

# SECURITIES AND EXCHANGE COMMISSION

## FORM 497

Definitive materials filed under paragraph (a), (b), (c), (d), (e) or (f) of Securities Act Rule 497

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### FILER

#### COMMERCE FUNDS

CIK: **926243** | State of Incorporation: **DE** | Fiscal Year End: **1031**  
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THE COMMERCE FUNDS

SUPPLEMENT DATED JANUARY 1, 1997  
TO PROSPECTUS DATED MARCH 1, 1996

Effective January 1, 1997, The Commerce Funds will begin offering a second class of shares, designated as Service Shares. Service Shares will be offered to retail investors as described in a separate Prospectus. Service Shares and Institutional Shares represent equal pro rata interests in a Fund, except that (i) Service Shares will bear the expenses incurred under The Commerce Funds' Distribution Plan and Shareholder Services Plan applicable to Service Shares at annual rates not to exceed 0.25% and 0.25%, respectively, of average daily net assets of Service Shares of the Short-Term Government, Bond, Balanced, Growth, Aggressive Growth and International Equity Funds and (ii) each class will have different exchange privileges and shareholder servicing. The differences in expenses paid by the respective funds will affect performance. As of January 1, 1997, the class of shares offered by the accompanying Prospectus has been designated as Institutional Shares and will be offered to institutional investors. For information regarding Service Shares, please call The Commerce Funds at 1-800-305-2140. Current shareholders of the Institutional Class can continue to purchase additional shares of the Institutional Class.

EXCHANGE OPTION

Effective, January 1, 1997, the exchange option for investments in a money market fund has been changed from Financial Square Treasury, Prime and Tax-Free Money Market Funds to the Goldman Sachs--Institutional Liquid Assets Prime Obligations Portfolio.

SALES CHARGE

Effective January 1, 1997, the maximum front-end sales charge is 2.00% on purchases of Institutional Shares of the Short-Term Government Fund and the sales charge schedule has been changed to the following:

<TABLE>  
<CAPTION>

AMOUNT OF PURCHASE	MAXIMUM DEALER'S REALLOWANCE		
	AS A % OF OFFERING PRICE PER SHARE	AS A % OF NET ASSET VALUE PER SHARE	AS A % OF OFFERING PRICE PER SHARE*
<S>	<C>	<C>	<C>
Less than \$500,000.....	2.00%	2.04%	1.80%
\$500,001 but less \$1,000,000.....	1.00%	1.01%	0.90%
\$1,000,001 or more.....	0.00%	0.00%	0.00%

</TABLE>

\*Dealer's reallowance may be changed periodically.

FINANCIAL HIGHLIGHTS

The following replaces the "FINANCIAL HIGHLIGHTS" on page 6.

FINANCIAL HIGHLIGHTS

SELECTED DATA OF INSTITUTIONAL SHARES OUTSTANDING  
DURING THE SEMI-ANNUAL PERIOD ENDED APRIL 30, 1996

INSTITUTIONAL SHARES

The financial highlights presented below set forth certain information concerning the investment results for the Institutional Shares of each Fund for the semi-annual period ended April 30, 1996. The following data with respect to an Institutional Share outstanding during the period ended April 30, 1996 has been derived from unaudited financial statements prepared by The Commerce Funds. This information should be read in conjunction with the financial statements and related notes incorporated by reference and attached to the Statement of Additional Information. These reports also contain performance information and may be obtained free of charge by contacting The Commerce Funds at the address or telephone number on page 29 of the Prospectus.

THE COMMERCE FUNDS

FINANCIAL HIGHLIGHTS

<TABLE>  
<CAPTION>

	INCOME FROM INVESTMENT OPERATIONS				DISTRIBUTIONS TO SHAREHOLDERS		
	NET ASSET VALUE, BEGINNING OF PERIOD	NET INVESTMENT INCOME	NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS (b)	FROM NET INVESTMENT INCOME	FROM NET REALIZED GAIN ON INVESTMENTS	NET ASSET VALUE, END OF PERIOD	TOTAL RETURN (c)
SHORT-TERM GOVERNMENT FUND							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Six months ended (unaudited):							
4/30/96.....	\$18.83	\$0.55	\$ (0.29)	\$ (0.55)	\$ (0.22)	\$18.32	1.36%
12/12/94 (a) to 10/31/95.....	18.00	1.06	0.83	(1.06)	--	18.83	10.72
<CAPTION>							
BOND FUND							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Six months ended (unaudited):							
4/30/96.....	19.61	0.59	(0.58)	(0.59)	(0.26)	18.77	(0.02)
12/12/94 (a) to 10/31/95.....	18.00	1.12	1.61	(1.12)	--	19.61	15.59
<CAPTION>							
BALANCED FUND							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Six months ended (unaudited):							
4/30/96.....	22.10	0.25	1.45	(0.25)	(0.66)	22.89	7.82
12/12/94 (a) to 10/31/95.....	18.00	0.59	4.06	(0.55)	--	22.10	26.14
<CAPTION>							
RATIOS ASSUMING NO WAIVER OF FEES OR ENTERPRISE REIMBURSEMENTS							
	RATIO OF NET EXPENSES TO AVERAGE NET ASSETS (d)	RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS (d)	PORTFOLIO TURNOVER RATE	AVERAGE COMMISSION RATE	NET ASSETS AT END OF PERIOD (IN 000'S)	RATIO OF NET EXPENSES TO AVERAGE NET ASSETS (d)	RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS (d)
SHORT-TERM GOVERNMENT FUND							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Six months ended (unaudited):							
4/30/96.....	0.68%	5.88%	0%	--	\$27,128	1.05%	5.51%
12/12/94 (a) to 10/31/95.....	0.68	6.38	158	--	20,211	1.14	5.92
<CAPTION>							
BOND FUND							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Six months ended (unaudited):							
4/30/96.....	0.84	6.10	11	--	115,068	0.84	6.10
12/12/94 (a) to 10/31/95.....	0.88	6.64	58	--	98,504	0.88	6.64
<CAPTION>							
BALANCED FUND							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Six months ended (unaudited):							
4/30/96.....	1.13	2.30	23	\$0.0835	58,454	1.41	2.02
12/12/94 (a) to							

</TABLE>

- (a) Commencement of operations.
- (b) Includes the balancing effect of calculating per share amounts.
- (c) Assumes investment at the net asset value at the beginning of the period, reinvestment of all dividends and distributions, a complete redemption of the investment at the net asset value at the end of the period and no sales charges. Total return would be reduced if sales charges were taken into account.
- (d) Annualized.

THE COMMERCE FUNDS

FINANCIAL HIGHLIGHTS

SELECTED DATA FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD

<TABLE>  
<CAPTION>

	INCOME FROM INVESTMENT OPERATIONS				DISTRIBUTIONS TO SHAREHOLDERS			
	NET ASSET VALUE, BEGINNING OF PERIOD	NET INVESTMENT INCOME	NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS (b)	NET REALIZED AND UNREALIZED GAIN ON FOREIGN CURRENCY RELATED TRANSACTIONS (b)	FROM NET INVESTMENT INCOME	FROM NET REALIZED GAIN ON INVESTMENTS	NET ASSET VALUE, END OF PERIOD	TOTAL RETURN (c)

GROWTH FUND

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Six months ended (unaudited):									
4/30/96.....	\$24.68	\$0.08	\$2.76	--	\$(0.08)	\$(1.13)	\$26.31	11.79%	1.08%
12/12/94(a) to									
10/31/95.....	18.00	0.15	6.68	--	(0.15)	--	24.68	38.06	1.11

AGGRESSIVE GROWTH FUND

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Six months ended (unaudited):									
4/30/96.....	25.30	(0.01)	3.59	--	--	(0.68)	28.20	14.39	1.20
12/12/94(a) to									
10/31/95.....	18.00	(0.04)	7.34	--	--	--	25.30	40.56	1.32

INTERNATIONAL EQUITY FUND

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Six months ended (unaudited):									
4/30/96.....	18.64	0.10	2.78	(0.56)	(0.08)	(0.07)	20.81	12.48	1.72
12/12/94(a) to									
10/31/95.....	18.00	0.12	0.95	(0.40)	(0.03)	--	18.64	3.73	1.81

RATIOS ASSUMING NO WAIVER OF FEES OR ENTERPRISE REIMBURSEMENTS

	RATIO OF NET INVESTMENT INCOME (LOSS) TO AVERAGE NET ASSETS (d)	PORTFOLIO TURNOVER RATE	AVERAGE COMMISSION RATE	NET ASSETS AT END OF PERIOD (IN 000'S)	RATIO OF EXPENSES TO AVERAGE NET ASSETS (d)	RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS (d)
--	---	-------------------------	-------------------------	--	---	--

GROWTH FUND

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Six months ended (unaudited):						
4/30/96.....	0.62%	15%	\$0.0768	\$163,475	1.08%	0.62%
12/12/94(a) to						
10/31/95.....	0.81	33	--	141,735	1.11	0.81

AGGRESSIVE GROWTH FUND

<S>	<C>	<C>	<C>	<C>	<C>	<C>
-----	-----	-----	-----	-----	-----	-----

Six months ended (unaudited):						
4/30/96.....	(0.20)	32%	0.0808	64,601	1.20	(0.20)
12/12/94(a) to						
10/31/95.....	(0.29)	59	--	41,665	1.32	(0.29)

<CAPTION>

INTERNATIONAL EQUITY FUND

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Six months ended (unaudited):						
4/30/96.....	1.05	13%	0.0208	40,744	2.60	0.17
12/12/94(a) to						
10/31/95.....	1.06	25	--	21,014	3.50	(0.63)

</TABLE>

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- (a) Commencement of operations.
  - (b) Includes the balancing effect of calculating per share amounts.
  - (c) Assumes investment at the net asset value at the beginning of the period, reinvestment of all dividends and distributions, a complete redemption of the investment at the net asset value at the end of the period and no sales charges. Total return would be reduced if a sales charge were taken into account.
  - (d) Annualized.