



# Commerce National Tax-Free Intermediate Bond Fund

12/31/23

Commerce Funds

|               |       |       |           |                |         |
|---------------|-------|-------|-----------|----------------|---------|
| TICKER SYMBOL | CFNLX | CUSIP | 200626703 | INCEPTION DATE | 2/21/95 |
|---------------|-------|-------|-----------|----------------|---------|

## FUND OBJECTIVE

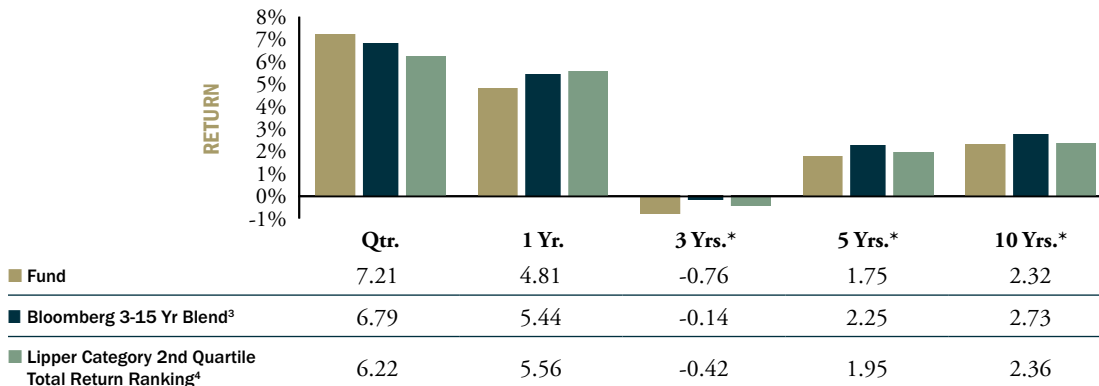
Seeks current income exempt from federal income tax consistent with the preservation of capital. The Fund pursues this objective through investment in municipal securities exempt from regular federal income tax and federal alternative minimum taxes.

### NATIONAL TAX-FREE INTERMEDIATE BOND FUND UPDATE

With market volatility characterizing the remainder of the year, the Federal Reserve (The Fed) maintained the current pause in rate hikes while offering a touch of dovishness to its higher for longer mantra. The Treasury curve inversion continued as both bond and equity markets rallied strongly to end the year. The Consumer Price Index (CPI) year-over-year measure declined from 6.5% at the end of 2022 to just above 3% to close out 2023. The latest Gross Domestic Product (GDP) figure showed resilient economic growth at 4.9% annualized with a persistently tight labor market. Both the US Treasury curve and the municipal (muni) curve steepened during 4Q; yields decreased substantially across the curve for Treasuries and munis, but to a larger degree for municipals. Municipal bonds outperformed US Treasuries in 4Q. The 10-year Treasury yield decreased 69 bps from 4.57% to 3.88% while the 10-year municipal yield decreased 117 bps from 3.45% to 2.28% during the quarter. The 10-year muni/treasury ratio dropped to 59%. New issuance supply decreased roughly 3% year-over-year, ending the quarter at nearly \$380 billion. Refunding deals made up 22% of new supply and taxable supply comprised 10%. Credit spreads ended tighter quarter over quarter. Lower quality bonds outperformed their higher quality counterparts. Bloomberg's high yield muni index outperformed their investment grade index by 132 bps for the quarter. Longer bonds outperformed shorter bonds while General Obligation (GO) bonds underperformed revenue sectors.

For the fourth quarter, The Commerce National Tax-Free Fund's return of +7.21% outperformed the Bloomberg 3-15 Year Blend benchmark of +6.79%. Longer maturities were the most additive. Limited tax, water/sewer, and utilities sectors performed the best. The Fund's exposures to the pre-refunded, not-for-profit, and housing sectors detracted.

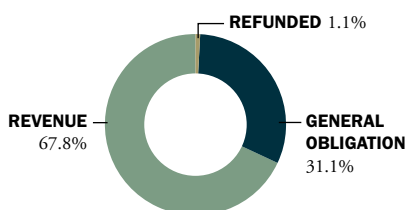
### TOTAL RETURNS (%) AS OF 12/31/23



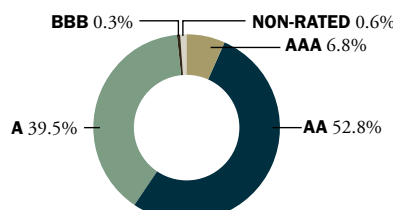
Lipper Category: Intermediate Municipal Debt Funds

\* 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 <https://commercefunds.com/fund-information/fund-performance>.

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



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



### FINANCIAL INFORMATION

|                              |               |
|------------------------------|---------------|
| Total Fund Assets            | \$369,391,287 |
| Net Asset Value <sup>1</sup> | \$18.87       |

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

|                       |       |
|-----------------------|-------|
| Current (net)         | 0.59% |
| Before Waiver (gross) | 0.59% |

### MANAGER PROFILE

Brian P. Musielak, CFA

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

### PORTFOLIO CHARACTERISTICS

|                                 |          |
|---------------------------------|----------|
| Effective Duration <sup>2</sup> | 5.70 Yrs |
| Number of Holdings              | 398      |

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

|                   |       |
|-------------------|-------|
| Less than 2 Years | 5.6%  |
| 2-5 Years         | 21.4% |
| 6-11 Years        | 38.9% |
| 12-17 Years       | 26.9% |
| 17+ Years         | 7.2%  |

### SUBSIDIZED 30-DAY YIELD<sup>7</sup>

|                                 |       |
|---------------------------------|-------|
| 30-Day Subsidized Yield         | 2.61% |
| 30-Day Unsubsidized Gross Yield | 2.61% |

### LIPPER TOTAL RETURN RANKINGS<sup>8</sup>

Lipper Intermediate Municipal Debt Funds as of 12/31/23

|          |                |
|----------|----------------|
| 1 Year   | 180 out of 215 |
| 5 Years  | 117 out of 170 |
| 10 Years | 68 out of 128  |

### MORNINGSTAR RISK ADJUSTED RATINGS<sup>9</sup>

Muni National Intermediate Funds Category as of 12/31/23

|         |     |                  |
|---------|-----|------------------|
| Overall | ★★★ | out of 259 funds |
| 3-Year  | ★★  | out of 259 funds |
| 5-Year  | ★★  | out of 236 funds |
| 10-Year | ★★★ | out of 176 funds |



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 Bloomberg 3-15 Yr Blend 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. Fund holdings and allocations shown are unaudited, and may not be representative of current or future investments. Fund 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. Current and future holdings are subject to risk.  
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.  
Non-Rated (NR) includes holdings of securities not rated by any major rating agency. Unrated securities held in the fund may be of higher, lower, or comparable credit quality to securities that have a credit rating from a Nationally Recognized Statistical Rating Organization (NRSRO). Therefore, investors should not assume that the unrated securities in the fund increase or decrease the fund's overall 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, 2025. 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 method of calculation of the 30-Day Standardized Subsidized Yield is mandated by the Securities Exchange Commission and is determined by dividing the net investment income per share earned during the last 30 days of the period by the maximum public offering price of the Fund ("POP") per share on the last day of the period. This number is then annualized. The 30-Day Standardized Subsidized Yield reflects fee waivers and/or expense reimbursements recorded by the Fund during the period. Without waivers and/or reimbursements, yields would be reduced. 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 adjust for any fee waivers and/or expense reimbursements in effect. If the Fund does not incur any fee waivers and/or expense reimbursements during the period, the 30-Day Standard Subsidized Yield and 30-Day Standardized Unsubsidized Yield will be identical.

A basis point (bp) is equal to 1/100th of 1%, or 0.01% (0.0001). For example: 1% change = 100 basis points, and 0.01% = 1 basis point.

Economic and market forecasts presented herein reflect a series of assumptions and judgments as of the date of this presentation and are subject to change without notice. These forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific client. Actual data will vary and may not be reflected here. These forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. Commerce Funds has no obligation to provide updates or changes to these forecasts. Case studies and examples are for illustrative purposes only.

FOOTNOTES

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. 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.

**\* 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.**

\*\* 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.

\*\*\* The Morningstar Rating™ is calculated for funds with at least a 3-year history based on a risk-adjusted return measure that accounts for variation in a fund's monthly excess returns. Exchange-traded funds and open-ended mutual funds are considered a single population. In each category, the top 10% = 5 stars, next 22.5% = 4 stars, next 35% = 3 stars, next 22.5% = 2 stars, and bottom 10% = 1 star. Overall rating is derived from a weighted average of the returns associated with its 3-, 5-, and 10-year (if applicable) rating, excluding all sales charges. Weights are based on the # of months of total returns: 100% 3-year rating for 36-59 months, 60% 5-year rating/40% 3-year rating for 60-119 months, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months. ©2023 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance does not guarantee future results, which may vary.**

A current Commerce Funds prospectus or additional information regarding The Commerce Funds may be obtained by calling:  
1-800-995-6365

or by 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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