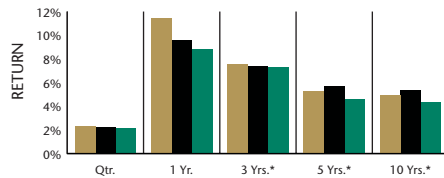


Fund Objective: Seeks current income exempt from federal income tax consistent with the preservation of capital. The Fund pursues this objective through investment in municipal securities exempt from regular federal income tax and federal alternative minimum taxes.

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

Inception Date: 2/21/95



Period	Fund	Barclays Capital 3-15 Year Blend Index ³	Lipper Category 2nd Quartile Total Return Ranking ⁴
Qtr.	2.36	2.26	2.13
1 Yr.	11.46	9.63	8.79
3 Yrs.*	7.54	7.36	7.30
5 Yrs.*	5.30	5.74	4.57
10 Yrs.*	4.92	5.35	4.38

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.

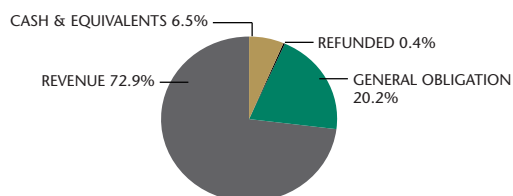
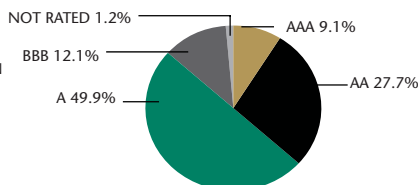
The Total Returns are average annual total returns or cumulative total returns (only if the performance period is one year or less) as of the most recent calendar quarter-end. They are net of expenses and assume reinvestment of all distributions at net asset value. Because the Fund is not subject to 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

This time last year the muni market was reeling from a dose of heavy issuance and fears of widespread defaults. Muni yields surged over 1.00% in the 4Q 2010 alone. Issuers were desperate to sell bonds before favorable tax programs expired at year end while skittish retail investors were redeeming muni funds at a record clip. What a difference a year makes. Looking back it turned out to be one of the greatest buying opportunities the muni market has experienced in recent memory. As 2011 unfolded, state and local governments did not default en masse. In fact, the total market value of defaults ended lower for the third consecutive year. Record budget deficits were closed, just as they had been in past recessions, with a combination of service/expense reductions and tax increases. Issuers also pulled in the reins on new debt. In the 4Q, new issue volume was down 25% versus 4Q last year. For all of 2011, only \$295 billion of debt was issued in the muni market. That was the lowest amount of issuance since 2001. We expect these favorable trends to continue through the first part of next year. Despite lower yields, we still believe tax-free munis are attractive relative to most taxable bonds.

For the fourth quarter, the Fund outperformed both its benchmark and its peers as measured by the Lipper Intermediate Municipal Debt Funds Category 2nd Quartile Total Return Ranking. Our holdings in long term lower grade bonds were positive contributor, while our holdings in shorter higher quality bonds were a drag to performance.

SECURITY TYPE⁵ (%)CREDIT RATING⁵ (%)

FUND FACTS

Ticker Symbol:	CFNLX
CUSIP:	200626703

FINANCIAL INFORMATION

Total Fund Assets	\$210,464,338
Net Asset Value ¹	\$19.73

EXPENSE RATIO⁶

Current (net)	0.70%
Before Waiver (gross)	0.87%

MANAGER PROFILE

Brian P. Musielak, CFA

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

PORTFOLIO CHARACTERISTICS

Effective Duration ²	7.37 Yrs.
Number of Holdings	221

MATURITY DISTRIBUTION⁵

Less than 2 Years	7.0%
2-5 Years	11.4%
6-11 Years	37.6%
12-17 Years	29.8%
17+ Years	14.2%

STANDARDIZED 30-DAY YIELD⁷

30-Day Subsidized Yield	2.91%
30-Day Unsubsidized Yield	2.78%



LIPPER RANKINGS

Lipper Intermediate Municipal Debt Funds as of 12/31/11

1 Year	8 out of 174 (top 5%)
5 Years	16 out of 127 (top 13%)
10 Years	11 out of 88 (top 13%)

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 12/31/11

Overall ★★★★★	out of 210 fund
3-Year ★★★	out of 210 funds
5-Year ★★★★★	out of 185 funds
10-Year ★★★★★	out of 135 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 Municipal Bond Index is an unmanaged index comprised of investment-grade municipal securities ranging from 2 and 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.
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.

This fund has not been rated by an independent rating agency. Commerce may receive credit quality ratings on the Fund's underlying securities from at least one of three major rating agencies - S&P, Moody's and Fitch. The underlying security may be unrated but deemed by Commerce to be of comparable quality. Commerce develops the credit quality breakdown by taking the highest rating if more than one agency rates a security. Commerce will use a single rating if that is the only one available. Securities that are not rated by the agency are reflected as such in the breakdown. Commerce converts all ratings to the equivalent S&P major rating category when illustrating the Fund's credit rating breakdown. Ratings and portfolio credit quality may change over time. Unrated securities do not necessarily indicate low quality, and for such securities the investment adviser will evaluate the credit quality. Percentages may not sum to 100% due to rounding.
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 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.
7. The 30-Day Standardized Subsidized Yield of the Fund is calculated by dividing the net investment income per share (as defined by securities industry regulations) earned by the Fund over a 30-day period (ending on the stated month-end date) by the maximum public offering price ("POP") per share of the Fund on the last day of the period. This number is then annualized. This yield does not necessarily reflect income actually earned and distributed by the Fund and, therefore, may not be correlated with the dividends or other distributions paid to shareholders. The 30-Day Standardized Unsubsidized Yield does not reflect any applicable expense reductions.

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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