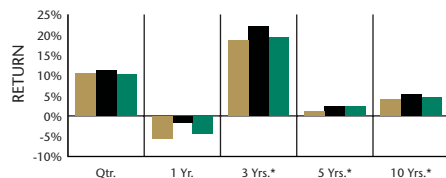


Fund Objective: Seeks capital appreciation The Fund pursues this objective through investment in equity investments of mid-cap issuers that show the potential for above-average growth in earnings.

TOTAL RETURNS (%) AS OF 12/31/11

Inception Date: 12/12/94



	Qtr.	1 Yr.	3 Yrs.*	5 Yrs.*	10 Yrs.*
■ Fund	10.37	-5.60	18.71	1.23	4.13
■ Russell Midcap Growth Index ²	11.24	-1.65	22.06	2.44	5.28
■ Lipper Category 2nd Quartile Total Return Ranking ³	10.33	-4.37	19.34	2.33	4.50

Lipper Category: Mid-Cap Growth 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.

The Fund invests in mid-capitalization securities. The securities of mid-capitalization companies involve greater risks than those associated with larger, more established companies and may be subject to more abrupt or erratic price movements.

MIDCAP GROWTH FUND UPDATE

Stocks finished the final quarter of the year on a very positive note. The volatility that was characteristic of 2011 carried into the fourth quarter as investors reacted to changing economic conditions in the U.S. and the ongoing European debt crisis. The MidCap Growth Fund had a return of 10.37% in the quarter, compared to the 11.24% return for the Russell MidCap Growth Index (Index).

Over the course of the quarter the Fund benefitted the most from its stock selection in the consumer non-durables sector. While this sector posted a slight negative return for the period, each of the Fund's holdings had a positive return. The best performer in the group was Coach (0.74%), up 18%. Alternatively, the Fund's slight overweight to consumer durables proved detrimental. While this sector performed in-line with the Index, the Fund's holdings underperformed with Tempur Pedic (1.29%) and Electronic Arts (1.05%) posting nearly flat returns.

During the quarter the Fund added to its positions in the transportation sector to bring it closer to the Index weight. The Fund was still underweight however, and this worked to its benefit as the sector underperformed the Index. The addition of Kirby Corp (0.83%) helped and after a poor showing in the third quarter, Con-Way (0.31%) made a comeback gaining 32%. The Fund's overweight to the technology services sector proved detrimental. While the Fund reduced its overweight during the period, it did have positions that negatively impacted stock selection. These include Teradata Corp (0.86%) and Rovi Corp (0.76%), which declined -9% and -43%, respectively. Meanwhile, electronic technology companies were particularly beneficial to the Fund's return during the period, as Altera Corp (1.08%) gained 18%. Additionally, the Fund was able to take profits from its position in Novellus (0.00%) after it was announced the firm would be acquired.

SECTOR DIVERSIFICATION⁴ (%)

SECTOR	Fund	Index**
Electronic Technology	10.71%	10.55%
Technology Services	9.45%	8.71%
Health Technology	8.54%	8.53%
Producer Manufacturing	7.67%	7.15%
Finance	7.53%	6.39%
Consumer Services	7.21%	6.56%
Retail Trade	6.81%	8.36%
Process Industries	6.79%	7.20%
Consumer Non-Durables	5.21%	5.78%
Energy Minerals	5.19%	6.65%

SECTOR	Fund	Index**
Commercial Services	4.87%	4.05%
Other	3.95%	0.00%
Consumer Durables	3.82%	3.09%
Industrial Services	3.25%	4.85%
Health Services	3.15%	3.52%
Communications	1.74%	1.91%
Non-Energy Minerals	1.70%	1.79%
Utilities	1.25%	0.29%
Transportation	1.16%	2.56%
Distribution Services	0.00%	2.06%

** Russell Midcap Growth Index

FUND FACTS

Ticker Symbol:	CFAGX
CUSIP:	200626505

FINANCIAL INFORMATION

Total Fund Assets	\$51,880,151
Net Asset Value ¹	\$30.17

EXPENSE RATIO⁵

Current (net)	1.34%
Before Waiver (gross)	1.34%

MANAGEMENT TEAM

The Fund is managed by the Equity Strategy Team, a group of senior-level investment professionals who average 25 years of experience.

ASSET ALLOCATION

Equities	99.5%
Cash	0.5%

PORTFOLIO CHARACTERISTICS

Avg. Mkt. Capitalization	\$3.9 Billion
Price/Earnings Ratio ⁶	17.7x
Number of Holdings	96

TOP TEN HOLDINGS⁴

1. iShares Russell MidCap Growth Index Fund	3.9%
2. T. Rowe Price Group Inc.	1.9%
3. Wynn Resorts Ltd.	1.8%
4. Sigma-Aldrich Corp.	1.8%
5. Laboratory Corp. of America Holdings	1.7%
6. Cliffs Natural Resources Inc.	1.7%
7. C.R. Bard Inc.	1.7%
8. Linear Technology Corp.	1.7%
9. AutoZone Inc.	1.6%
10. Core Laboratories N.V.	1.6%



LIPPER RANKINGS

Lipper Mid-Cap Growth Funds as of 12/31/11

1 Year	244 out of 395
5 Years	205 out of 310
10 Years	111 out of 192

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

Mid-Cap Growth Funds Category as of 12/31/11

Overall ★★★	out of 659 funds
3-Year ★★★★★	out of 659 funds
5-Year ★★★	out of 596 funds
10-Year ★★★	out of 411 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. The Russell MidCap Growth Index is an unmanaged index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The Index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.
3. The Lipper Category 2nd Quartile Total Return Ranking represents the lowest performing fund in the second quartile within the respective Lipper investment category.
4. 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.
5. 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 Value, Growth, Bond, 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 March 1, 2012. After that date, the Adviser or a Fund may terminate the contractual arrangement. A Fund's total annual operating expenses may increase without shareholder approval. Percentages may not sum to 100% due to rounding.
6. The price-earnings ratio (PE Ratio) is the market value per share of a company, divided by its earnings per share (EPS). The PE Ratio is used as a measure of valuation of a company's stock price.

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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