

USD C-5 Strategy: Market Neutral Commodities Total Return

Launch Date: 27.01.2011

NAV per share¹: \$110.78Monthly Performance¹: 3.04%Launch to Date¹: 10.78%

INVESTMENT OBJECTIVE

The MLCX Alpha F5 Total Return Index ("MLCXAF5 Index") was designed by BofA ML Commodity Research as a broad-based, UCITS IV compliant commodity index providing a market neutral exposure to commodity markets. The MLCX Alpha F5 Total Return Index is a Long - Short index replicating the outperformance of the MLCXA01 Index over the DJUBS Index on a five times leveraged basis. The MLCXAF5 Index is designed to meet the requirements set by the UCITS Directives. Under UCITS IV rules, investing in a commodity futures index is permitted as long as each sector component of the index does not exceed 20%, although one sector may represent up to 35% of the broad index.

The MLCXAF5 Index is five times leveraged meaning that its level increases by five times the outperformance of the MLCXA01 Index compared to the DJUBS Index and increases by five times the underperformance of the MLCXA01 Index compared to the DJUBS Index. Certain share classes have reduced participation in the MLCXAF5 Index meaning that these share classes are less than five times exposed on a net basis to the MLCXA01 vs DJUBS strategy. The Fund offers investment opportunities through three different share classes (Alpha 1, Alpha 3, Alpha 5), each tracking a Reference Index linked to the performance of MLCXAF5 strategy as follows:

Each of the Reference Indices is calculated on a "total return after costs" basis using : 1) the daily performance of the MLCXAF5 Long - Short strategy on an "excess return before cost" basis, 2) multiplied by the relevant Participation Level, 3) decreased of the relevant daily roll costs, 4) compounded by the daily interest rate.

FUND DESCRIPTION

The MLCXAF5 Index is a rule-driven Long - Short commodity Index published on Bloomberg. The commodities and respective weights included in the long portfolio (MLCXA01 Index) are the same as the ones in the short portfolio (DJUBS Index). The MLCXA01 Index has been designed to optimise the rolling returns versus other commodity indices of the same type. Instead of rolling futures contracts in a conventional front to second or third month roll schedule over a five-day window, the MLCXA01 rolls with an enhanced mechanism that considers roll window and curve placement in order to produce alpha.

MONTHLY REVIEW

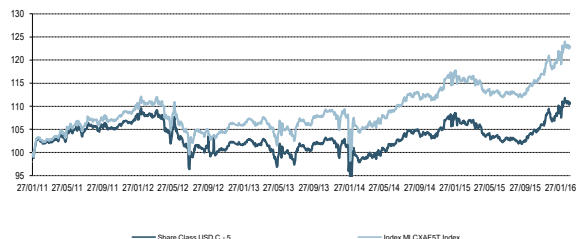
MLCX Commodity Alpha performed well in February (up by +3.23%) while the Bloomberg Commodities TR Index was down by -1.63%.

The good performance of the strategy was driven mainly by Natural Gas (which contributed 1.58% to the strategy) and WTI (+0.86% contribution). Very few commodities posted a negative curve alpha performance through the month as the only draggers were Sugar (-0.16%) and Heating Oil (-0.06%).

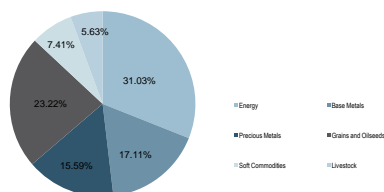
Natural Gas Curve Alpha was up with prices overall moving considerably lower through February (Natural Gas prices front month contract prices fell steadily by -25.54% through the month). As a consequence the contango in the front of the curve steepened which led to the good performance of Natural Gas curve alpha (for example April to July contango moved from \$12c to \$28c). Nat gas inventories now stand 2.8% above the 5 years maximum for the same period. So far in this winter we only had one draw that was bigger than the 5 year average as the weather turned warm and curbed heating demand virtually across the entire US, especially in December.

Similar story on the WTI side. Even if prices overall moved higher through the month, the intense build in inventories through the month led the contango in the front of the curve to steepen. Focusing on inventories, the Department of Energy (DOE) reported that Crude stocks built +3% from a month ago levels (total 15.2 mn bbls built this month vs total expectations of 11 mn bbl) and stand at +17% above year ago levels. Cushing stocks also built significantly at the end of the month, standing now at a new record high of 66.3 mn bbls (+30.5% above the 5 years maximum level for the same period and +3.2% higher than a month ago levels). We believe inventory levels at Cushing are only few million barrels away from maximum capacity.

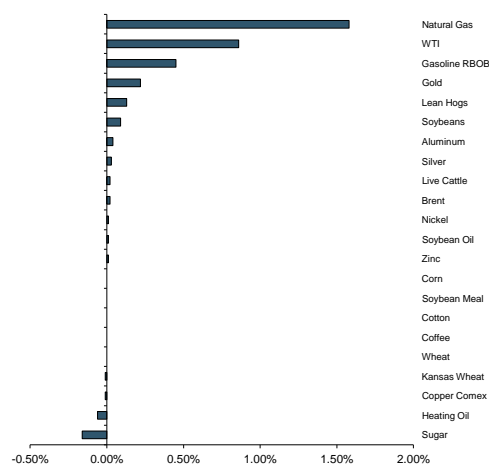
HISTORICAL DAILY PERFORMANCE SINCE LAUNCH DATE



INDEX COMPOSITION - MLCXAF5 2016 TARGET WEIGHTS*



Performance Attribution



Source: Bank of America Merrill Lynch

* Unleveraged

1. The performance figures contained here in are net of fees. The returns shown are based on the USD C-5 Class's monthly returns as a whole and not the returns experienced by any particular investor (which are affected by a number of factors, including the timing of subscriptions and redemptions and the fee management applicable to a particular investor).

Past performance is not indicative of future results.

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SHARE CLASS VALUATION

Retail Classes	ISIN	BBG	SEDOL	NAV
EUR C-5 (Alpha 5)	LU1057468818	MLMCA11 LX	BLRZX20	110.93
USD C-5 (Alpha 5)	LU1057469469	MLMCA12 LX	BLRZY02	110.78

STATISTICS¹

	Fund	Index
Volatility	8.00%	7.52%
Fund Correlation to	-	93.51%

Since Launch Date
Source: Bank of America Merrill Lynch

HISTORICAL MONTHLY RETURN¹

	Annual Return	Jan	Feb	March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	0.00%	0.10%	3.04%										
2015	-0.08%	-0.10%	-0.96%	0.67%	-2.66%	-1.35%	0.16%	0.04%	-0.43%	-0.05%	2.10%	1.34%	1.25%
2014	5.63%	-4.92%	1.19%	1.01%	-0.14%	1.56%	1.17%	1.96%	0.71%	-0.42%	-0.04%	0.71%	2.89%
2013	-0.13%	0.25%	-0.13%	-0.01%	-1.25%	1.20%	-2.03%	0.66%	0.25%	1.28%	0.51%	0.11%	-0.92%
2012	-4.35%	1.50%	-0.26%	1.27%	-4.29%	3.08%	-5.19%	-2.91%	1.77%	-0.67%	0.07%	1.03%	0.51%
2011	6.53%	-0.14%	3.64%	-0.21%	0.79%	1.25%	1.50%	0.31%	0.72%	0.53%	-0.74%	-0.25%	0.60%

FUND CHARACTERISTICS

Base Currency	USD
Total Fund Size	\$21,611,072.83
Subscription / Redemption Frequency	Daily
Subscription / Redemption Notice	T-1, 17:00 Luxembourg Time
NAV Publication	Daily
Minimum Investment Size	\$ 10,000
Initial Sales Charge ²	5.00% maximum
Management Fee ²	1.85% p.a.
Fund Expense Fee ²	0.15% p.a.
Total Expense Ratio ²	2.00% p.a.
Listing	None

FUND MANAGEMENT

Investment Manager	CM Investment Solutions Limited
Sponsor	Merrill Lynch International
Auditor	PricewaterhouseCoopers
Custodian	State Street Bank Luxembourg S.C.A
Administrator	State Street Bank Luxembourg S.C.A
Transfer Agent	State Street Bank Luxembourg S.C.A

1. The performance figures contained here in are net of fees. The returns shown are based on the USD C-5 Class's monthly returns as a whole and not the returns experienced by any particular investor (which are affected by a number of factors, including the timing of subscriptions and redemptions and the fee management applicable to a particular investor).

2. Refers to Retail share classes.

Past performance is not indicative of future results.

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