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CM Investment Solutions Limited

Pillar 3 Disclosure

As at 31 December 2017

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1. Introduction

CM Investment Solutions Limited (“CMISL”) is a limited company incorporated under English law on 23 December 2013 and authorised by the Financial Conduct Authority (“FCA”) to act as an Undertaking 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 collective portfolio management investment firm, 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 minimum capital requirement. It demonstrates that CMISL has Capital Resources in excess of this requirement and maintains robust risk management and controls.

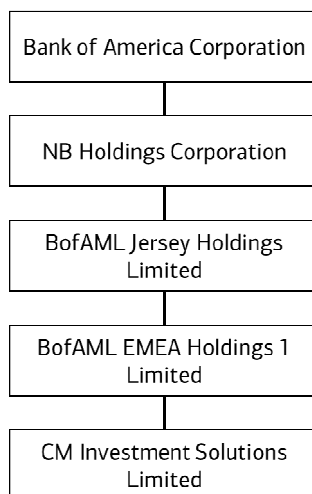
1.1 Operation Structure and Organisation

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.

Figure 1 shows the ownership 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 2017, CMISL does not hold shares in other entities that may be consolidated for accounting purposes.

Figure 1 CMISL Ownership Structure



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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 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 BAC Group.

The disclosures in this report are based on figures as at 31 December 2017.

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 2017 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.

Table 1 Capital Resources

<i>(USD Thousands)</i>	2017	2016
Ordinary share capital	18,855	18,855
Profit and loss account and other reserves	37,748	29,692
Tier 1 Capital	56,603	48,547
Total Capital Resources (net of deductions)	56,603	48,547

On 31 December 2017 CMISL’s share capital amounted to \$18,854,548 represented by a total of 11,0001,001 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).

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Table 2 Minimum Capital Requirement

<i>(USD Thousands)</i>	2017	2016
<i>For MiFID designated investment business</i>		
Variable capital requirement, higher of:		
Credit risk capital requirement and market risk capital requirement; and	-	-
Fixed overhead requirement	297	528
Capital Resources Requirement	297	528
<i>For AIFMD and UCITS activities</i>		
Funds under management requirement	2,228	1,579
Professional indemnity insurance requirement	100	100
Minimum Capital Requirement	2,625	2,207

2.3 Capital Resources vs. Minimum Capital Requirement and Solvency Ratio

CMISL had \$56.6 million of eligible own funds compared to the minimum capital requirement of \$2.6 million as at 31 December 2017 and the surplus own funds demonstrate that CMISL is well capitalised relative to its risks.

Table 3 Solvency Ratio

<i>(USD Thousands)</i>	2017	2016
Total Capital Resources	56,603	48,547
Total Capital Resources Requirement	2,625	2,207
Surplus	53,978	46,340
Solvency Ratio	2056%	2100%

3. Risk Management Objectives and Policies

3.1 Risk Framework

BAC established a risk governance framework (the “Risk Framework”) which serves as the foundation for consistent and effective management of risks facing BAC and its subsidiaries (“the Group”). BAC adopted the 2017 Risk Framework in December 2016. The key enhancements from the 2016 Risk Framework include the incorporation of the responsible growth strategy and updates to various definitions, and organization and governance structures.

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.

3.2 Risk Management Approach

Risk is inherent in all business activities. Managing risk well is the responsibility of every employee. Sound risk management enables CMISL to serve the customers and deliver for the BAC shareholders. If not managed well, risks can result in financial loss, regulatory sanctions and penalties, and damage to the Group’s reputation, each of which may adversely impact the Group’s ability to execute its business strategies. Managing risk well is fundamental to delivering on the Enterprise’s strategy for responsible growth.

The Risk Framework applies to all employees. It provides an understanding of the Group’s approach to risk management and each employee’s responsibilities for managing risk. All employees must take ownership for managing risk well and are accountable for identifying, escalating and debating risks facing the Group. The Risk Framework sets forth roles and responsibilities for the management of risk by front line units, independent risk management, other control functions and Corporate Audit. The following are the five components of the Group’s risk management approach:

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

Focusing on these five components allows effective management of risks across the seven key risk types faced by the Group’s business, namely: strategic, credit, market, liquidity, operational, compliance and reputational risks.

3.3 Culture of Managing Risk Well

A culture of managing risk well is fundamental to the Group’s core values and operating principles.

It requires focus on risk in all activities and encourages the necessary mindset and behaviour to enable effective risk management and promote sound risk-taking within the Group’s risk appetite. Sustaining a culture of managing risk well throughout the organisation is critical to the success of the Group and is a clear expectation of the Group’s executive management team and its Board of Directors.

The following principles form the foundation of the Group’s culture of managing risk well:

1. Managing risk well protects the Group and its reputation and enables the Group to deliver on its purpose and strategy

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2. The Group treats customers fairly and acts with integrity to support the long-term interests of its employees, customers and shareholders. The Group understands that improper conduct, behaviour or practices by the Group, its employees or representatives could harm the Group, the shareholders or customers, or damage the integrity of the financial markets
3. Individual accountability and an ownership mindset are the cornerstones of the Enterprise Code of Conduct and are at the heart of the Group's culture
4. All employees are responsible for proactively managing risk as part of their day-to-day activities through prompt identification, escalation and debate of risks
5. While the Group employs models and methods to assess risk and better inform the Group's decisions, proactive debate and a thorough challenge process lead to the best outcomes
6. Lines of business and other Front Line Units ("FLUs") are first and foremost responsible for managing all aspects of their businesses, including all types of risk
7. Independent risk management provides independent oversight and effective challenge, while Corporate Audit provides independent assessment and validation
8. The Group strives to be best-in-class by continually working to improve risk management practices and capabilities

3.4 Risk Appetite

CMISL's risk appetite is designed to be consistent with the aggregate risk appetite at the BAC level and is based on several principles:

- Overall risk capacity: Overall capacity to take risk is limited, therefore risk prioritisation is critical. Risk capacity informs risk appetite, which is the level and types of risk deemed acceptable to achieve business objectives
- Financial strength to absorb adverse outcomes: Maintenance of a strong and flexible financial position is essential to weather challenging economic times and take advantage of organic growth opportunities. Therefore, objectives and targets are set for capital and liquidity that permit CMISL 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 BAC shareholders
- Skills and capabilities: CMISL seeks to assume only those risks which it has the skills and capabilities to identify, measure, monitor and control

3.5 Risk Management Processes

The Risk Framework requires that strong risk management practices are integrated in key strategic, capital and financial planning processes and in day-to-day business processes across the Group, thereby ensuring risks are appropriately considered, evaluated and responded to in a timely manner.

The Group's approach to Risk Management Processes:

- All employees are responsible for proactively managing risk
- Risk considerations are part of all daily activities and decision-making
- The Group encourages a thorough challenge process and maintains processes to identify, escalate and debate risks
- The Group utilizes timely and effective escalation mechanisms for risk limit breaches

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FLUs have primary responsibility for managing risks inherent in their businesses. The Group employs an effective risk management process referred to as Identify, Measure, Monitor and Control as part of their daily activities.

3.6 Risk Data Management, Aggregation and Reporting

Effective risk data management, aggregation and reporting are critical to provide a clear understanding of current and emerging risks and enables the Group to proactively and effectively manage risk.

Risk Data Management, Aggregation and Reporting Principles:

- Complete, accurate, reliable and timely data
- Clear and uniform language to articulate risks consistently across the Group
- Robust risk quantification methods
- Timely, accurate and comprehensive view of all material risks, including appropriate level of disaggregation

Functional risk managers arrange risk reporting to address the requirements of CMISL management bodies as appropriate.

3.7 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: FLUs, independent risk management and Corporate Audit.

3.8 Key Risk Types

3.8.1 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.

3.8.2 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 market risk by diversifying the portfolio of its sub-funds.

3.8.3 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.

3.8.4 Reputational Risk

Reputational risk is the potential 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 stem from many of CMISL’s activities, including those related to the management of the strategic, operational or other risks, as well as the overall financial position. As a result, CMISL evaluates the potential impact to its reputation within all of the risk categories and throughout the risk management process.

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.

3.8.5 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.

3.8.6 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, in the geographic locations in which CMISL operates (such as competitor actions, changing customer preferences, product obsolescence, and technology developments).

Liquidity and strategic risk and are not considered key risks for CMISL due to the nature of business undertaken. CMISL manages liquidity and strategic risk through policies and controls in the business and risk management processes.

3.9 Internal Capital Adequacy Assessment Process (“ICAAP”)

CMISL is subject to a comprehensive 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 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.

4. Further Details on Risk

4.1 Credit and Market 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 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.

4.3 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 2017, CMISL did not have any impairments, past due items, provisions or value adjustments.

4.4 Disclosures Linked to Securitisation

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

4.5 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 page 139 of the BAC 10K filing for 2016.

<http://investor.bankofamerica.com/>

4.6 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.

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Table 4 Capital Instrument Features

Capital Instruments Main Features		CET1
1	Issuer	CM Investment Solutions Limited
2	Unique identifier	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 per share
9a	Issue price	£1.00 per share
9b	Redemption price	N/A
10	Accounting classification	Shareholder's 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 date
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
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

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Table 5 Common Equity Tier 1 Capital Instruments and Reserves

Own Funds Disclosure		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	37,748
3	Accumulated other comprehensive income (and any other reserves)	-
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	56,603
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	56,603
45	Tier 1 capital (T1 = CET1 + AT1)	56,603
Tier 2 (T2) Capital: Instruments and Provisions		
46	Capital instruments and the related share premium accounts	-
51	Tier 2 (T2) capital before regulatory adjustment	-
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)	56,603
60	Total risk-weighted assets	32,817
Capital Ratios and Buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	172.50%
62	Tier 1 (as a percentage of total risk exposure amount)	172.50%
63	Total capital (as a percentage of total risk exposure amount)	172.50%

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.