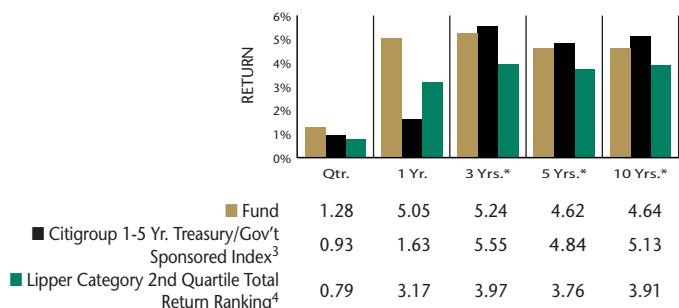




**Fund Objective:** Seeks current income consistent with preservation of principal. The Fund pursues this objective primarily through investment in short-term obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities.

**TOTAL RETURNS (%) AS OF 3/31/10** Inception Date: 12/12/94



Lipper Category: Short U.S. Government 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. 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. These risks may result in greater share price volatility.

**SHORT-TERM GOVERNMENT UPDATE**

A difficult job market, ongoing weakness in housing, and a fragile consumer confidence have put some bumps in the road, constraining the economic recovery. However, positive momentum is growing as conditions begin to improve. Modest gains in employment and increases in capital spending are helping smooth the path to recovery.

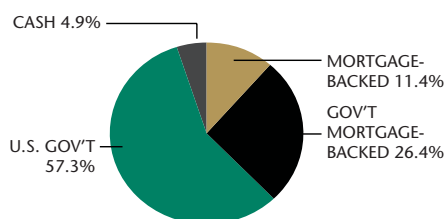
After both of the Federal Open Market Committee meetings in the first quarter the Federal Reserve (the "Fed") kept the federal funds rate near zero. Comments from its last meeting still contained its "extended period" language (in regard to how long it will be before the Fed raises rates). In our view, this suggests that the Fed is inclined to keep the fed funds rate near zero as long as inflation expectations are contained and economic growth is subdued.

After moving up and down in a range, yields on the short end of the treasury yield curve finished the quarter down, but close to where they started the quarter. Yields for 2 to 5 year treasuries decreased 12 to 14 basis points. At the end of the quarter spreads widened just slightly for mortgage-backed securities (MBS), as the Fed's agency mortgage securities purchase program was discontinued.

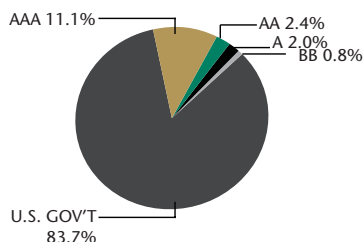
The Short-Term Government Fund's return for the first quarter exceeded the Citigroup 1-5 Year Treasury/Government Index. The Fund's underweight in treasuries and corresponding overweight in agency and MBS holdings, helped performance. With interest rates declining slightly, the Fund's shorter duration relative to its benchmark hindered performance.

For the coming quarter we expect rates to rise modestly as a new higher range for interest rates develops.

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



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



FUND FACTS	
Ticker Symbol:	CFSTX
CUSIP:	200626109

FINANCIAL INFORMATION	
Total Fund Assets	\$122,962,024
Net Asset Value <sup>1</sup>	\$18.14

EXPENSE RATIO <sup>6</sup>	
Current (net)	0.68%
Before Waiver (gross)	0.94%

MANAGER PROFILE	
Scott M. Colbert, CFA	
<ul style="list-style-type: none"> <li>Joined Commerce in 1993</li> <li>23 years of experience</li> <li>Fund manager since Fund inception</li> </ul>	

MORNINGSTAR STYLE BOX	
●	High
	Med
	Low
Short	Interm Long

PORTFOLIO CHARACTERISTICS	
Effective Duration <sup>2</sup>	2.23 Yrs.
Number of Holdings	163

MATURITY DISTRIBUTION <sup>5</sup>	
0-2 Years	35.2%
2-3 Years	22.5%
3-5 Years	35.1%
5-7 Years	4.2%
7-10 Years	2.4%
10-20 Years	0.5%
20+ Years	0.0%



## LIPPER RANKINGS

*Lipper Short Government Funds as of 3/31/10*

1 Year	20 out of 91 (top 22%)
5 Years	9 out of 84 (top 11%)
10 Years	7 out of 58 (top 12%)

**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

*Short Government Funds Category as of 3/31/10*

Overall ★★★★★	out of 154 funds
3-Year ★★★★★	out of 154 funds
5-Year ★★★★★	out of 147 funds
10-Year ★★★	out of 114 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 Citigroup Treasury/Government Sponsored 1-5 Year Index, formerly known as the Salomon Brothers 1-5 Year Treasury/Government Sponsored Index, is an unmanaged index comprised of Treasury securities with a minimum principal amount of \$1 billion and U.S. Government Securities with a minimum principal amount of \$100 million. The securities range in maturity from one to five years. The Index figures do not reflect any deduction for fees, taxes or expenses. 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, 2010. 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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