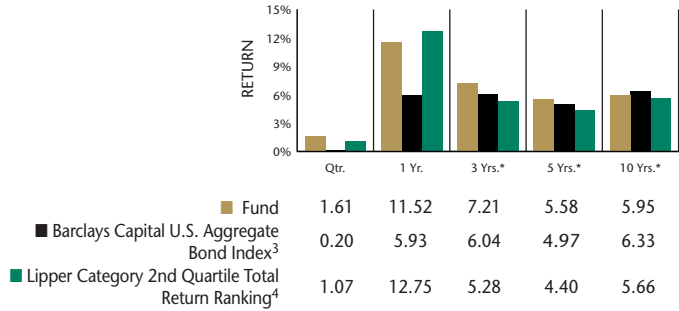


COMMERCE FUNDS: Commerce Bond Fund – 12/31/09

Fund Objective: Seeks total return through current income and, secondarily, capital appreciation. The Fund pursues this objective through investment in a diversified portfolio of investment-grade corporate debt obligations and obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities.

TOTAL RETURNS (%) AS OF 12/31/09 Inception Date: 12/12/94



Lipper Category: Intermediate Investment Grade Debt Funds

* Returns for periods over one year are annualized. The returns represent past performance. Past performance does not guarantee future results. The Fund's investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted above. To obtain the most recent month-end returns, please visit our website at www.commercefunds.com/fund_is_SharePerf.shtm.

The Total Returns are average annual total returns or cumulative total returns (only if the performance period is one year or less) as of the most recent calendar quarter-end. They are net of expenses and assume reinvestment of all distributions at net asset value.

Because the Fund is not subject to a sales charge, such a charge is not applied to their Total Returns.

Investments in fixed income securities are subject to the risks associated with debt securities including credit and interest rate risk. The guarantee on U.S. government securities applies only to the underlying securities of the Fund if held to maturity and not to the value of the Fund's shares. Mortgage-backed securities are subject to prepayment risks, which may result in greater share price volatility. Asset-backed securities may be less liquid than other securities and therefore more difficult to value and liquidate, if necessary. Foreign investments may be more volatile than investment in U.S. securities and will be subject to the risks of currency fluctuations and political developments.

BOND FUND UPDATE

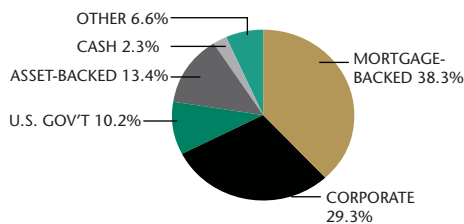
The economy and financial markets continued to recover as more favorable economic data concerning employment, consumer spending, and manufacturing was released during the last three months. Historically, after a recession as severe as the one we had, the economy usually has a quick rebound. However, this recovery is expected to be slower than normal because of a struggling housing market, deleveraging, and an injured financial system.

After both of the Federal Open Market Committee meetings in the fourth quarter the Federal Reserve (the "Fed") kept the federal funds rate near zero. Comments at its last meeting suggest that the Fed seems inclined to keep the fed funds rate near zero as long as inflation expectations are constrained and economic growth is moderate.

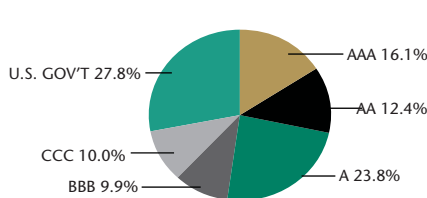
Interest rates began the quarter in a narrow range but rose steadily for the month of December. The Treasury yield curve steepened to record levels, with the difference between 2 and 10 year Treasury yields reaching 288 basis points during the period. Treasury performance continued to lag the other fixed income sectors as rates increased and spreads tightened.

The Bond Fund's return for the fourth quarter exceeded the Barclays Capital U.S. Aggregate Bond Index. The portfolio's overweight in corporate bonds and asset backed securities (ABS), along with an overweight in treasuries, helped performance. On average, the portfolio's mortgage-backed securities (MBS) exposure assisted performance; however, some specific non-agency MBS holdings hindered performance. For the coming quarter we expect risk sectors (i.e., corporates, MBS, ABS, etc.) should continue to outperform treasuries, but to a lesser extent than realized last year.

SECURITY TYPE⁵ (%)



CREDIT RATING⁵ (%)



FUND FACTS

Ticker Symbol:	CFBNX
CUSIP:	200626208

FINANCIAL INFORMATION

Total Fund Assets	\$578,391,887
Net Asset Value ¹	\$19.15

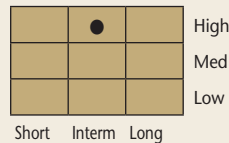
EXPENSE RATIO⁶

Current (net)	0.79%
Before Waiver (gross)	0.79%

MANAGER PROFILE

Scott M. Colbert, CFA
• Joined Commerce in 1993
• 22 years of experience
• Fund manager since Fund Inception

MORNINGSTAR STYLE BOX



PORTFOLIO CHARACTERISTICS

Effective Duration ²	4.19
Number of Holdings	281

MATURITY DISTRIBUTION⁵

0-2 Years	17.0%
2-3 Years	13.8%
3-5 Years	28.4%
5-7 Years	20.0%
7-10 Years	11.5%
10-20 Years	4.3%
20+ Years	5.0%



LIPPER RANKINGS

Lipper Intermediate Investment Grade Debt Funds as of 12/31/09

1 Year	318 out of 549
5 Years	40 out of 395 (top 11%)
10 Years	78 out of 219

Lipper Total Return Rankings — Lipper Analytical Services, Inc. is an independent publisher of mutual fund rankings, records rankings for these and other Commerce Funds for one-year, three-year, five-year, and ten-year total returns periods. Lipper compares mutual funds within a universe of funds with similar investment objectives, including dividend reinvestment. Lipper rankings are based on **total return** at net asset value and do not reflect sales charges. Lipper rankings do not imply that the fund had a high total return.

MORNINGSTAR RATINGS

Intermediate-Term Bond Funds Category as of 12/31/09

Overall ★★	out of 978 funds
3-Year ★★★★★	out of 978 funds
5-Year ★★★★★	out of 866 funds
10-Year ★★	out of 496 funds

Morningstar Risk-Adjusted Ratings: The Overall Rating is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating Metrics. Morningstar, Inc. is an independent publisher of mutual fund research and ratings. Ratings reflect a fund's risk-adjusted 3-, 5-, and 10-year total returns, including any sales charge. A Fund is rated against all other funds in its category. 5 stars are assigned to the top 10%; 4 stars to the next 22.5%; 3 stars to the next 35%; 2 stars to the next 22.5%; and 1 star to the bottom 10%. Morningstar only rates funds with at least a 3-year history. Past performance is not a guarantee of future results.

Notes:

1. The Net Asset Value represents the assets of the Fund (ex dividend) divided by the total number of shares.
2. Duration is the method of determining a bond's price sensitivity, given changes in interest rates.
3. The Barclays Capital U.S. Aggregate Index is an unmanaged index comprised of the Barclays Capital Government/Corporate Bond Index, Mortgage-Backed Securities Index and Asset-Backed Securities Index. The Index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.
4. The Lipper Category 2nd Quartile Total Return Ranking represents the lowest performing fund in the second quartile within the respective Lipper investment category. The returns are net of expenses and do not take into account sales charges.
5. Holdings and allocations shown are unaudited, and may not be representative of current or future investments. Holdings and allocations may not include the Fund's entire investment portfolio, which may change at any time. Fund holdings should not be relied on in making investment decisions and should not be construed as research or investment advice regarding particular securities.
6. The total annual operating expenses of the Funds, both current (net of any fee waivers or expense limitations) and before waivers (gross of any fee waivers or expense limitations), are as set forth above. In the case of the Growth, Short-Term Government, National Tax-Free Intermediate, Missouri Tax-Free Intermediate and Kansas Tax-Free Intermediate Funds, the Adviser has contractually agreed to limit each Fund's total annual operating expenses (excluding interest, taxes and extraordinary expenses) until October 31, 2009. In the case of the Value and Bond Funds, the Adviser has voluntarily agreed to limit the total annual operating expenses (excluding interest, taxes and extraordinary expenses) of the Funds and reserves the right to discontinue the expense reimbursement at any time. A Fund's total annual operating expenses may increase without shareholder approval.

Goldman, Sachs & Co. is the distributor of The Commerce Funds.

A current Commerce Funds prospectus or additional information regarding The Commerce Funds may be obtained by:

- calling: 1-800-995-6365
- visiting our website at www.commercefunds.com
- or by writing to:

The Commerce Funds
P.O. Box 219525
Kansas City, MO 64121-9525

Please consider a fund's objectives, risks and charges and expenses, and read the prospectus carefully before investing. The prospectus contains this and other information about the Fund.

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