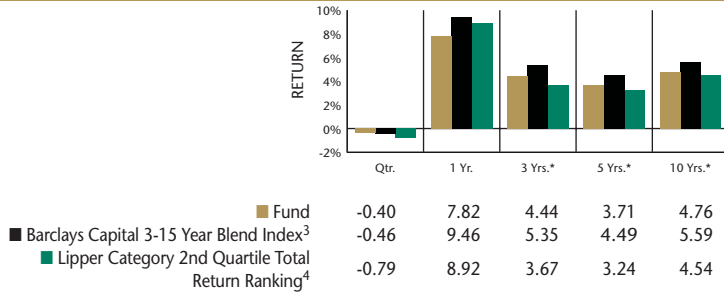


COMMERCE FUNDS: Commerce Kansas Tax-Free Intermediate Bond Fund – 12/31/09

Fund Objective: Seeks current income exempt from federal, and to the extent possible, from Kansas income taxes, consistent with the preservation of capital. The Fund pursues this objective through investment primarily in municipal securities exempt from regular federal income tax, federal alternative minimum taxes, and Kansas income tax.

TOTAL RETURNS (%) AS OF 12/31/09

Inception Date: 12/26/00



Lipper Category: Other States Intermediate Muni Debt Funds

* Performance data for periods before December 26, 2000 (the inception date of the Fund) is that of a predecessor common trust fund that, in all material respects, had the same investment objective, policies, guidelines and investment limitations as the Fund. The total return calculations have been restated to reflect the expenses of the share class but do not include waived fees or reimbursed expenses. The common trust fund was not registered under the Investment Company Act of 1940 (the "Act") and was not subject to certain investment restrictions imposed by the Act. If it had been registered under the Act, performance may have been adversely affected. 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.

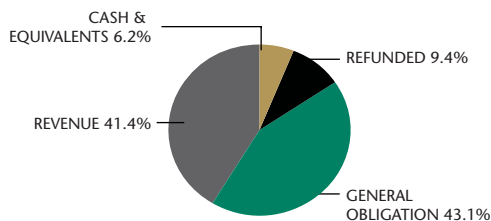
Investments in fixed-income securities are subject to the risks associated with debt securities including credit and interest rate risk. When interest rates rise, the prices of bonds and therefore the value of the fixed income mutual fund shares can decrease and an investor can lose principal value. The Fund is non-diversified. Due to the smaller number of bonds generally held in the portfolio, the Fund may be subject to greater risks than a more diversified fund. A change in the value of any single holding may affect the overall value more than it would affect a diversified fund that holds more investments. In addition, the Fund's investments may subject shareholders to federal alternative minimum tax. The investment income from this Fund may be subject to state income taxes.

KANSAS TAX-FREE INTERMEDIATE BOND UPDATE

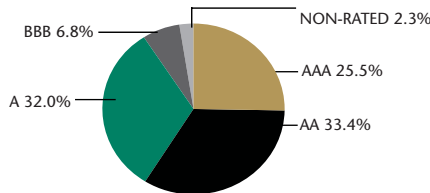
After rallying the previous three quarters, the municipal market experienced a bit of a pull back in the fourth quarter of 2009. Intermediate and long bond yields were higher by 0.20% to 0.40% for the quarter. While this pushed AAA General Obligation yields in the 25 to 30 year maturity range back above 4.00%, it is still well below historical averages. Build America Bonds (BABs) continued to be a popular program for municipalities issuing new debt. This federal program, which encourages municipalities to issue taxable municipal bonds by subsidizing their interest cost, has made a dramatic impact on tax-free municipal bond yields by siphoning away the supply of traditional tax-exempt issuance. BABs accounted for 20% of the overall issuance in 2009 and over one-third the issuance in the fourth quarter. Credit spreads have been tightening off their highs for most of the year. Despite this move, the extra yield earned by investing in A-rated credits versus AAA credits is still more than twice historical averages. Our general trading theme heading into 2010 will be to reduce duration or market risk while selectively adding credit risk or lower rated bonds. We do feel there will be pressure on the highest quality bond yields such as US Government debt and high quality corporate and municipal bonds.

For the fourth quarter, the Fund performed in line with its benchmark, the Barclays Capital 3-15 Year Blend Index, and outperformed its peers as measured by the Lipper Other States Intermediate Municipal Debt Funds Category 2nd Quartile Total Return Ranking. Our holdings in lower rated long bonds were a drag on performance, while a concentration in AAA rated, shorter maturity, and refunded bonds helped to offset. As additional yield offered on lower-rated credits presents itself, we will look for opportunities to increase our exposure in that space. It is also notable that Kansas has seen a drastic decrease in supply of paper, especially relative to other states.

SECURITY TYPE⁵ (%)



CREDIT RATING⁵ (%)



FUND FACTS

Ticker Symbol:	KTXIX
CUSIP:	200626786

FINANCIAL INFORMATION

Total Fund Assets	\$79,405,093
Net Asset Value ¹	\$19.04

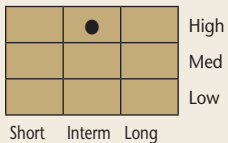
EXPENSE RATIO⁶

Current (net)	0.70%
Before Waiver (gross)	0.90%

MANAGER PROFILE

Brian P. Musielak, CFA	
•	Joined Commerce in 1995
•	14 years of experience
•	Fund manager since Fund Inception

MORNINGSTAR STYLE BOX



PORTFOLIO CHARACTERISTICS

Effective Duration ²	5.53
Number of Holdings	99

MATURITY DISTRIBUTION⁵

Less than 2 Years	12.7%
2-5 Years	26.0%
6-11 Years	29.4%
12-17 Years	24.1%
17+ Years	7.8%

**LIPPER RANKINGS**

Lipper Other States Intermediate Muni Debt Funds as of 12/31/09

1 Year	79 out of 113
3 Years	15 out of 111 (top 14%)
5 Years	22 out of 107 (top 21%)

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

Muni Single State Interm Funds Category as of 12/31/09

Overall ★★★★★	out of 245 funds
3-Year ★★★★★	out of 245 funds
5-Year ★★★★★	out of 234 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 (NAV) 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 3-15 Year Blend Index is an unmanaged index comprised of investment-grade municipal securities ranging from 2 to 17 years in maturity. 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.

Please read the prospectus carefully before investing.

Date of first use: January 28, 2010. 31437.MF.OTU