

Growth Stock Valuations

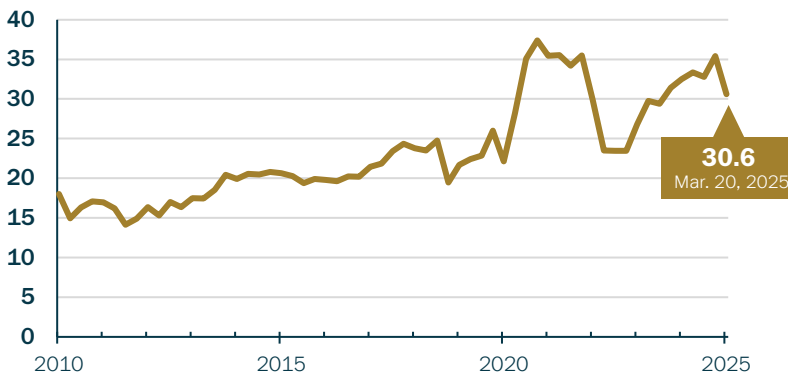
A Balanced Investment Strategy



Are Growth Stock Valuations Stretched?

Large cap growth stocks have experienced price appreciation, leading to higher valuations as illustrated in the chart below. Returns of the largest growth stocks have been robust, so now what? How do you invest in growth stocks in this environment? One potential solution is the **Commerce Growth Fund (CFGRX)**.

Russell 1000 Growth Index | P/E Ratio | Quarterly, Mar. 2010 - Mar. 2025



Source: Bloomberg Finance L.P., as of March 20, 2025

Over the past three years, our research indicates that concentrated positions in large cap stocks with the largest market capitalization – typically the “Magnificent 7,” or “Nifty Nine” if including Netflix and Broadcom – have significantly influenced large cap growth performance¹. The Magnificent 7 posted a total rate of return in 2024 of 56.3%. Since 2022 the Magnificent 7 gained 18.5%, more than double the S&P 500’s 8.9% annualized return as of 12/31/2024. Because of the robust performance, growth stocks have become more expensive and valuations are becoming stretched.

The Commerce Growth Fund employs a unique and disciplined investment strategy: combining a low volatility quantitative screen while maintaining exposure to the largest weighted positions in the Russell 1000 Growth Index, such as the Magnificent 7.

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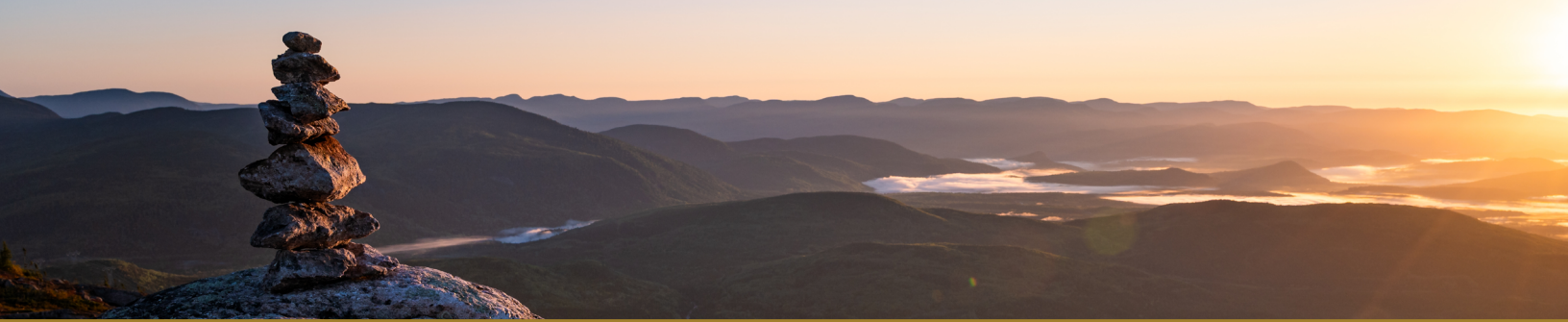
The Commerce Funds

Commerce Bank began its proprietary mutual fund development in 1993, launching The Commerce Funds in 1994 with \$251 million. Today, we manage nine distinct funds, totaling over \$2.5 billion in assets, catering to a range of investment objectives from capital preservation to growth.

Our commitment to customer service, established at the outset, continues to drive our efforts to enhance product offerings and prioritize shareholder satisfaction. The Commerce Funds are distributed through Goldman Sachs & Co. LLC.

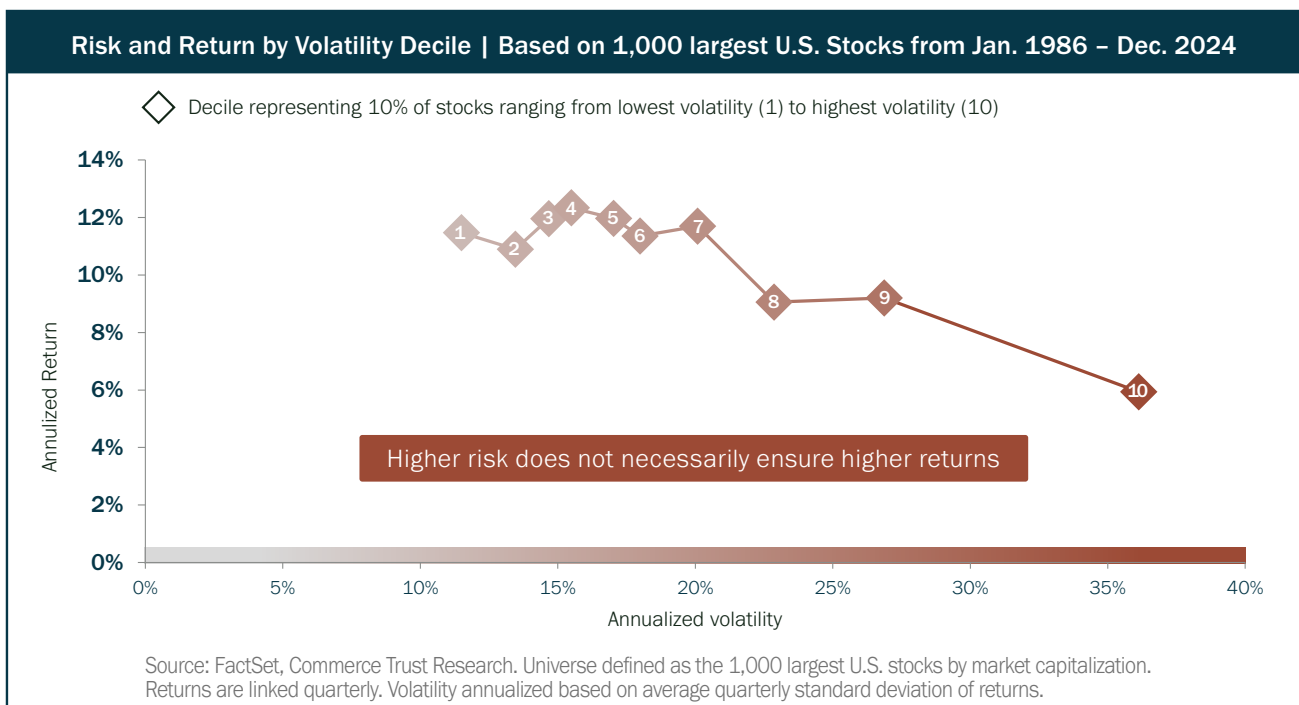
Fund Statistics

Inception Date	12/12/94
Ticker Symbol	CFGRX
Cusip	200626406
Minimum Initial Investment	\$1000



The result has been competitive performance when concentrated positions, like the Magnificent 7, are the primary drivers of the Index returns, along with downside risk reduction. As of 2024 year-end, the Magnificent 7 was the primary driver of Index returns and the Commerce Growth Fund was in the top 44th percentile of the Lipper Large Cap Growth Category. Over the past three years for the period ending December 31, 2024, the Fund was in the top 23rd percentile.

We believe the Russell 1000 Growth Index can be volatile. When the Index was down 1.5% in 2018, the Commerce Growth Fund was down 0.86%. Relative to the Lipper Large Cap Growth Category, the Fund was in the top 47th percentile. In 2022, while the Index experienced a 29.1% loss, the Fund outperformed, down by 26.6% and ranking in the top 12th percentile of the Lipper Large Cap Growth Category. According to FactSet, history shows us that higher risk, measured by volatility, does not ensure higher returns.



If an allocation to large cap growth stocks is appropriate for your portfolio, we believe the Commerce Growth Fund may be the solution. Regardless, if a few concentrated positions drive performance – or if the market broadens out – our strategy has participated on the upside while providing risk reduction on the downside.

¹The term 'Magnificent 7 stocks' refers to seven dominant tech companies: Apple, Microsoft, Amazon, Alphabet, Meta, Nvidia, and Tesla. "Nifty Nine" refers to a collection of nine stocks that are considered to be strong and stable investments. The stocks are chosen from a variety of sectors, such as agriculture and scientific instruments.

The price-earnings ratio (PE Ratio) is the market value per share of a company, divided by its earnings per share (EPS). The PE Ratio is used as a measure of valuation of a company's stock price.

Disclosures

The Russell 1000 Growth Index is an unmanaged index that measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

Volatility is the degree of variation of a trading price series over time.

All investing involves risk, including loss of principal. Please refer to the linked fact card for important fund risks, standardized performance, Lipper Rankings and additional disclosures.

[Commerce Funds Growth Fund Fact Card 4Q24](#)

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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.

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