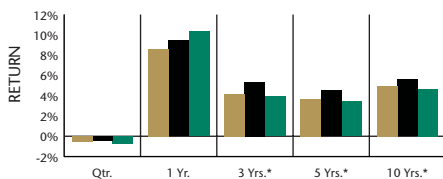


**Fund Objective:** Seeks current income exempt from federal income tax consistent with the preservation of capital. The Fund pursues this objective through investment in municipal securities exempt from regular federal income tax and federal alternative minimum taxes.

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

Inception Date: 2/21/95



Period	Fund	Barclays Capital 3-15 Year Blend Index <sup>3</sup>	Lipper Category 2nd Quartile Total Return Ranking <sup>4</sup>
Qtr.	-0.59	-0.46	-0.71
1 Yr.	8.62	9.46	10.34
3 Yrs.*	4.17	5.35	3.91
5 Yrs.*	3.67	4.49	3.43
10 Yrs.*	4.93	5.59	4.65

Lipper Category: Intermediate Municipal 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](http://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.

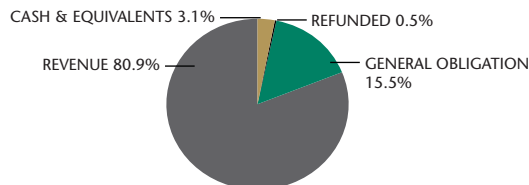
Investments in fixed-income securities are subject to the risks associated with debt securities including credit and interest rate risk. When interest rates rise, the prices of bonds and therefore the value of the fixed income mutual fund shares can decrease and an investor can lose principal value. 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.

## NATIONAL TAX-FREE INTERMEDIATE BOND FUND UPDATE

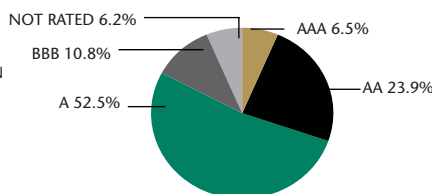
After rallying the previous three quarters, the municipal market experienced a bit of a pull back in the fourth quarter of 2009. Intermediate and long bond yields were higher by 0.20% to 0.40% for the quarter. While this pushed AAA General Obligation yields in the 25 to 30 year maturity range back above 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 underperformed its benchmark, the Barclays Capital 3-15 Year Blend Index, but outperformed its peers as measured by the Lipper 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.

## SECURITY TYPE<sup>5</sup> (%)



## CREDIT RATING<sup>5</sup> (%)



## FUND FACTS

Ticker Symbol:	CFNLX
CUSIP:	200626703

## FINANCIAL INFORMATION

Total Fund Assets	\$174,316,242
Net Asset Value <sup>1</sup>	\$18.86

## EXPENSE RATIO<sup>6</sup>

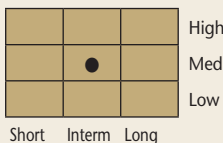
Current (net)	0.70%
Before Waiver (gross)	0.82%

## MANAGER PROFILE

Brian P. Musielak, CFA

- Joined Commerce in 1995
- 14 years of experience
- Fund manager since 1999

## MORNINGSTAR STYLE BOX



## PORTFOLIO CHARACTERISTICS

Effective Duration <sup>2</sup>	5.97
Number of Holdings	224

## MATURITY DISTRIBUTION<sup>5</sup>

Less than 2 Years	6.8%
2-5 Years	25.4%
6-11 Years	40.0%
12-17 Years	22.6%
17+ Years	5.2%



## LIPPER RANKINGS

Lipper Intermediate Municipal Debt Funds as of 12/31/09

1 Year	124 out of 157
5 Years	44 out of 125
10 Years	18 out of 74 (top 24%)

**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 National Intermediate Funds Category as of 12/31/09

Overall ★★★	out of 219 fund
3-Year ★★★	out of 219 funds
5-Year ★★★	out of 198 funds
10-Year ★★★	out of 128 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 3-15 Year Blend Index is an unmanaged index comprised of investment-grade municipal securities ranging from 1 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](http://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.**

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