |        |
|----------------------|--------|
| Wtd. Ave. Duration   | 4.36   |
| Volatility*          | 0.16%  |
| Sharpe Ratio**       | (0.31) |
| Information Ratio*** | (1.40) |

\*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        | 39.58% |
| FXTN 05/19/2029        | 15.27% |
| SMC 8.4890% 12/14/2032 | 13.80% |
| FXTN 01/20/2032        | 11.70% |
| RTB 08/22/2028         | 6.29%  |
| RTB 03/04/2027         | 6.13%  |
| RTB 02/28/2029         | 3.78%  |
| FXTN 09/09/2025        | 2.84%  |
| BankCom - SA           | 0.61%  |

**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 Php24,278.24 or 0.6106% 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**

At the recent Monetary Board meeting, the BSP maintained its policy rate at 6.5%. Given that the inflation path has shifted to be higher, the Monetary Board deems it appropriate to maintain its monetary policy settings tight and to remain hawkish. According to BSP Governor Remolona, upside risks to inflation have "become worse" now, citing higher transport fares, elevated food prices, rising electricity and oil prices, and possible wage hikes. Because of this, the BSP also raised its risk-adjusted inflation forecast this year to 4% from 3.9%. However, it kept its risk-adjusted forecast for 2025 at 3.5%. The country's overall balance of payments (BOP) position posted a surplus of US\$1.2 billion in March 2024, slightly lower than the US\$1.3 billion BOP surplus recorded in March 2023. The BOP surplus in March 2024 reflected inflows arising mainly from the National Government's (NG) net foreign currency deposits with the Bangko Sentral ng Pilipinas (BSP) and net income from the BSP's investments abroad. Meanwhile, the BOP surplus in March 2024 brought the current year-to-date BOP level to US\$238 million surplus, lower than the US\$3.5 billion surplus recorded in January-March 2023. Based on preliminary data, this cumulative BOP surplus reflected mainly the improvement in the balance of trade alongside the net inflows from personal remittances, net foreign borrowings by the NG, foreign direct investments, and foreign portfolio investments. On the other hand, the DBCC kept our inflation targets at 2% to 4% until 2028 also. Our latest headline inflation is at 3.7% for March which accelerated for a second straight month and higher than February at 3.4%. The 3.7% inflation is a little below the market consensus of 3.8% but still within the government's target. Core inflation, which excludes volatile prices of food and fuel, eased to 3.4% in March from 3.6% in February and 8% a year ago. March inflation was mainly driven by the heavily weighted index for food and nonalcoholic beverages, which quickened to 5.6% from 4.6% in the previous month.

**Forecast/Outlook:** We expect that the BSP will wait for the US Federal Reserve to initiate rate cuts before easing its policy. According to BSP Governor Remolona, if inflation continues to ease and if economic growth is "not too strong", they may shift to a dovish plot and start to cut rates by the third quarter and that would be no more than 25 basis points this year but if the opposite happens, they would start cutting rates by the first quarter of 2025.

**Fund Strategy and Considerations**

With the inflation and interest rates showing signs of peaking, the fund considers positioning in locking in the high interest by buying three- to five-year securities. By buying longer-term bonds, the fund will be able to take advantage of higher yields a little longer, even if rates already start going down in 4Q2023. The strategy considered positioning in IPO offering competitive rates for its maturing investments and available liquidity. With the expectation of easing inflation and policy rate cuts this year, the fund plans to add duration and take advantage of locking high-interest rates depending on additional contributions to the fund for deployments to rebalance the returns. The Fund continues to experience the 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 and fighting inflation.