CM Investment Solutions Limited

Pillar 3 Disclosures

As at 31 December 2016

Contents

List of tables and charts

Glossary

AIF:	Alternative Investment Fund
AIFM:	Alternative Investment Fund Manager
AIFMD:	Alternative Investment Fund Managers Directive
AuM:	Assets under Management
BAC:	Bank of America Corporation
BIPRU:	Prudential sourcebook for Banks, Building Societies and Investment Firms
BoM:	Board of Managers
CMISL:	CM Investment Solutions Limited
CPMI:	Collective portfolio management investment firm
FCA:	Financial Conduct Authority
GENPRU:	General Prudential sourcebook
ICAAP:	Internal Capital Adequacy Assessment Process
IPRU (INV):	Interim Prudential sourcebook for Investment Businesses
MiFID:	Markets in Financial Instruments Directive
MLIS:	Merrill Lynch Investment Solutions
UCITS:	Undertakings for Collective Investments in Transferable Securities

1 - Introduction

CM Investment Solutions Limited ("CMISL") is a limited company which has been incorporated under English law on 23 December 2013 and authorised by the Financial Conduct Authority ("FCA") to act as a Undertakings For The Collective Investment of Transferable Securities ("UCITS") management company in accordance with the UCITS Directive and as an Alternative Investment Fund Manager ("AIFM") under the AIFM Directive ("AIFMD").

CMISL is a BIPRU firm and complies with CRD III requirements, which are noted in the FCA Handbook rules ("BIPRU" and "GENPRU"). GENPRU 2 states that a firm must at all times, hold adequate capital resources that are equal to or in excess of the "variable capital requirement" and "base capital resources requirement", together known as the "capital resources requirement". Further detail is provided in Section 2.2.

As CMISL is classified as a collection portfolio management investment firm ("CPMI"), it must also hold capital in accordance with IPRU (INV) 11. This is comprised of two elements: the "funds under management requirement" and the "professional indemnity insurance capital requirement". Together with the capital resources requirement, they make up CMISL's minimum capital requirement.

This report constitutes the 'Capital Adequacy Disclosure' pursuant to the regulatory requirements of Pillar 3 as per the provisions set out in BIPRU 11.

This document provides detail on CMISL's available capital resources ("Capital Resources") and regulatory defined Pillar 1 minimum capital requirement ("Minimum Capital Requirement"). It demonstrates that CMISL has Capital Resources in excess of this requirement and maintains robust risk management and controls.

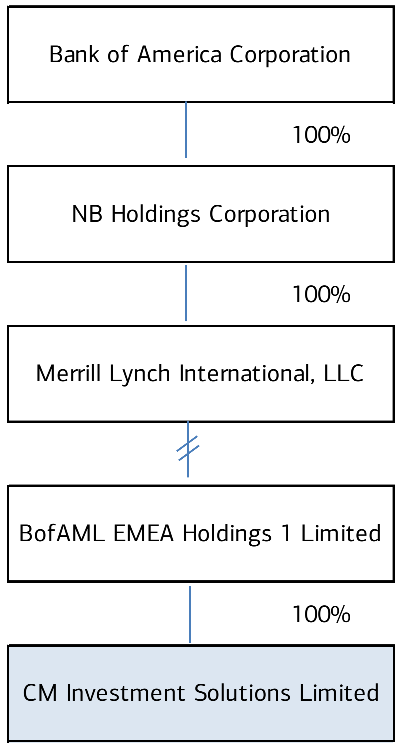
1.1 Operation, Structure and Organisation

CMISL is a wholly owned subsidiary of BofAML EMEA Holdings 1 Limited, a company incorporated in Jersey. The ultimate parent is Bank of America Corporation ("BAC"), a US corporation with head offices in Charlotte, North Carolina and, as such, must also comply with all relevant US regulations.

The chart on the next page (Figure 1) shows the abbreviated ownership and regulatory structure of CMISL. For a full BAC organisation chart, please refer to the investor relations website at http://investor.bankofamerica.com.

As at 31 December 2016, CMISL does not hold shares in other entities that may be consolidated for accounting purposes.

Figure 1: Abbreviated Organisation Chart showing the principal group entities through to the ultimate parent



// represents indirect wholly owned relationship

1.1.1 CM Investment Solutions Limited

CMISL is a UCITS management company with responsibility to perform, directly or by way of delegation, all functions relating to investment management, administration and marketing, as well as distribution.

CMISL manages UCITS funds of Merrill Lynch Investment Solutions ("MLIS") and performs investment management for passively managed funds. Management of actively managed funds are delegated to third party fund managers. Fund administration is delegated to a regulated administrator and distribution activity is delegated to a global distributor.

CMISL acts as an AIFM providing investment management and risk management services to Viaduct Invest Specialised Investment Fund. Other responsibilities, including sub-funds administration and distribution, are delegated.

CMISL has established appropriate operational controls to oversee delegated activities.

1.2 Basis of Preparation

The information contained in these disclosures has been prepared in accordance with BIPRU 11 for the purpose of explaining the basis on which CMISL has prepared and disclosed certain information about the management of risks and the application of regulatory capital rules and concepts. It therefore does not constitute any form of financial statement on CMISL, or of the wider Enterprise, is not directly comparable with the annual financial statements and the disclosure is not required to be audited by external auditors. In addition the report does not constitute any form of contemporary or forward looking record or opinion of the Enterprise.

The disclosures in this report are based on figures as at 31 December 2016.

CMISL's Pillar 3 disclosures are published on BAC's corporate website:
http://investor.bankofamerica.com

2 - Capital Resources and Minimum Capital Requirements

2.1 Capital Resources

2.1.1 Summary of 2016 Capital Resources

Capital resources represent the amount of regulatory capital available to an entity in order to cover all risks. Defined under GENPRU, capital resources are designated into 3 tiers, Tier 1, Tier 2 and Tier 3. Tier 1 capital consists of Core Tier 1 ("CT1") and hybrid capital. CT1 is the highest quality of capital and typically represents equity and audited reserves; hybrid capital usually represents contingent convertible bonds. Tier 2 capital typically consists of subordinated debt and preference shares, whilst Tier 3 usually represents short term subordinated debt.

Tier 1 capital is the only component of CMISL's Capital Resources.

The table below shows the regulatory capital resources for CMISL.

Table 1: CMISL Capital Resources

(Dollars in Thousands)	2016	2015
Ordinary Share Capital	18,855	18,855
Profit and Loss Account and Other Reserves	29,692	14,148
Tier 1 Capital	48,547	33,003
Total Capital Resources (net of deductions)	48,547	33,003

On December 31, 2016 the Company's share capital amounted to $18,854,548 represented by a total of 11,000,001 shares with a par value of GBP 1 each.

2.1.2 Transferability of Capital within the Group

Capital Resources are satisfied by sourcing capital either directly from BAC or from other affiliates. There is no material, current or foreseen, practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities.

2.2 Minimum Capital Requirements

CMISL calculates its minimum capital requirements as per FCA Handbook guidelines. The Minimum Capital Requirement is the amount of capital that GENPRU and IPRU (INV) require CMISL to hold at all times. CMISL's total Capital Resources must be greater than its Minimum Capital Requirement.

The Capital Requirement is calculated in reference to the below framework:

1. A funds under management requirement for its AIFMD and UCITS activities equal to the higher of:

   a) €125,000 + 0.02% of Assets under Management (“AuM”) above €250 million (cap €10 million);

or

   b) Own funds based on fixed overheads (art. 97 EU CRR).

   And to cover professional liability risks, with either:

   a) Professional negligence capital requirement (by way of own funds); or

   b) Professional indemnity insurance requirement.

2. A variable capital requirement for its MiFID designated investment business (GENPRU 2.1.45R) calculated as the higher of:

   a) sum of (i) the credit risk capital requirement and (ii) the market risk capital requirement on designated investment business; or

   b) the fixed overheads requirement (GENPRU 2.1.54).

The following table provides a breakdown of capital requirements as at 31 December 2016.

Table 2: Capital Requirements

(Dollars in Thousands)	**2016** **Capital Requirement**	**2015** **Capital Requirement**
For MiFID designated investment business		
Variable capital requirement, higher of:		
Credit risk capital requirement and market risk capital requirement; and	-	-
Fixed overheads requirement	528	144
Capital Resources Requirement (CRR)	**528**	**144**
For AIFMD and UCITS activities		
Funds under management requirement	1,579	1,908
Professional indemnity insurance ("PII") requirement	100	100
Total	**1,679**	**2,008**
Total Minimum Capital Requirement	**2,207**	**2,152**

2.3 Capital Resources vs. Minimum Capital Requirement and Solvency Ratio

CMISL had $48.5 million of eligible own funds compared to the capital requirement of $2.2 million as at 31 December 2016 and the surplus own funds highlight the fact that CMISL is well capitalised relative to its risks.

The below table provides surplus and solvency computation.

Table 3: Solvency Ratio

(Dollars in Thousands)	2016	2015
Total Capital Resources	**48,547**	**33,003**
Capital Requirement	**2,207**	**2,152**
Surplus	**46,340**	**30,851**
Solvency Ratio	**2100%**	**1434%**

3 - Risk Management Objectives and Policies

3.1 Risk Management

BAC, as the ultimate parent company of CMISL, has an established risk management framework which serves as the foundation for consistent and effective management of risks facing BAC and its subsidiaries. CMISL is integrated into and adheres to the global management structure and risk management and oversight framework, as adapted to reflect local business, legal and regulatory requirements.

The BAC Risk Framework consists of five components that apply to all employees and CMISL:

- Culture of managing risk well
- Risk appetite
- Risk management processes
- Risk data management, aggregation and reporting
- Risk governance

Focusing on these five components will allow effective management of risks across the seven key types of risk faced by CMISL, namely: Market, Credit, Operational, Liquidity, Compliance, Strategic and Reputational.

3.2 Culture of Managing Risk Well

A culture that instils the importance of managing risk well ensures appropriate focus on risk in all activities and that risk is everyone's responsibility. It encourages the necessary mind-set and behaviour to enable effective risk management and promote sound risk-taking within risk appetite. Individual accountability is the cornerstone of CMISL's culture. The culture requires that risks are promptly identified, escalated and debated, thereby benefiting the overall performance of CMISL.

3.3 Risk Appetite

CMISL adheres to BAC's line of business Risk Appetite Statement which together with the BAC Risk Framework provides CMISL with the basis to establish and execute risk taking activities in a manner consistent with the aggregate risk appetite of BAC.

The BAC Risk Appetite Statement is rooted in five principles:

- Overall risk capacity: BAC's overall capacity to take risk is limited, therefore risk prioritisation occurs. BAC's risk capacity informs its risk appetite, which is the level and types of risk that the entity is willing to take to achieve its business objectives
- Financial strength to absorb adverse outcomes: BAC maintains a strong and flexible financial position so it can weather challenging economic times and take advantage of organic growth opportunities. Therefore, objectives and targets will be set for capital that permit BAC to continue to operate in a safe and sound manner at all times, including during periods of stress
- Risk-reward evaluation: Risks taken are aligned to risk appetite and offer acceptable risk-adjusted returns for shareholders

- Acceptable risks: BAC considers all types of risk including those difficult to quantify. Qualitative guidance within the Risk Appetite Statement describes the approach taken to manage risks in a manner consistent with CMISL's culture.
- Skills and capabilities: BAC seeks to assume only those risks where appropriate skills and capabilities are present to identify, measure, monitor and control them
- Governance, Reporting and Monitoring: CMISL has a suite of regular reporting to monitor key metrics as part of the operational activities which are presented to the Board. A clear governance and breach escalation process is adopted as appropriate.

3.4 Risk Management Processes

Sound risk management includes processes to effectively identify, measure, monitor and control risk. Risk management is both an essential component of daily business activities and an integral part of the strategic, capital and financial planning process.

3.5 Risk Data Management, Aggregation and Reporting

Effective risk reporting provides a clear understanding of the risk profile. CMISL leverage data and management information systems to achieve transparency and generate actionable insights.

3.6 Risk Governance

CMISL adheres to the BAC risk governance framework which serves as the foundation for the comprehensive management of risks. It outlines, among other things, clear ownership and accountability for managing risk across three lines of defence: front line units, independent risk management and Corporate Audit.

3.7 Key Risk Types

The Risk Framework will allow effective management of risks across the seven key types of risk faced by CMISL.
CMISL's risks are typical for an investment manager that does not undertake trading on its own account. The key risks identified through the risk assessment process are reputational risk, compliance risk, market risk, credit risk and operational risk.

3.7.1 Reputational Risk

Reputational risk is the risk that negative perceptions of CMISL's conduct or business practices will adversely affect its profitability or operations through an inability to establish new or maintain existing client relationships or otherwise impact relationships with key stakeholders, such as investors, regulators, employees and the community.
Reputational risk can impact CMISL by adversely affecting the company's profitability or operations through an inability to attract or retain investors in sub-funds or retaining the investment manager on existing platforms.
CMISL manages reputational risk through policies and controls in the business and risk management processes to prevent or mitigate reputational risks in a timely manner and through proactive monitoring and identification of potential reputational risk events.

The process of identification, assessment and management of reputational risk is considered and addressed at CMISL Board whose charter also includes provision of guidance and approval for activities that represent specific reputational risks.

3.7.2 Compliance Risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of CMISL arising from the failure of CMISL to comply with requirements of applicable laws, rules and regulations and related self-regulatory organisations' standards and codes of conduct.

CMISL has a dedicated Compliance officer responsible for identifying and mitigating compliance risk, escalating compliance risk issues and providing ongoing, objective oversight of compliance risk for the company.

Compliance risk issues are reported to the CMISL Board and management as appropriate.

3.7.3 Market Risk

Market risk is the risk that changes in market conditions may adversely impact the value of assets or liabilities, or otherwise negatively impact earnings.

CMISL does not have any direct market risk exposure, however CMISL revenues are based on management fees paid on AuM. These fees may be received in currencies different to the reporting currency.

CMISL manages foreign currency exposure on a daily basis and hedges foreign exchange exposure by converting management fees to the reporting currency using FX spot on a monthly basis or if exposure is greater than EUR 1 million on a day, daily.

Market risk does exist in the underlying sub-funds, where an adverse market event can impact the performance and the value of AuM, this has a direct impact on CMISL revenue stream through a reduction in management fees which may be compounded by redemptions from investors. CMISL looks to manage the market risk by diversifying the portfolio of its sub-funds.

3.7.4 Credit Risk

Credit risk is defined as the loss arising from the inability or failure of a borrower or counterparty to meet its obligations.

The funds managed by CMISL are required to pay management fees. CMISL manages this credit risk by requiring the funds to hold cash reserves in order to pay these fees. The level of cash reserves is monitored on a daily basis to ensure sufficient reserves are held with comprehensive reporting to provide transparency.

3.7.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

CMISL undertakes investment management for a number of funds, and therefore management considers operational risk as one of its key risks. Operational risk for CMISL is the risk of loss for a UCITS or AIFM resulting from inadequate internal processes and failures in relation to the people and systems of the management company or AIFM or from external events, and it includes legal and documentation risk and risk resulting from the trading, settlement and valuation procedures operated on behalf of the fund.

Operational risk is managed as part of day-to-day activities, including third party outsourced activities, with preventive and detective controls. FLUs and Control Functions (“CF”) will be responsible for monitoring, assessing and testing the effectiveness of controls. Regular reporting to CMISL Board and Management will include material updates to main risks and operational loss events.

CMISL has a regulatory capital requirement for professional indemnity insurance which mitigates some operational risk.

3.7.6 Other Risks

Liquidity risk is the inability to meet expected or unexpected cash flow and collateral needs while continuing to support CMISL’s businesses and customers, under a range of economic conditions.

Strategic risk is the risk that results from incorrect assumptions about external and/or internal factors, inappropriate business plans (e.g. too aggressive, wrong focus, ambiguous), ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic and competitive environments.

A comprehensive review of liquidity and strategic risk has been performed as part of the ICAAP process and are not considered key risks for CMISL due to the nature of the business being undertaken.

3.8 Internal Capital Adequacy Assessment Process (“ICAAP”)

CMISL is subject to a comprehensive annual ICAAP process that assesses the entity’s capital positions both under normal and stress conditions. The process is managed by International Capital Management and Advocacy (“ICMA”) with the involvement of legal entity Risk and Finance Leadership, LOB heads and Enterprise Functions. The process is complemented by a strong governance structure that supports the review and challenge of the ICAAP, with the CMISL Board owning and approving the ICAAP.

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4 – Further details on risk

4.1 Credit Risk

For the purpose of calculating the variable capital requirement, under GENPRU 2.1.40, a collective management investment firm is required to calculate the credit and market risk requirement in respect of designated investment business only. GENPRU 2.1.46 states that for this purpose managing an AIF or UCITS is excluded from designated investment business. Therefore the credit risk and market risk capital requirements for CMISL relating to GENPRU 2.1.40 are nil.

While CMISL is excluded from the requirement to hold capital in relation to credit risk, it is exposed to credit risk in relation to receivables due from affiliates and fees due from the funds. This exposure is however deemed to be immaterial and CMISL manages this risk through day to day internal processes and procedures as well as requiring the funds to hold cash reserves in order to pay fees.

4.2 Impairments

A financial asset is past due when the counterparty has failed to make a payment when contractually due. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

As of December 2016, CMISL did not have any impairments, past due items, provisions or value adjustments.

4.3 Counterparty Credit Risk Exposure

CMISL is not exposed to any Counterparty Credit Risk as it does not hold a derivative portfolio or any trading assets.

4.4 Market risk

Per section 3.7.2, CMISL is not directly exposed to market risk.

4.5 Operational risk

Operational risk for CMISL is the risk of loss for a UCITS or AIF resulting from inadequate internal processes and failures in relation to the people and systems of the management company or AIFM or from external events. CMISL does not hold capital in relation to its operational risk as it is considered immaterial.

4.6 Reputational risk

Reputational risk can impact CMISL by adversely affecting the company’s profitability or operations through an inability to attract or retain investors in sub-funds or retaining the investment manager on existing platforms.

CMISL evaluates potential reputational risk through its risk management process. The process of identification, assessment and management of reputational risk is considered and addressed at CMISL Board and Committee meetings.

Reputational risk is mitigated and managed on all business activity via awareness and integration into the overall governance process, as well as being incorporated into the roles and responsibilities of its employees.

4.7 Compliance risk

Compliance risk for CMISL is the risk of legal or regulatory sanctions arising from the failure of the company to comply with the requirements of the asset management and financial services laws, rules and regulations.

CMISL employees are responsible for managing risk including compliance risk in their day-to-day activities. The CMISL business functions are supported by Compliance, Legal and Risk management functions.

CMISL has a dedicated Compliance Officer responsible for identifying and mitigating compliance risk, escalating compliance risk and issues, and providing ongoing, objective oversight of compliance risk for the company.

4.8 Disclosures Linked to Securitisation

CMISL does not hold any securitisation positions so no disclosures are made.

4.9 Impact of a Credit Rating Downgrade

The full impact of a BAC credit rating downgrade on CMISL depends on numerous factors, including (1) the type and severity of any downgrade; and (2) the reaction of counterparties, customers, and investors who face CMISL.

Based on CMISL's current activity, none of these events would be expected to have a significant impact on the CMISL liquidity profile.

For more information on the impact of a credit downgrade on collateral posted for the Enterprise see pg. 139 of the BAC 10K filing for 2016.

http://investor.bankofamerica.com/

4.10 Capital Resources

There are no differences between the accounting balance sheet values and the regulatory capital values of the items included in CMISL's capital resources.

Table 4: Capital Instrument Features

	Capital instruments main features template	1
		CET1
1	Issuer	CM Investment Solutions Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Private Placement
3	Governing law(s) of the instrument	English
Regulatory Treatment		
4	Transitional CRR rules	CET1
5	Post-transitional CRR rules	CET1
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares with voting rights
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	$18.9m comprising nominal and premium
9	Nominal amount of instrument	£1.00 for each share
9a	Issue price	£1.00 for each share
9b	Redemption price	N/a
10	Accounting classification	Shareholders equity
11	Original date of issuance	23 Dec 2013 £1 (initial share allotment upon incorporation) 16 Jul 2014 £11m
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/a
16	Subsequent call dates, if applicable	N/a
Coupons / Dividends		
17	Fixed or floating dividend/coupon	Directors may pay fixed dividends.
18	Coupon rate and any related index	N/a
19	Existence of a dividend stopper	No dividend has been paid since incorporation.
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/a
25	If convertible, fully or partially	N/a
26	If convertible, conversion rate	N/a
27	If convertible, mandatory or optional conversion	N/a
28	If convertible, specify instrument type convertible into	N/a
29	If convertible, specify issuer of instrument it converts into	N/a
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/a
32	If write-down, full or partial	N/a
33	If write-down, permanent or temporary	N/a
34	If temporary write-down, description of write-up mechanism	N/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/a
36	Non-compliant transitioned features	N/a
37	If yes, specify non-compliant features	N/a

(*) Insert 'N/A' if the question is not applicable

Table 5: Common Equity Tier 1 Capital Instruments and Reserves

	Common Equity Tier 1 Capital: Instruments and Reserves	Amount at Disclosure Date
1	Capital instruments and the related share premium accounts	18,855
	of which: Ordinary shares with full voting rights	18,855
2	Retained earnings	29,692
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	48,547
Common Equity Tier 1 (CET1) Capital: Regulatory Adjustments		
7	Additional value adjustments (negative amount)	-
28	**Total Regulatory Adjustments to Common Equity Tier 1 (CET1)**	-
29	**Common Equity Tier 1 (CET1) Capital**	48,547
45	**Tier 1 Capital (T1 = CET1 + AT1)**	48,547
Tier 2 (T2) Capital: Instruments and Provisions		
46	Capital instruments and the related share premium accounts	-
51	Tier 2 (T2) capital before regulatory adjustments	-
Tier 2 (T2) Capital: Regulatory Adjustments		
57	**Total Regulatory Adjustments to Tier 2 (T2) Capital**	-
58	**Tier 2 (T2) Capital**	-
59	**Total Capital (TC = T1 + T2)**	48,547
60	**Total Risk Weighted Assets**	17,265
Capital Ratios and Buffers		
61	**Common Equity Tier 1** (as a percentage of risk exposure amount)	281.2%
62	Tier 1 (as a percentage of risk exposure amount)	281.2%
63	Total Capital (as a percentage of risk exposure amount)	281.2%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	0.0%
65	of which: capital conservation buffer requirement	0.0%
66	of which: countercyclical buffer requirement	0.0%
68	**Common Equity Tier 1** available to meet buffers (as a percentage of risk exposure amount)	281.2%

5 – Remuneration Disclosure

Disclosures of remuneration policies required under Directive 'REGULATION (EU) No 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL, Article 450' are separately published on BAC's corporate website http://investor.bankofamerica.com/. It is considered that they cover the requirements under BIPRU 11.5 and should be deemed part of the Pillar 3 Disclosure for CMISL.