



# Commerce National Tax-Free Intermediate Bond Fund

3/31/23

Commerce Funds

TICKER SYMBOL	CFNLX	CUSIP	200626703	INCEPTION DATE	2/21/95
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## FUND OBJECTIVE

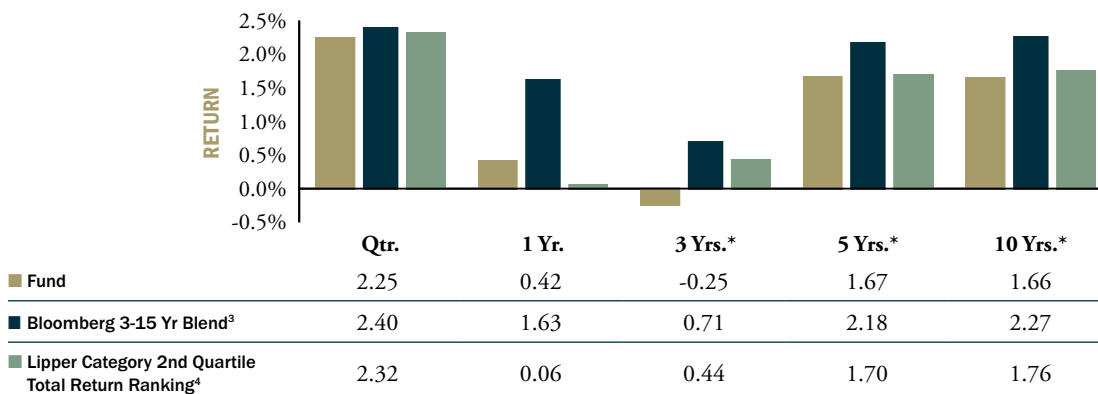
Seeks current income exempt from federal income tax consistent with the preservation of capital. The Fund pursues this objective through investment in municipal securities exempt from regular federal income tax and federal alternative minimum taxes.

### NATIONAL TAX-FREE INTERMEDIATE BOND FUND UPDATE

The Federal Reserve (The Fed) continued to address inflation by increasing their benchmark interest rate by 25 basis points (bps) in March up to 5%. The market initially expected another increase of at least 50 bps, however, banking turmoil returned to markets with the failure of Silicon Valley Bank and the introduction of a new liquidity facility, the Bank Term Funding Program. This was not limited to the domestic banking system as Credit Suisse was absorbed by UBS in a transaction facilitated by the Swiss government to regain confidence globally. Concerns over the banking sector sent yields lower during the quarter, with significant moves lower in the front-end of the curve especially in March. The US Treasury curve flattened, and the municipal curve steepened; yields decreased notably in the front-end for both Treasuries and munis during the quarter. Municipal bonds underperformed US Treasuries in 1Q. The 10-year Treasury yield decreased 41 bps from 3.88% to 3.47% while the 10-year municipal yield decreased 36 bps from 2.63% to 2.27% during the quarter. The 10-year muni/treasury ratio decreased to 65%. New issuance supply decreased almost 32% year-over-year, ending the quarter at over \$75 billion. Refunding deals made up just 18% of new supply and taxable supply comprised 16%. Credit spreads ended the quarter flat. Lower quality bonds underperformed their higher quality counterparts slightly. Bloomberg Barclay's high yield muni index underperformed their investment grade index by 5 bps for the quarter. Longer bonds outperformed shorter bonds while GO (General Obligation) bonds underperformed revenue sectors.

For the first quarter, The Commerce National Tax-Free Fund's return of 2.25% underperformed the Bloomberg 3-15 Year Blend benchmark of 2.40%. Longer maturities were the most additive. Lease, housing, and limited tax sectors performed the best. The Fund's exposures to the pre-refunded, water/sewer and higher education sectors detracted.

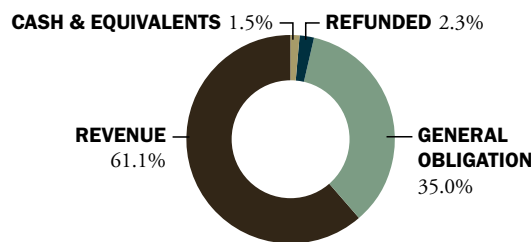
### TOTAL RETURNS (%) AS OF 3/31/23



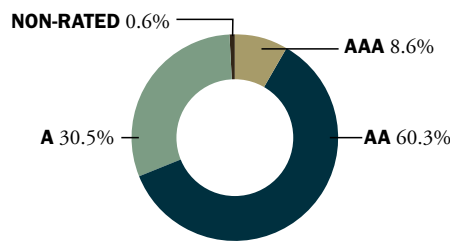
Lipper Category: Intermediate Municipal Debt Funds

\* 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	\$383,267,134
Net Asset Value <sup>1</sup>	\$18.71

### 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>	5.41 Yrs
Number of Holdings	410

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

Less than 2 Years	11.7%
2-5 Years	26.8%
6-11 Years	40.0%
12-17 Years	18.9%
17+ Years	2.6%

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

30-Day Subsidized Yield	2.51%
30-Day Unsubsidized Gross Yield	2.51%

### LIPPER TOTAL RETURN RANKINGS<sup>\*\*</sup>

Lipper Intermediate Municipal Debt Funds as of 3/31/23

1 Year	70 out of 215
5 Years	87 out of 167
10 Years	82 out of 132

### MORNINGSTAR RISK ADJUSTED RATINGS<sup>\*\*\*</sup>

Muni National Intermediate Funds Category as of 3/31/23

Overall	★★	out of 273 funds
3-Year	★★	out of 273 funds
5-Year	★★★	out of 236 funds
10-Year	★★	out of 185 funds



Commerce National Tax-Free Intermediate Bond Fund

3/31/23

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, 2024. 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

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by visiting our website at:

www.commercefunds.com

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or by writing to:

The Commerce Funds  
P.O. Box 219525  
Kansas City,  
MO 64121-9525

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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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