

Flow turns green

Theme Watch – Navigating a Transforming World

As part of our work on [A Transforming World](#), we continue to believe that investors should position for lower expected returns from financial markets by concentrating portfolios in assets related to our long-term themes. Theme Watch is a monthly report to help investors consider their tactical thematic asset allocations in light of current market conditions and macroeconomic events. It offers insights on performance, positioning, BofAML equity client trading flows, and the BofAML Style Cycle across the following themes: [climate change & extreme weather](#), [education](#), [energy efficiency](#), [food security](#), [longevity](#), [obesity and health & wellness](#), [safety & security](#), [waste](#), and [water](#).

Performance: Safety +26%, Education +24%, Obesity +22%

We have benchmarked our thematic Primer Picks (Buy-rated names with material exposure) against the MSCI AC World since inception on 6 December 2013. Six out of seven themes are outperforming benchmark since inception. Safety is the best performer since inception, up 25.9%, followed by Education, +23.7%, Obesity, +22.2%, Waste and Climate Change +17.5%, and Energy Efficiency, +15.6% (vs +14.2% for MSCI AC World). Water is the sole underperformer at +9.1%. Longevity and Food Security Primer Picks are not included as we have < 12m of data.

Water stays bid; Education, Climate also +3-4% this month

After catching a bid last month, Water maintains momentum (1M +2.9%), driven by water utilities and water-friendly energy names. Education (+4.0%) and Climate Change (+2.9%) also outperformed on the back of universities & colleges and renewables, particularly those in China and Brazil. Obesity was the only theme in the red (-1.1%), weighed down by food retailers and biotech.

Highest theme inflows to-date; Water & Waste gaining favour

We witnessed the highest net inflows this month (+\$10.8bn) since we began monitoring in September 2014. BofAML clients were net buyers of every theme and every region (AMRS, EMEA, APAC). Longevity experienced the highest inflows for a 2nd straight month (+\$2.0bn), erasing much of the outflows from previous months. Energy Efficiency, Education, and Safety maintain the highest cumulative inflows with +US\$5.1bn, +US\$3.8bn, and +US\$3.4bn respectively, and are the highest Overweights in terms of client positioning. Nonetheless, investors have been increasing exposure to Water and Waste, which had been relative Underweights.

Style Cycle: Water & Waste over Obesity

Last month, our [BofAML Style Cycle model](#) has moved into 'Recovery' phase after spending seven months in 'Recession'. Our environmentally-focused themes – Water, Waste, and Climate Change – have the highest exposure to stocks that should outperform in this phase. Conversely, Obesity has the highest proportion of stocks that screen as likely to underperform. Performance and investor positioning has already started to echo this, and we continue to highlight the green themes.

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A Transforming World

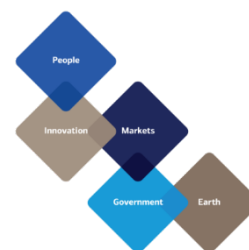
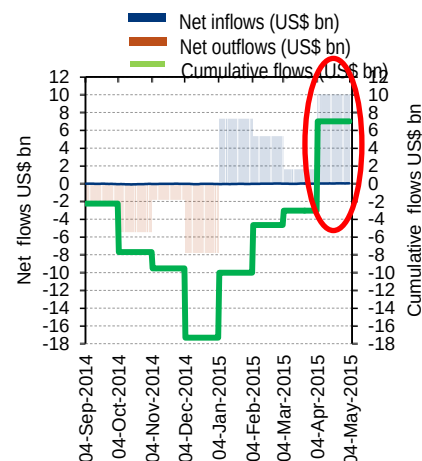


Chart 1: BofAML client monthly net flows and cumulative flows in Thematic universe



Source: BofA Merrill Lynch Global Research

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Refer to important disclosures on page 82 to 84.

Contents

Theme Watch	3
BofAML Thematic Investing Stock Lists & Primer Picks	4
Performance – how themes fared	5
Style cycle – what should you invest in	8
Ownership – where are you invested	11
Equity Flows – Recent trading	21
Themes	22
Climate change & extreme weather - A perfect storm	22
Education - Stay in school	27
Energy efficiency – Efficient frontier	32
Food Security –Feed the World	37
Demographics - Longevity revolution	41
Obesity and health & wellness - Globesity	45
Safety & Security - Safer world	50
Waste - No time to waste	55
Water - Blue revolution	60
Methodology Appendix	65

See also: [Thematic Investing: A Transforming World – Q1 2015 Primer Picks 04 March 2015](#)

Theme Watch

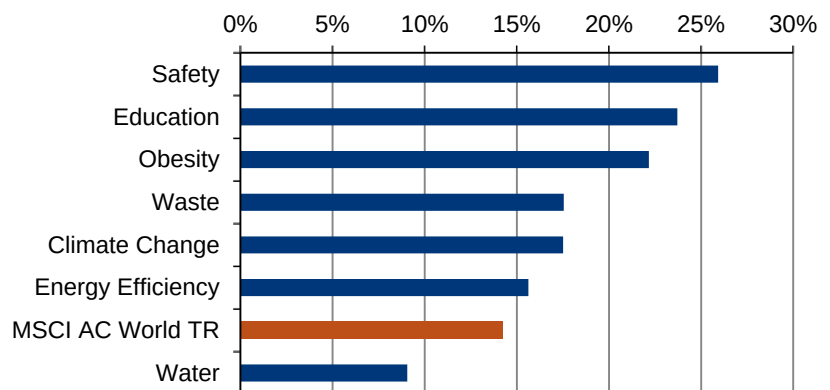
Theme Watch is designed to help investors consider their strategic thematic asset allocations in light of current market conditions and macroeconomic events. It offers insights on performance, positioning, BofAML equity client trading flows, and the BofAML Style Cycle across the following themes: [climate change & extreme weather](#), [education](#), [energy efficiency](#), [food security](#), [longevity](#), [obesity and health & wellness](#), [safety & security](#), [waste](#), and [water](#).

Four key attributes

In this new monthly research product, we review our themes on performance, positioning, BofAML equity client trading flows, and the BofAML Style Cycle.

- **Performance – how our Primer Picks (BUY-rated names with material thematic exposure) have fared.** This measures the performance of our Primer Picks lists since inception (December 6, 2013) to the present.
- **Positioning – where are you actually invested.** We look at investor positioning in two ways: i) all investors (FactSet snapshot of where 13k traditional long only funds/money is invested in our themes); and ii) Thematic/ESG funds vis-à-vis our themes. Both approaches highlight crowded and neglected trades in the thematic investing sphere.
- **BofAML equity client trading flows – recent trading trends.** We provide an aggregated view of BofA Merrill Lynch client trading flows into and out of our stock lists (executed by the cash equities business of the firm). It is not meant to be predictive of the market, but aims to provide a view of trading flows within the thematic space.
- **Style Cycle – what should you invest in?** The BofAML Style Cycle model is produced by our Quant Research team and links the current phases of the economic cycle with investment style returns. It is a forward looking model that screens for stocks based on macro-economic indicators. We look at the universe of stocks which the Style Cycle implies will perform well in the current economic environment (Recession) and highlight thematic stocks which fit with the Style Cycle's modelled outcomes.

Chart 2: Thematic Primer Picks performance since inception (through May 4 2015)



Source: BofA Merrill Lynch Global Research. We cannot show performance on Longevity and Food Security theme because it was launched less than one year ago. Benchmark = MSCI AC World TR Gross (GDUEACWF). Past performance should not and cannot be viewed as an indicator of future performance. A complete performance record is available upon request

Thematic stock lists are not a recommended list either individually or as a group of stocks.

BofAML Thematic Investing Stock Lists & Primer Picks

Since December 5 2013, we have been publishing a number of BofA Merrill Lynch Global Research lists of stocks and “Primer Picks” which have exposure to 9 equity themes – [Climate Change & Extreme Weather](#), [Education](#), [Energy Efficiency](#), [Food Security](#), [Longevity](#), [Obesity and Health and Wellness](#), [Safety & Security](#), [Waste](#), and [Water](#). Our strategic view has been longer term and the names we have selected in each of these thematic stock lists are those which we believe should benefit in the long run from the theme. The aim of our stock lists has been to provide investors with information to understand company and sub-theme opportunities and risks inherent in the themes.

For each theme since the inception of each specific list, we have mapped a number of sector value chains to highlight various entry points or “sub-themes” within the theme. For each entry point, we have mapped opportunities and risks as we understand them to highlight a diverse range of entry points for investors wishing to invest in the theme. We have estimated the level and materiality of companies’ exposure to the energy efficiency themes, and the role of the themes as long-term drivers. We have characterised each company’s exposure as follows:

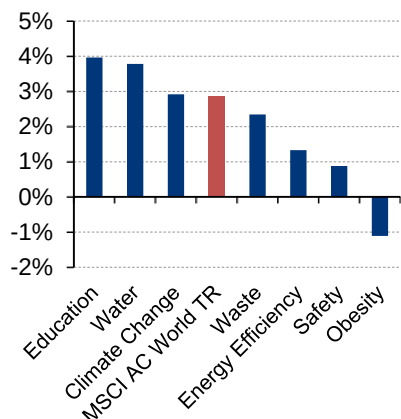
- **Low** – Theme-related products, technologies, services, and solutions are not material to global revenues and/or growth but are one factor, among others, for the business model, strategy and R&D of the company.
- **Medium** – Theme -related products, technologies, services, and solutions are an important factor for the business model, strategy and R&D of the company; material to sales and/or growth.
- **High** – Theme-related products, technologies, services, and solutions are core to the business model, strategy and R&D of the company; material sales and/or growth driver; pure play (i.e., 100% of sales).

Since the inception of our Thematic Investing Stock Lists, each quarter we have published: (i) a broader list mapping out the full universe of stocks exposed to a theme based on our Low/Medium/High methodology and (ii) a separate list of “Primer Picks” which are those stocks which have both a Buy rating from our fundamental equity team and that have Medium to High exposure to the theme under our methodology. Although it is difficult to accurately gauge the link between such exposure and share price performance (as many factors outside the scope of this analysis are likely to play a role in short- and long-term price development), we still consider its thematic exposure as an important and positive point to track given that they are “A Transforming World” themes with a 25Y+ lifespan.

A company can be in more than one theme stock list, sub-theme, or Primer Picks.

Investors should consider the fundamentals of the companies and their own individual circumstances / objectives before making any investment decisions. The full rationale and investment thesis for our fundamental analyst’s recommendations on each stock is contained in the most recent report on the company, which we urge you to read.

Chart 3: Thematic Primer Picks 1M performance (through May 4 2015)



Source: BofA Merrill Lynch Global Research. BofA Merrill Lynch Global Research. We cannot currently show performance in respect of the Longevity and Food Security Primer Picks list because it was launched less than one year ago. Past performance should not and cannot be viewed as an indicator of future performance. A complete performance record is available upon request. Benchmark = MSCI AC World TR Gross (GDUEACWF)

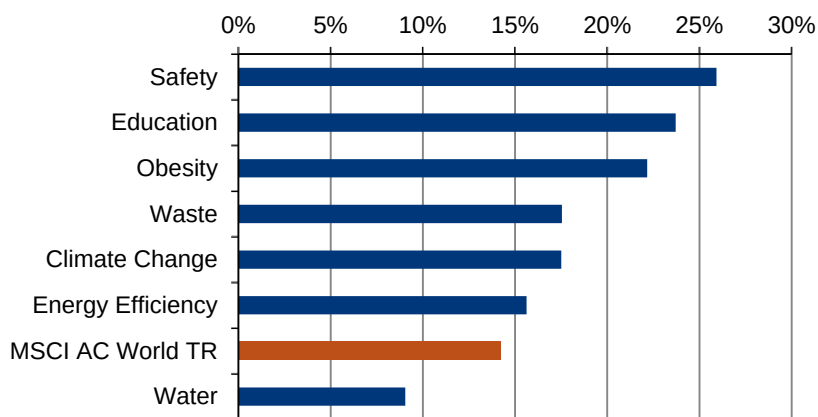
We use the MSCI AC World index because it represents equities within both developed and emerging markets, spanning large, mid and small cap segments. It is one of the most widely tracked indices in the world, and commonly used as a proxy for global equity. It is the index which best reflects our BofAML thematic universe, in our view. We use the gross, total return, USD-denominated version (GDUEACWF), in line with our performance representation.

Performance – how themes fared

We began publishing our thematic stock lists and Primer Picks on December 5 2013. In viewing performance, we assess our Primer Picks for each theme, which have “material” - either High or Medium - exposure to the relevant theme and our fundamental analyst have a Buy rating. We assess them on an equal-weighted, total return basis. Although our medium- to long term strategic view focuses on the significance of the links between our themes and the business development and environment facing our covered companies, we caution investors that it is difficult to accurately gauge the link between such exposure and share price performance (as many factors outside the scope of this analysis are likely to play a role in short- and long-term price development). Investors should consider the fundamentals of the companies and their own individual circumstances / objectives before making any investment decisions. Moreover, past performance should not and cannot be viewed as an indicator of future performance. A complete performance record is available upon request. For a complete description of our performance methodology, please see the Methodology Appendix on page 65).

Stock lists are rebalanced both quarterly and published as A Transforming World - Quarterly Primer Picks, as well as when thematic primers and accompanying Primer Picks reports are updated (See Appendix of historical changes to stock lists on page 66).

Chart 4: Thematic Primer Picks performance since inception (through May 4 2015)



Source: BofA Merrill Lynch Global Research. We cannot show performance on Longevity and Food Security theme because it was launched less than one year ago. Benchmark = MSCI AC World TR Gross (GDUEACWF). Past performance should not and cannot be viewed as an indicator of future performance. A complete performance record is available upon request

Safety remains on top +26%, Edu +24%, Obesity +22%

As of 4 May 2015, 6 out of the 7 BofAML thematic Primer Picks lists which we measured outperformed our benchmark MSCI AC World (GDUEACWF Index) since inception on Dec 6 2013 (we note that the Longevity and Food Security Primer Picks list has <12m data, hence we cannot currently report performance). Safety & security is the best performer since inception, up +25.93%, followed by Education, +23.71%, Obesity and Health & Wellness, +22.16%, Waste, +17.54%, Climate Change, +17.51%, Energy Efficiency, +15.63%, and (vs +14.24% for MSCI AC World). Water is the sole underperformer at +9.05%.

Table 1: Thematic Primer Picks performance (through May 4 2015)

	1M	3M	1Yr	Since Inception
Climate Change	2.92%	6.44%	10.71%	17.51%
Education	3.96%	5.74%	10.23%	23.71%
Energy Efficiency	1.33%	4.57%	11.31%	15.63%
Obesity	-1.11%	5.10%	14.67%	22.16%
Safety	0.88%	5.88%	19.06%	25.93%
Waste	2.35%	7.32%	11.79%	17.54%
Water	3.78%	8.46%	3.86%	9.05%
MSCI AC World TR	2.87%	5.45%	8.52%	14.24%

Source: BofA Merrill Lynch Global Research, Benchmark = MSCI AC World TR Gross (GDUEACWF), Inception date = 06-Dec-2013. Past performance should not and cannot be viewed as an indicator of future performance. A complete performance record is available upon request.

Waste and Education Primer Picks trades at lowest valuation relative to other themes.

Education has the lowest correlation to benchmark

Water stays bid; Education, Climate also +3-4% this month

After catching a bid last month, Water maintains momentum (+2.9% 1-month), driven by water utilities and water-friendly energy names. Education (+4.0%) and Climate Change (+2.9%) also outperformed on the back of universities & colleges and renewables, particularly those in China and Brazil. Obesity was the only theme in the red (-1.1%), weighed down by food retailers and biotech.

Relative valuation

On a risk adjusted basis, the same six out of seven themes are showing alpha generation. Obesity and Safety exhibited the highest alpha generation since inception with 0.13. Water, the sole underperformer at +9.05% since inception, is also the only theme with negative alpha with -0.06. However, this gap has been closing the last two months.

Table 2: Thematic Primer Picks beta relative to the market

	Raw Beta	Adjusted Beta	Alpha	Correlation
Climate Change	1.09	1.06	0.03	0.88
Education	1.14	1.09	0.10	0.71
Energy Efficiency	1.11	1.07	0.00	0.90
Obesity	0.82	0.88	0.13	0.80
Safety	1.10	1.07	0.13	0.84
Waste	0.96	0.97	0.05	0.85
Water	1.01	1.01	-0.06	0.79

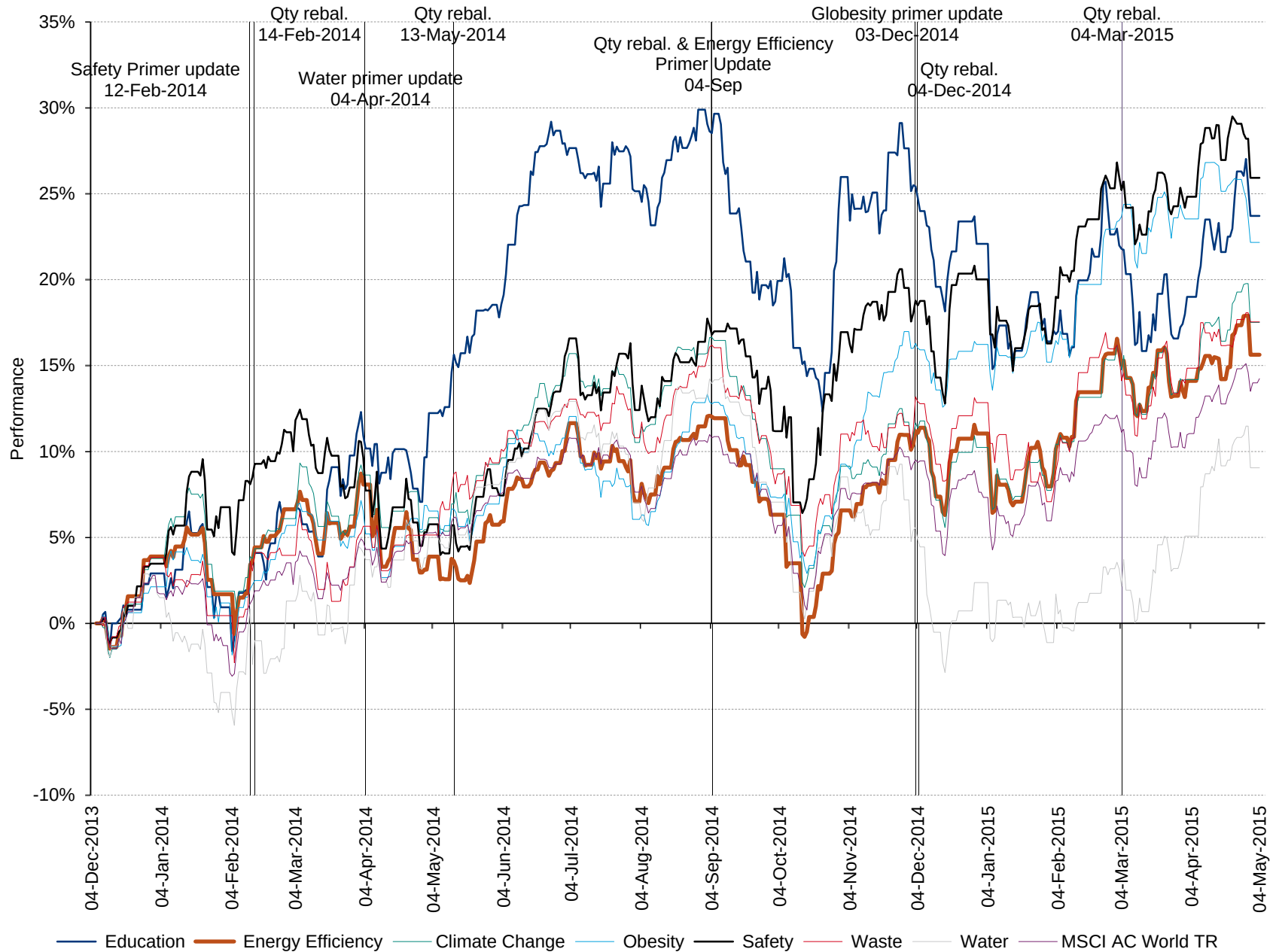
Source: BofA Merrill Lynch Global Research. Relative index=MSCI AC World TR (GDUEACWF Index). Weekly observations since inception, through May 4 2015

Table 3: Theme P/E valuation

Sub-Theme	Forward PE	
	Universe	Primer Picks
Climate Change	19x	19x
Education	16x	15x
Energy Efficiency	21x	19x
Food Security	17x	17x
Longevity	19x	18x
Obesity	21x	20x
Safety	20x	24x
Waste	17x	15x
Water	18x	19x
Total Universe	19x	19x
MSCI AC World	16.9x	

Source: BofA Merrill Lynch Global Research. Forward P/E is based on consensus analyst earnings estimates for the next four quarters as compiled by Bloomberg.

Chart 5: Thematic Primer Picks performance since inception (through May 4 2015)

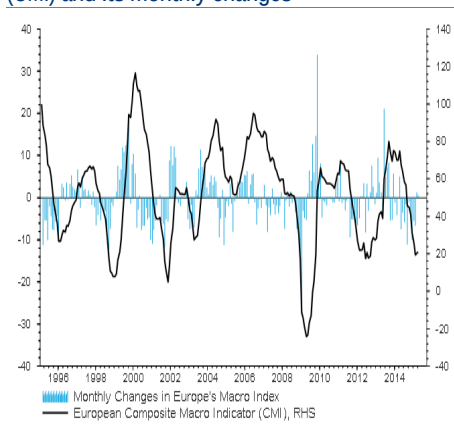


Source: BofA Merrill Lynch Global Research. See Appendix on Page 65 for list of Primer Picks rebalances. The themes have a base of 100 starting on December 6 2013, T+1 from the first publication of the Primer Picks list. We cannot show performance on our Longevity Primer Picks list because it was launched less than one year ago. Benchmark = MSCI AC World TR Gross (GDUEACWF) Past performance should not and cannot be viewed as an indicator of future performance. A complete performance record is available upon request

Style Cycle: Enter the Recovery: Value, Risk and Small Size 16 April 2015

We have chosen Style Cycle due to its long track record (since 2004), and strength as proxy for global business cycles, which are most relevant for a tactical research product.

Chart 6: European Composite Macro Index (CMI) and its monthly changes



Source: BofA Merrill Lynch European Equity and Quant Strategy – Based on BY, GDP Forecasts, OECD, IFO Survey, PPI & EPS Revs

In the 'Recovery' phase of the cycle we prefer:

- Value vs Growth
- Low Quality
- High Risk
- Rising Momentum
- Small vs Large Caps

Style cycle – what should you invest in

Style Cycle is a proprietary BofAML model produced by our Quant Research Team. The 'Style Cycle' quantitative framework links phases of the economic cycle with investment style returns. Depending on the phase of the economic cycle, particular types of investment styles tend to perform better. The model assesses stocks according to their investment style (Value, Growth, Momentum, Quality, Risk, and Size). Investment styles are a stock's relative metrics within the context of a group of stocks. Hence, a stock's particular investment style metric will change depending on the group of stocks in which it is being considered. In this case, the group would be the Theme it is part of, or the overall Thematic Universe.

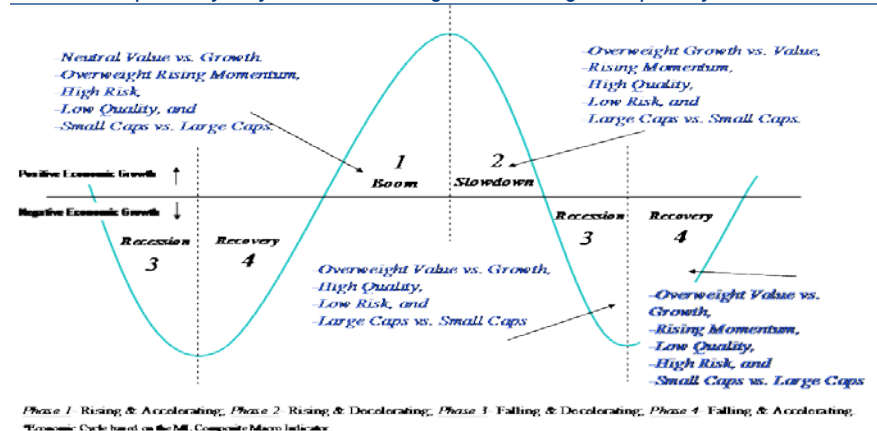
The Style Cycle prefers Water & Waste, over Obesity

We have applied the Style Cycle to our global thematic stock lists, assessing stocks and themes against the directional outputs implied by the Style Cycle. Last month we moved into the 'Recovery' phase after two consecutive months of improving macro data. When screening across the thematic investing landscape – Water and Waste stocks have the highest exposure to the Style Cycle's 'Recovery' stock screen. Conversely stocks highly exposed to Obesity theme screen rank lower and thus should tend to underperform in the 'Recovery' phase.

What makes a 'Recovery' stock

In April our Style Cycle quantitative model moved into a 'Recovery' phase on the back of improving Composite Macro Indicator (CMI) numbers, after staying in a 'Recession' over the previous 7 months. Rising GDP forecasts and improving business confidence outweighed the secular decline in bond yields. In a 'Recovery,' Value vs. Growth, Low Quality, High Risk, Rising Momentum and Small caps are likely to outperform in the market momentum ('Recovery' rank close to 100). Those with while stocks that rank lower in 'Recovery' characteristics are likely to underperform the market ('Recovery' rank close to 1).

Chart 7: European 'Style Cycle' – Back-testing Results using 5 complete cycles



Source: BofA Merrill Lynch European Equity and Quant Strategy

Back testing period from Dec 1992 to Dec 2003. Actual Performance Jan 2004 to Dec 2010

Table 4: Summary of Europe's macro signals

Inputs of EU Composite Macro Index	Direction
Pan European Cons. GDP Forecasts	RISING
12mth Change in Pan EU Bond Yield	FALLING
Producer Price Inflation	FLAT
OECD EU Leading Indicator	FLAT
German IFO Indicator	RISING
Global Sell-Side EPS Revision Ratio	FLAT

Source: BofA Merrill Lynch European Equity and Quant Strategy

Two indicators improve; 3 flat and one falling

The rise in the Pan-European GDP forecasts and the German IFO offsets the drop in the bond yields. Moreover global impact on the European macro data is neutral. The Global EPS Revision Ratio and Producer Price Inflation are flat.

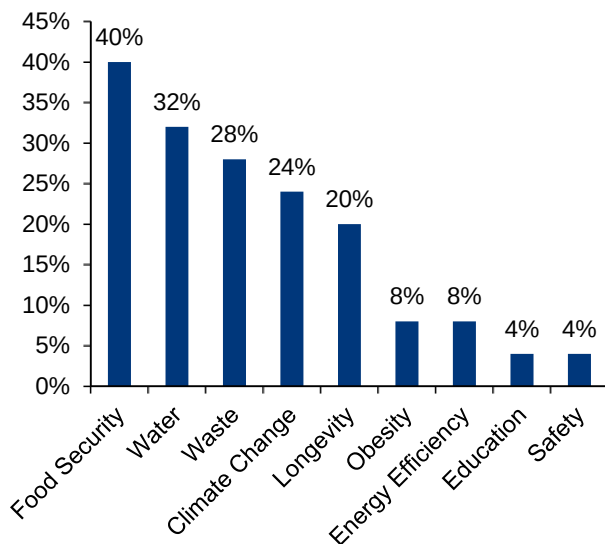
Style Cycle for thematics

Below we have screened across eight major themes to highlight 1) which themes screen as likely to out- or underperform during the 'Recovery' phase of the cycle and 2) which individual stocks screen as likely to out- or underperform. In the 'Recovery' phase stocks with a tilt towards Low Quality, High Risk, Small Cap and Value styles should outperform ('Recovery' rank = 100). Stocks with the opposite tilt tend to underperform ('Recovery' rank=1). The following pages screen for stocks based on the individual themes.

Water & Waste over Obesity

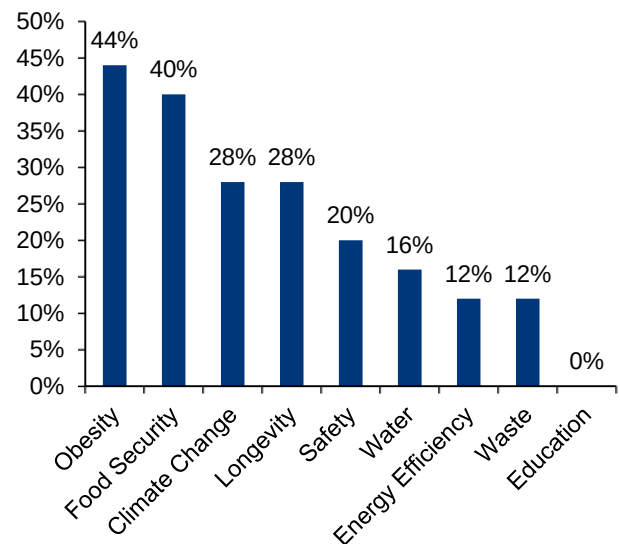
As we move into the 'Recovery' phase, climate-rated themes have the highest exposure to stocks that tend to do well in this phase – Water, 32%, Waste, 28%. Conversely, Obesity has the highest exposure to stocks that our model implies will do poorly in a 'Recovery' (44%).

Chart 8: Top 'Recovery' stocks exposure to Themes



Source: BofA Merrill Lynch Global Research

Chart 9: Bottom 'Recovery' stocks exposure to Themes



Source: BofA Merrill Lynch Global Research

Top and Bottom Thematic stocks during 'Recovery' phase

We highlight the top and bottom stocks within our Thematic Universe during the 'Recovery' phase of the economic cycle.

Table 5: Thematic Universe - Style Cycle Top/Bottom 25 stocks

Top Stocks				Bottom Stocks			
Sedol	Name	Theme	Recovery rank (1 = Top)	Sedol	Name	Theme	Recovery rank (1 = Bottom)
646557	Downer Edi Ltd	Food/Water	100	B0X7DZ	Chipotle Mexican Grill Inc	Obesity	1
245237	Itt Educational Services Inc	Education	100	220910	Colgate-Palmolive Co	Longevity	1
282129	Schnitzer Steel Inds -CI A	Waste	100	B8FMRX	Coloplast	Obesity/Longevity	1
507267	Stora Enso	Food/Waste	100	B0JGGP	Itc	Food	1
691487	Ugl Limited	Food/Water/Waste	100	264014	Nike Inc	Obesity	1
B3TDL4	Caesars Entertainment Corp	Longevity	99	658248	Sun Pharmaceutical	Obesity/Longevity	1
BX17Q1	Leighton Holdings	Food/Water	99	259570	3M Co	Safety	2
B0YBZJ	Cia Saneamento Min	Food/Water/Weather/Waste	99	230422	Ecolab Inc	Safety/Food/Water/Weather/Waste	2
B8L1DR	Felda Global Ventu	Food	99	BHC8X9	Novo-Nordisk As	Obesity/Longevity	2
B54C01	K+S AG	Food/Weather	99	268151	Pepsico Inc	Obesity/Food	2
257693	Lexicon Pharmaceuticals Inc	Obesity	99	B2QKY0	Shire	Obesity	2
615333	Aveng	Food	98	291473	Union Pacific Corp	EE/Weather	2
B0MT4R	Empresas Ica Sab	Food/Water	98	67312	Associated British Foods	Food	3
275267	Kindred Healthcare Inc	Longevity	98	B783TY	Delphi Automotive Plc	Safety/EE/Weather	3
B83VD9	Man Group Plc	Longevity	98	261399	Illumina Inc	Longevity	3
B1WLCZ	Orexigen Therapeutics Inc	Obesity	98	247583	Johnson & Johnson	Obesity/Longevity	3
204917	Advanced Energy Inds Inc	EE/Water/Weather	97	265432	Monsanto Co	Food/Water/Weather	3
592737	Aegon	Longevity	97	711038	Roche Holding	Obesity/Longevity	3
511738	Bilfinger + Berger	Waste	97	220665	Coca-Cola Co	Obesity/Food	4
537974	Obrascon Huar Lain	Weather	97	225701	Cognizant Tech Solutions	EE/Weather	4
268210	Penn National Gaming Inc	Longevity	97	245920	Idexx Labs Inc	Food/Water/Weather/Waste	4
B1VP0K	Rexel	EE/Weather	97	212624	Mettler-Toledo Intl Inc	SafetyFood	4
505125	UPM-Kymmene	Waste	97	266880	Pall Corp	SafetyFood/Water/Weather/Waste	4
B83KH8	Abengoa Sa (B)	Water/Weather	96	B0PZN1	Under Armour Inc	Obesity	4
B86SZR	Als Limited	Safety/Food/Water/Waste	96	B95WG1	Zoetis Inc	Food	5

Source: BoFA Merrill Lynch Global Research. Top and bottom 25 stocks are based on a relative ranking within our Thematic universe. BoFAML Thematic stock lists are not a recommended list either individually or as a group of stocks

European Equity Strategy: A whole new Europe 05 May 2015

Equity Strategy echoes sentiment

While the Style Cycle model suggests rotating out of quality stocks into lower-quality more economically sensitive stocks, our European equity strategy team agrees. The team believe that the year-to-date outperformers like Autos and Healthcare and some of the Staples are likely to be victims of further profit taking, particularly if investors are trying to find places to reduce in order to increase weightings elsewhere. Healthcare and Autos were the two most overweight sectors in the latest Fund Manager Survey. Staples showed up as less overweight in the survey but our conversations with investors suggest it is still a popular long.

Investors are gaining exposure to Water and Waste, which have been relative Underweights

Table 6: MoM theme ownership change

Increased ownership

Water
Waste
Safety

Unchanged ownership

Education
Energy Efficiency
Climate Change

Decreased ownership

Obesity
Longevity

Source: BofA Merrill Lynch Global Research

Investors increased exposure to pharmaceuticals & healthcare, which are defensive and have performed well in recent months.

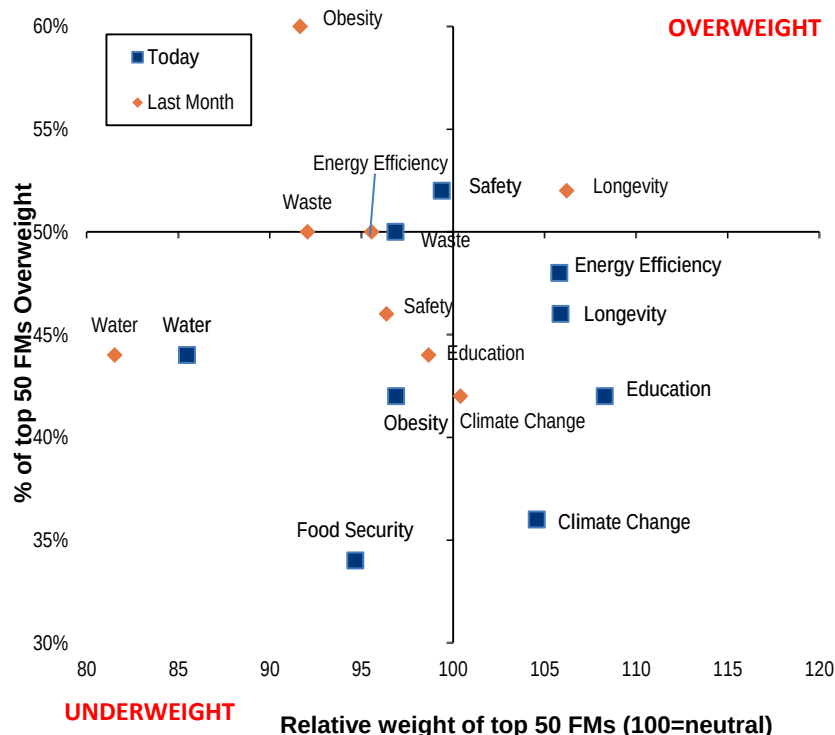
Ownership – where are you invested

To look at investor positioning, we looked at publicly disclosed fund holdings of over 13,000 institutions, 30,000 unique mutual fund portfolios, and 200,000 non-institutional 'insider/stake holders globally. We looked at the 50 largest holders of the Thematic Universe and assessed their positioning relative to the active benchmark. (see Methodology Appendix on page 69).

Thematic level – investors increased exposure to Water & Waste, decreased exposure to Obesity, Longevity

Investors have been increasing exposure to Water and Waste, which had been relative Underweights. They reduced exposure to our demographic-related themes, Obesity and Longevity, which had been the two highest Overweights. This is aligned to the output of our Style Cycle model and has been reflected in the respective performances of the thematic Primer Picks.

Chart 10: Positioning and ownership across all themes



Source: BofA Merrill Lynch Global Research . First month of positioning data for Food Security.

Moving into water utilities, cleantech, out of industrials

Relative to last month, investors have increased their exposure to water utilities, waste and water treatment, and renewables, which were all relative Underweights. These sub-themes had lagged the market and are beginning to bounce back, and many also screen well in the 'Recovery' phase of the Style Cycle. Investors moved out of industrials & integrated sub-theme which tends to be the defensive names that had fared well year-to-date.

Climate Change: IT over infrastructure

Investors appear to be overweight IT solutions – cloud computing, data centres, power management, virtualization, and semis. They appear to be relatively underweight Water Infrastructure – engineering, construction, equipment.

Table 7: Climate change sub-themes

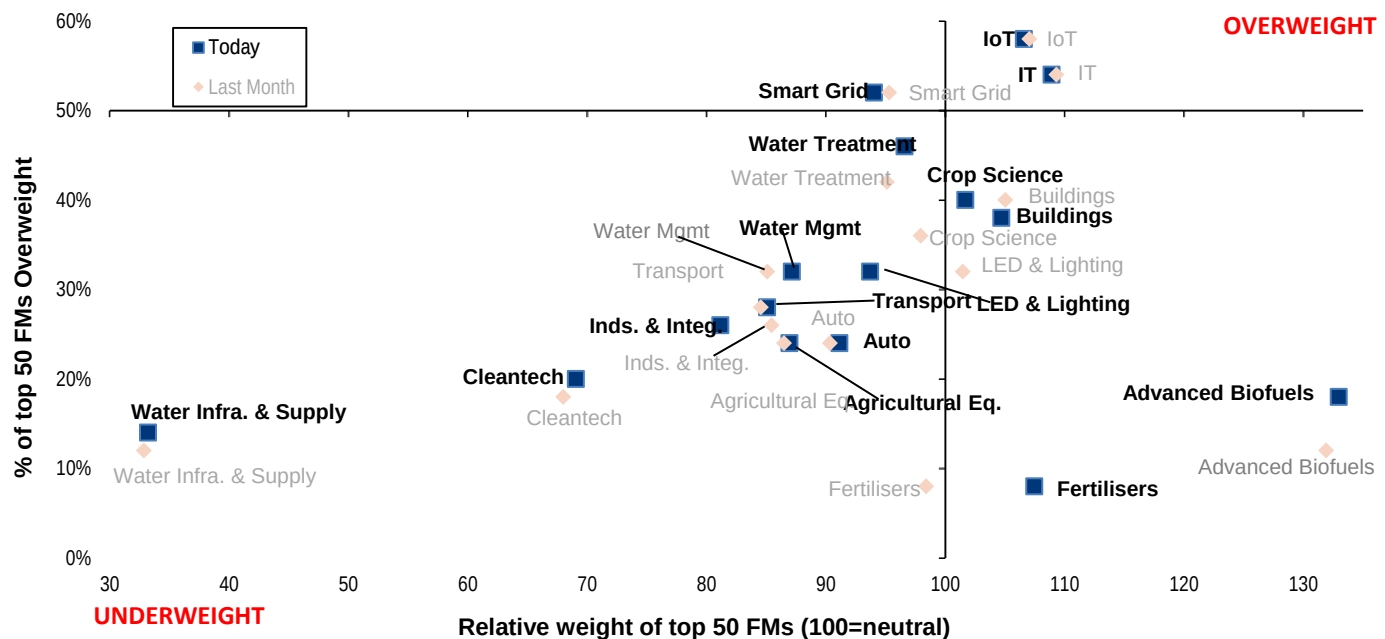
Sub-theme	Description
Advanced Biofuels	Cellulosic ethanol, algae fuel, biohydrogen, biomethanol, DMF, biohydrogen diesel etc.
Agricultural Equipment	Agribusiness, Agri equipment, irrigation, precision farming, supply chain management etc.
Cleantech	Electric vehicles (EVs), wind, solar, among others.
Crop Science	Agronomy, enzymes, fungicides, genetically modified (GM) crops, pesticides, etc.
Fertilisers	Agribusiness, ammonia, fertilizers, nitrogen, phosphates, potash, urea etc.
Water Infra. & Supply	Engineering & construction, pipes, pumps and valves, and water utilities
Water Management	Irrigation, drought resistant seeds and crops, precision agriculture, smart meters etc.
Water Treatment	Wastewater, industrial treatment, chemicals, desalination, water quality, bottled water, TIC etc.
Auto	Autocatalysts, EVs, engine components etc.
Buildings	Appliances; building materials; home renovation; HVAC; insulation materials etc.
Inds. & Integ.	Automation, controls, heat transfer, T&D etc.
IT	Cloud computing, data centres, heating and cooling, power management, semiconductors etc.
IoT	Sensors, middleware, platform software, Cloud-based applications, and wireless technology.
LED & Lighting	Chips, CFLs, CCFLs, LEDs, lighting management, luminaries, process equipment etc.
Smart Grid	Automatic meter reading; grid storage; distributed grid mgmt; EV charging infrastructure; ICT etc.
Transport	Lightweighting, rail & bus services, jet engines etc.

Source: BofA Merrill Lynch Global Research

Increased exposure to Advanced Biofuels and Crop Science, decreased exposure to Industrials and Integrated

Investors appeared to have increased exposure to farming-related subsectors such as Advanced Biofuels, Crops Science, and Fertiliser, which includes agronomy, agribusiness, and cellulosic ethanol. They decreased exposure to Industrials and Integrated sub-theme, which includes automation, controls, heat transfer.

Chart 11: Climate Change - Positioning and ownership by sub-themes



Source: BofA Merrill Lynch Global Research

Education: Edtech over K-12 & childcare

Investors appear to be overweight Education Technology (EdTech) sub-theme, including digital and online learning. The biggest underweight is K-12 & childcare.

Table 8: Education sub-themes

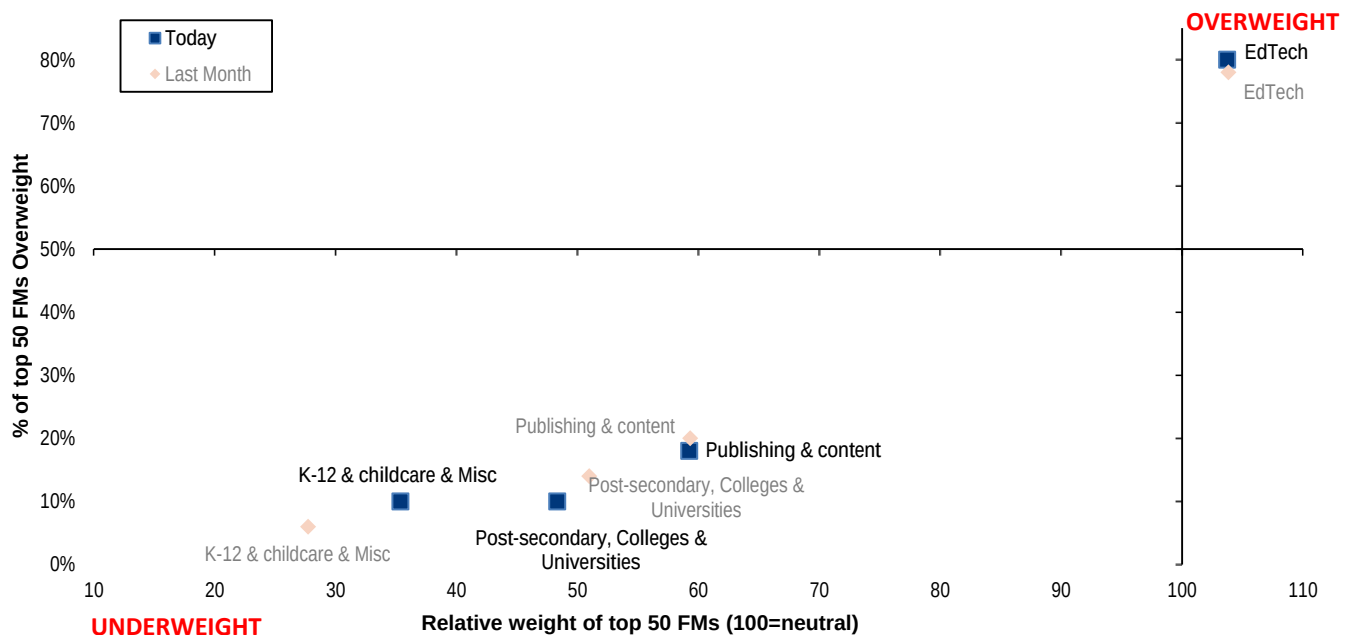
Sub-themes	Description
EdTech	Products, technologies and services which facilitate and enable the shift from print to digital and from classroom to on-line learning
K-12 & childcare & Misc.	K-12 is a designation for the sum of primary and secondary education.
Post-secondary, Colleges & Universities	This encompasses higher, post-secondary, tertiary or third level education.
Publishing & content	Includes academic publishing (books and journals), textbooks / course books, academic research and scholarship, preparatory materials, training materials, other educational materials – as well as retailers and distributors of such materials.

Source: BofA Merrill Lynch Global Research

Increased exposure to K-12 & Childcare

While K-12 & Childcare has been already a relative Underweights investors continued to increased exposure to the sub-theme for the second month in a row. Overall sub-theme positioning remained fairly steady in Education theme.

Chart 12: Education - Positioning and ownership by sub-themes



Source: BofA Merrill Lynch Global Research

Energy Efficiency: IT and IoT over Transport

Investors appear to be overweight IT solutions including cloud computing, data centres, power management, virtualization, and semis. They appear to be underweight Transports including bus and lightweighting, as well as Autos and Industrials.

Table 9: Energy Efficiency sub-themes

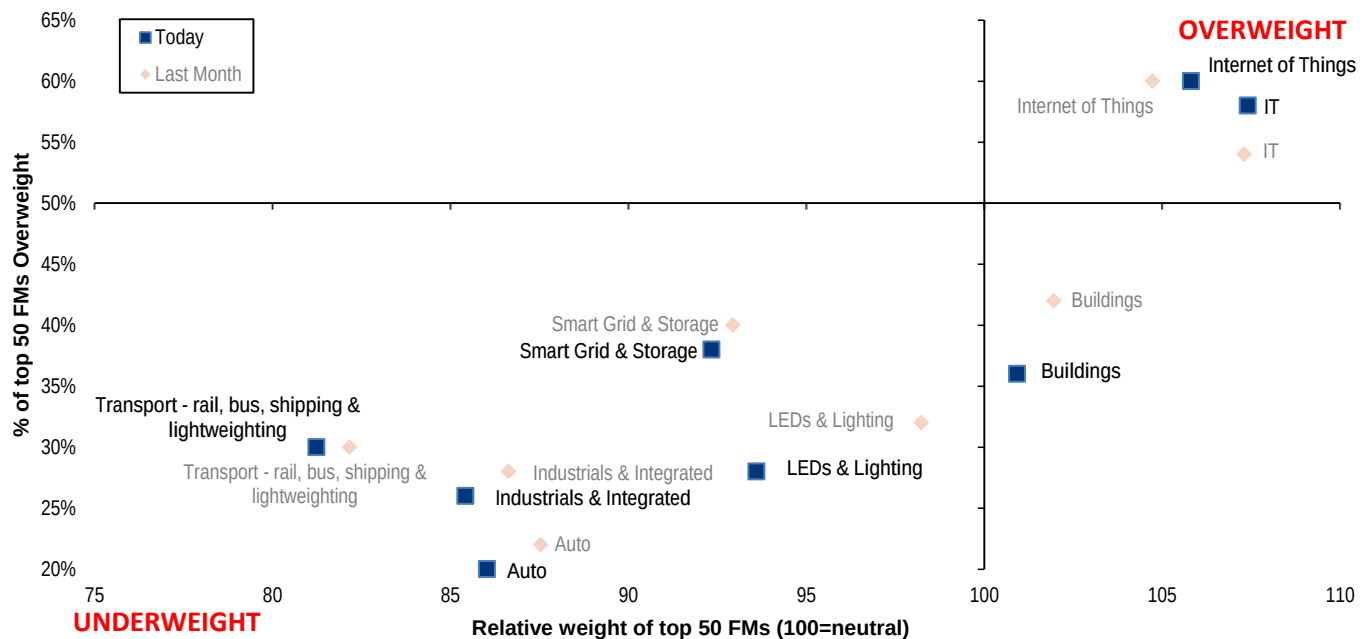
Sub-themes	Description
Auto	Autocatalysts, electric vehicles (EVs), engine and transmission components etc.
Buildings	Stocks involved in appliances; building materials; home renovation; HVAC; insulation materials etc.
Inds. & Integ.	Stock involved in automation, controls, heat transfer, T&D etc.
Internet of Things	Sensors, middleware, platform software, Cloud-based applications, and wireless technology.
IT	Cloud computing, data centres, power management, semiconductors etc.
LED & Lighting	Chips, CFLs, CCFLs, LEDs, lighting management, luminaries, process equipment etc.
Smart Grid	Automatic meter reading; grid storage; distributed grid mgmt; EV charging infrastructure; ICT etc.
Transport	Lightweighting, rail services, public bus and coach operators, aircraft engines etc.

Source: BofA Merrill Lynch Global Research

Increased exposure to IoT, decreased exposure Buildings, Industrials

Investors increased exposure to the two most overweight sub-themes within Energy Efficiency – Internet of Things and IT, continuing a trend from last month. Investors reduced exposure to Buildings, Industrials & Integrated, and LEDs & lighting.

Chart 13: Energy Efficiency - Positioning and ownership by sub-themes



Source: BofA Merrill Lynch Global Research

Food Security: Water over Farming

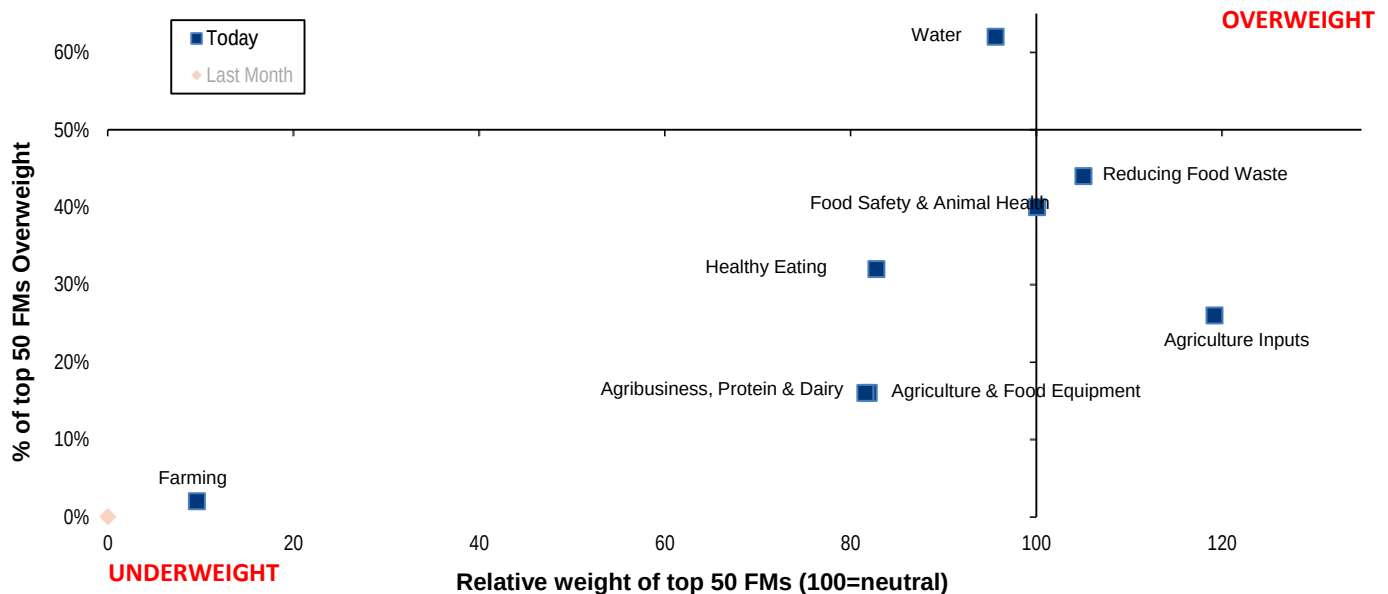
Investors appear to be overweight Water solutions including water treatment, drought tolerant seeds/crops, precision ag, water meters, water Infrastructure and supply. They appear to be underweight Farming including plantations, palm oil, sugar, soybean, canola, etc.

Table 10: Food security sub-themes

Sub-themes	Description
Agricultural Equipment	Ag management, application equipment, big data analytics, harvesters, engines, hay and forage, implements and attachments, material handling, nutrient application, power generation, parts, precision Ag, pre-owned equipment, protein production systems, seeding and tillage, sprayers and tractors.
Agricultural Inputs	Agronomy, crop protection chemicals, enzymes, fertilizers, field crops, genetically modified (GM) seeds/crops, seeds (conventional and GM), seed treatment and protection products.
Agribusiness, Protein & Dairy	Ag services, converting Ag harvest, crop sourcing, dairy, exporters, feed, food ingredients, meat (beef, chicken, pork, poultry), milk, milling, oilseeds, processing, storage, supply chain integrity and transportation.
Farming	Plantations, palm oil, sugar, soybean, canola, processing and corn.
Food Safety & Animal Health	Consulting, diagnostics, medical devices, medicines and vaccines, nutritional supplements and pathogen testing.
Healthy Eating	H&W-centred product portfolios (e.g., naturally healthy, fortified/functional, better for you, organic, fresh produce, fresh juices, etc.) and reformulating the nutritional profile of portfolios (i.e., less fat, sugar and sodium, fewer calories and artificial ingredients, and more beneficial ingredients).
Reducing Food Waste	Aseptic packaging, bag-in-box, biodegradable packaging, bottles, boxes, bulk packaging, cans, cases, cold chain/storage, containerboard, corrugated packaging, consumer packaging, displays, films, food contact, kraft paper, pallet boxes, retail/shelf-ready packaging, transport packaging and trays.
Water	Water treatment (municipal, industrial, desalination), water management (more crop per drop, irrigation, drought tolerant seeds/crops, big data, Precision Ag, water meters), water Infrastructure and supply, and waterfriendly energy.

Source: BofA Merrill Lynch Global Research

Chart 14: Food Security - Positioning and ownership by sub-themes



Source: BofA Merrill Lynch Global Research

Longevity: Asset & Wealth Management over Incontinence, Hearing Aids, and Retail

Investors are overweight Asset & Wealth Management, which includes mutual funds, wealth management, and estate planning. The underweights are in the consumer-related areas such as Incontinence & Ostomy, Hearing Aids, and Retail focused on the elderly.

Table 11: Longevity sub-themes

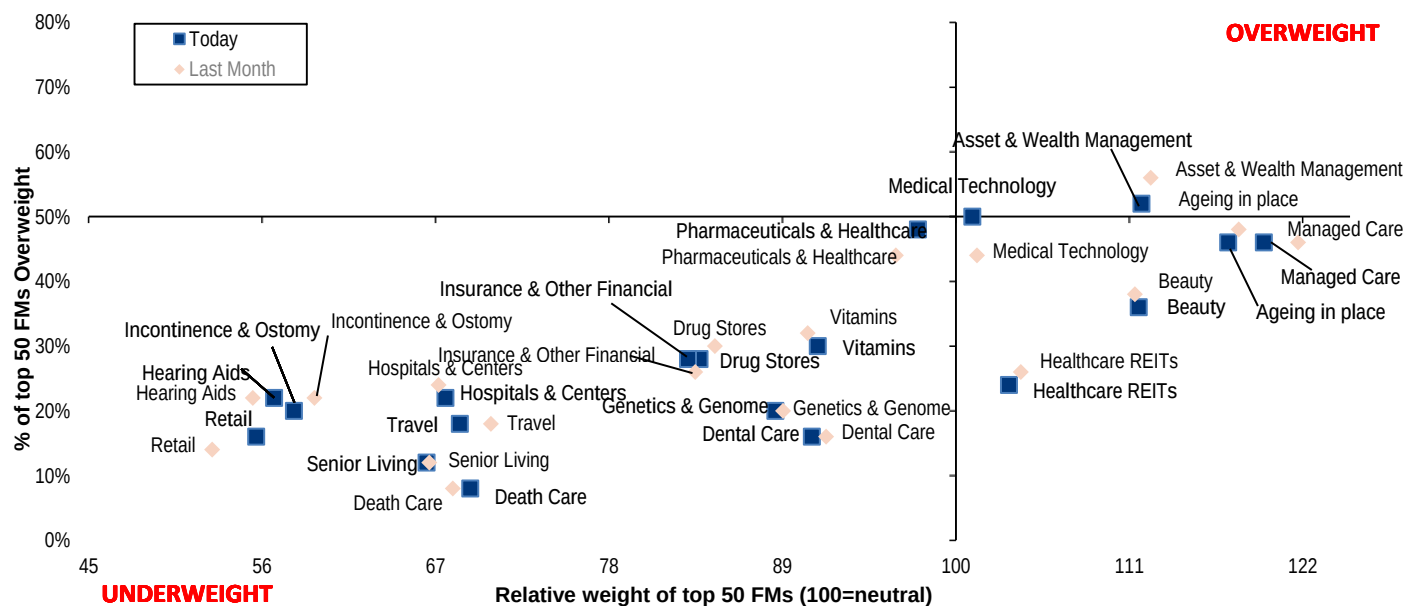
Sub-themes	Description
Pharmaceuticals & Healthcare	Companies treating cancer, cardiovascular disease, dementia, diabetes, osteoporosis etc.
Medical Technology	Devices used in treatment, diagnosis and monitoring
Dental Care	Dental equipment, consumables and services
Hearing Aids	Hearing aid devices and related services
Incontinence & Ostomy	Ostomy and continence care products
Hospitals & Centers	Hospitals, rehabilitation and nursing centres
Healthcare REITs	REITs owning senior housing & real estate
Managed Care	Managed care organizations that provide and administer health insurance
Senior Living	Operators of senior housing facilities
Ageing in place	Home improvement retailers & building products
Beauty	Anti-wrinkle skincare, plastic surgery and hair restoration
Drug Stores	Stores retailing prescription drugs
Retail	Department stores and other retailers
Death Care	Death care products and services
Travel	Casinos, cruise lines, tour operators etc.
Vitamins	Vitamin producers and retailers
Asset & Wealth Management	Mutual funds, wealth mgmt, estate planning & private wealth
Insurance & Other Financial	Life and general insurance, pensions and annuities

Source: BofA Merrill Lynch Global Research

Increased exposure to Pharma and MedTech

Investors increased their exposure to healthcare related sub-themes such as Pharmaceuticals & Healthcare, Medical Technology, including companies treating cancer, cardiovascular disease, dementia, diabetes, osteoporosis.

Chart 15: Longevity - Positioning and ownership by sub-themes



Source: BofA Merrill Lynch Global Research

Obesity: Pharma over Sports Apparel

Investors appear to be overweight Pharmaceuticals & Healthcare, which have involvement in cardiac care, diabetes, dialysis, bariatric devices, and patient handling systems. They appear to be underweight Spots apparel & equipment, as well as Commercial weight management, diet & nutrition.

Table 12: Obesity sub-themes

Sub-themes	Description
Pharmaceuticals & Health Care	Cardiac care/cardiovascular devices, dialysis services, emergency medical equipment, gastric bands/balloons, orthopaedic devices, ostomy, patient-handling equipment, wound care etc.
Food	H&W product portfolios (e.g., naturally healthy, fortified/functional, better for you, organic, fresh produce, fresh juices, etc.) and reformulating the nutritional profile of portfolios (i.e., less fat, sugar and sodium, fewer calories and artificial ingredients, and more beneficial ingredients)
Cmcl weight mgmt, diet & nutrition	Commercial weight-loss centre chains, dietary and weight-management supplements, meal replacement products, multi-level marketers that sell weight management products, nutrition, and the VMS industry
Sports apparel & equipment	Fitness, footwear, gyms, leisure, manufacturers and retailers of sports apparel, recreational sports and activities, specialty sports, sports apparel, sports clothing, sports lifestyle products, sports retailers and sports venues

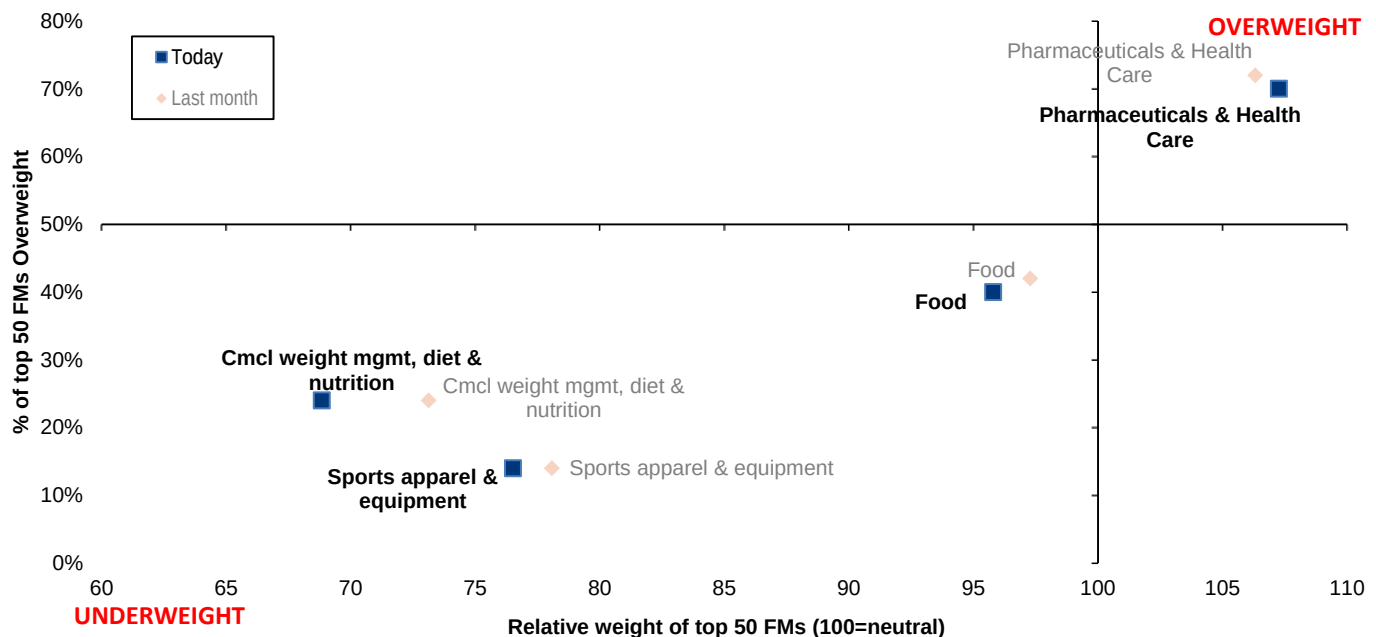
Source: BofA Merrill Lynch Global Research

Investors lowered their exposure to 3 out of 4 sub-themes in Obesity

Decreased exposure to Commercial Weight Loss and Apparel

Investors appear to have decreased their exposure to Commercial weight management, diet & nutrition, as well as Sports apparel & equipment, which had already been relative underweights.

Chart 16: Obesity - Positioning and ownership by sub-themes



Source: BofA Merrill Lynch Global Research

Safety: Workplace and Commercial/Residential over TIC

Investors appear to be overweight Commercial/Residential and Workplace Security, including workwear, protective gloves and glasses, and body armour. They appear to be underweight the Testing Inspection Certification (TIC) sector.

Table 13: Safety sub-themes

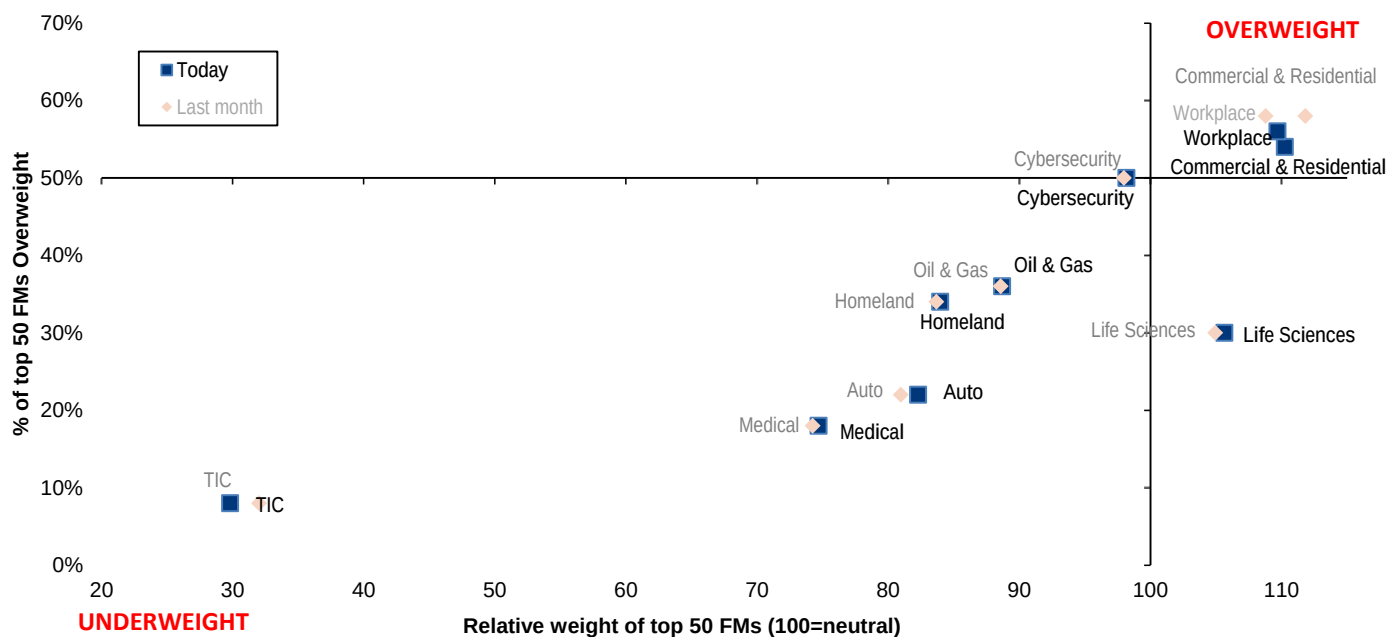
Sub-themes	Description
Auto	ABS, airbags, braking, crash avoidance, parking assist, passenger restraints, proximity detectors, seatbelts, tyres etc.
Commercial & Residential	Access control, alarm protection, armoured transport, cash handling, fire safety and security, intrusion protection, cybersecurity, locks, security guards etc.
Homeland	Critical infrastructure, CBRNE threats, biometric identification, airports, ports and borders, counterterrorism intelligence etc.
Cybersecurity	Antivirus, back-up & recovery, cloud, data encryption, enterprise security, firewalls, ID management, mobile security, networks, SaaS, virtualisation, VPN etc.
Life Sciences	Providers of analytical instruments and lab equipment etc.
Medical	Providing medical services and associated products
Oil & Gas	Rig builders, drillers, drilling equipment, pipeline infrastructure, insurance etc.
TIC	Testing, inspection, verification, audit, accreditation and consulting services, etc.
Workplace	Workwear, protective gloves, footwear, headgear, protective glasses, breathing appliances, fall protection, life jackets, body armour etc.

Source: BofA Merrill Lynch Global Research

Decreased exposure to Commercial & Residential

Relative to last month, investors appeared to have decreased exposure to Commercial & Residential security, which includes access control, alarm protection, armoured transport, cash handling, fire safety and security, intrusion protection, cybersecurity, locks, security guards.

Chart 17: Safety - Positioning and ownership by sub-themes



Source: BofA Merrill Lynch Global Research

Waste: Treatment over TIC, Sewage and E&C

Investors appear to be overweight waste Treatment, including chemical and industrial companies that deal with waste generated in the industrials, energy, medical, and residential space. They appear to be Underweight E&C, TIC, and Wastewater & Sewage which mainly encompass the utilities that process wastewater.

Table 14: Waste sub-themes

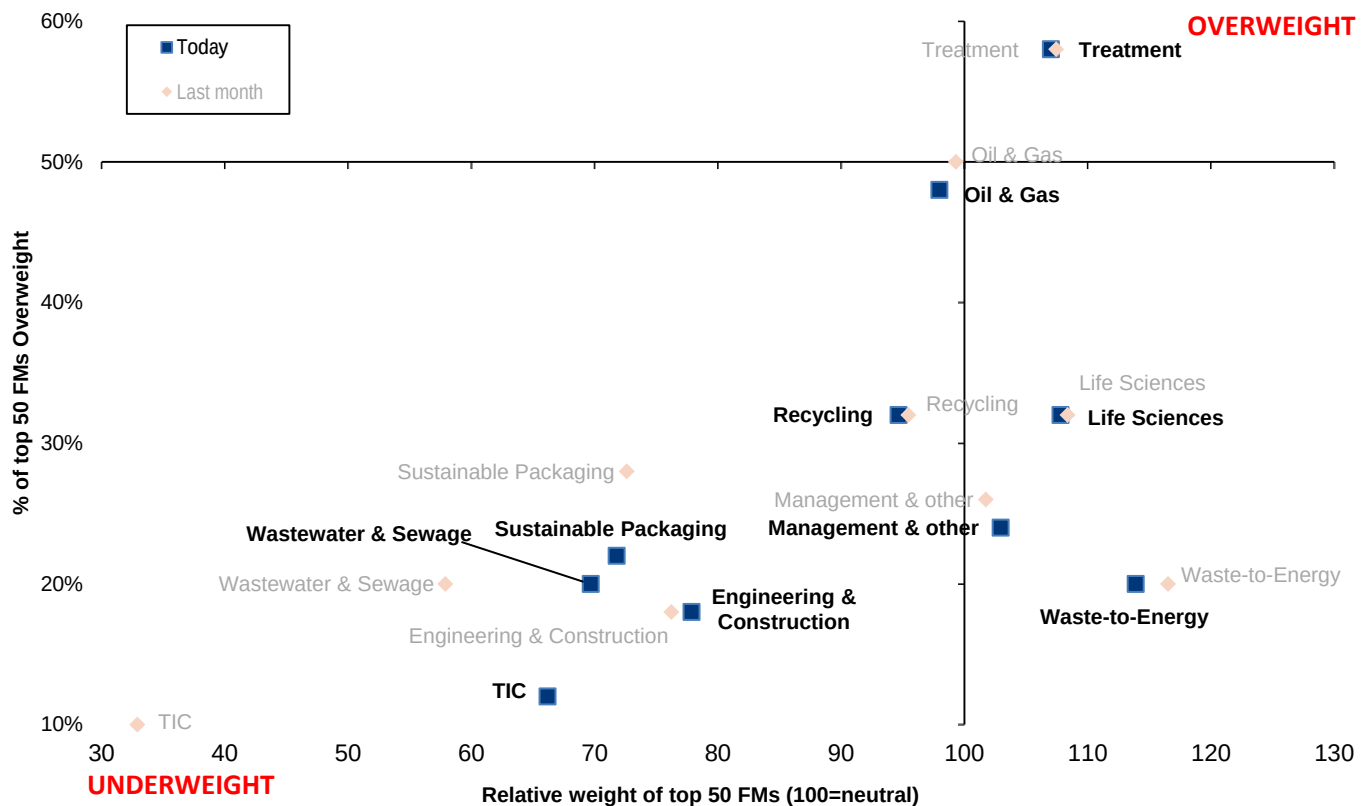
Sub-themes	Description
E&C	Provides of engineering & construction services to the waste industry
Life Sciences	Waste & wastewater analysis tools and solutions
Management & other	Facility operators and provides of collection, treatment & disposal services
O&G	Drilling waste and produced water treatment
Recycling	Scrap metal and e-waste recyclers
Sustainable Packaging	Waste paper recyclers & collectors, solution providers and lightweighting
TIC	Quality assurance, monitoring, water and wastewater analysis etc.
Treatment	Waste collection and transport, industrial waste treatment & recycling and chemicals
Waste-to-Energy	Incineration, landfills, treatment facilities and utilities making use of WTE technology
Wastewater & Sewage	Wastewater & Sewage collection and treatment

Source: BofA Merrill Lynch Global Research

Increased exposure to Wastewater & Sewage and TIC

Relative to last month, investors appeared to have increased exposure to Wastewater & Sewage, as well as TIC, both sub-themes which had been relative underweights. This is a continuation of a trend from last month.

Chart 18: Waste - Positioning and ownership by sub-themes



Source: BofA Merrill Lynch Global Research

Water: Treatment over Equipment and Utilities

Investors appear to be overweight water Treatment – wastewater, desalination, PV solar, and bottled water. They are underweight makers of water equipment like Pipes, Pumps & Valves, as well as water Utilities.

Table 15: Water sub-themes

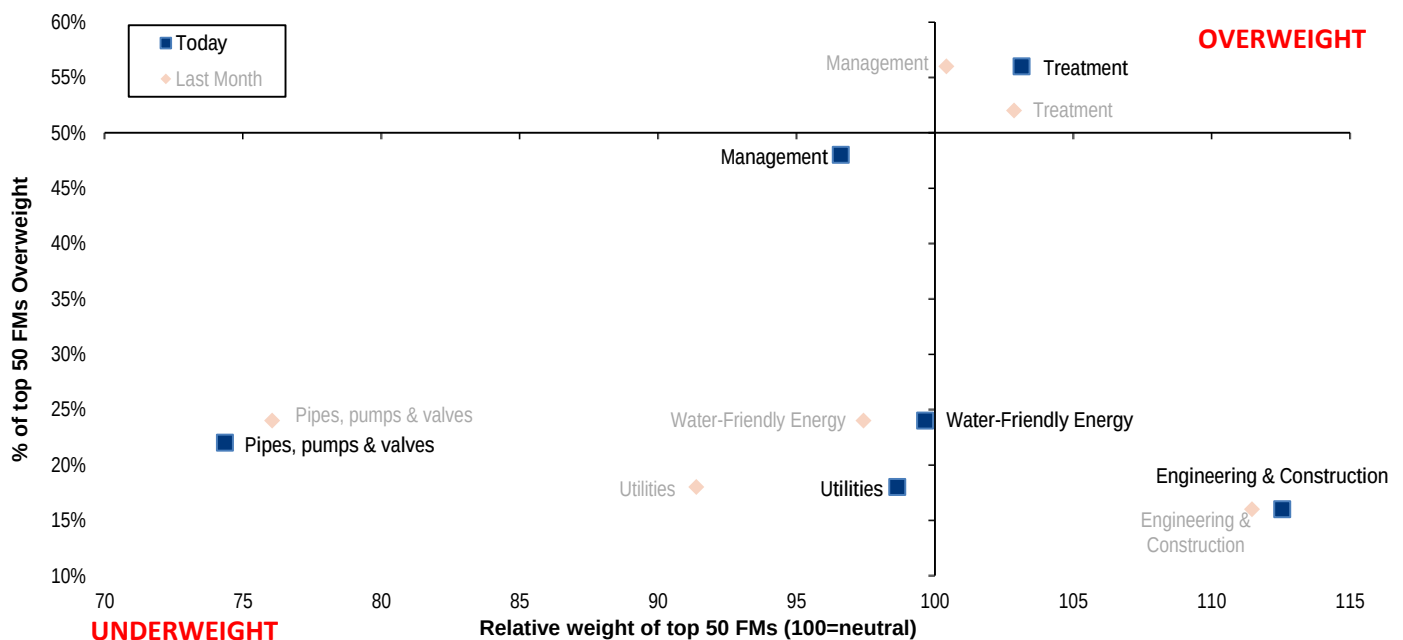
Sub-themes	Description
Engineering & Construction	Engineering, procurement, construction and consulting of water infra and supply
Management	Irrigation, drought resistant seeds and crops, precision agriculture, smart meters etc.
Pipes, pumps & valves	Companies involved in water pipes, pumps & valves
Treatment	Wastewater, industrial treatment, chemicals, desalination, water quality, bottled water, TIC etc.
Utilities	Water, wastewater and sewage treatment utilities
Water-Friendly Energy	Wind, solar and geothermal energy, CHP, smart irrigation and precision agriculture

Source: BofA Merrill Lynch Global Research

Increased exposure to Water Utilities and Water-friendly energy, decreased exposure to Management

Investors appeared to increase their exposure to Water Utilities and Water-friendly energy, which had been relative underweights. They decreased their exposure to Water Management, which includes irrigation, drought resistant seeds and crops, precision agriculture, and smart meters.

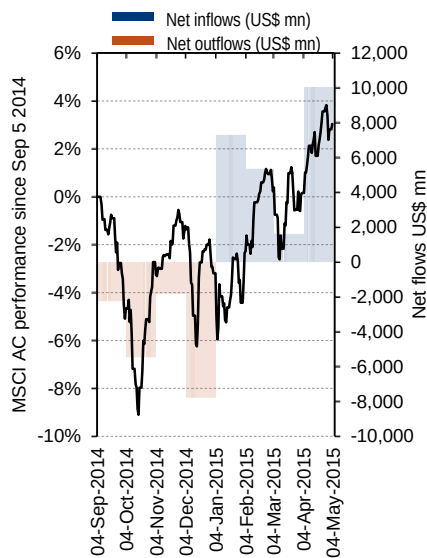
Chart 19: Water - Positioning and ownership by sub-themes



Source: BofA Merrill Lynch Global Research

Last month period (April flows) is Apr 5
2015 – May 4 2015

Chart 20: MSCI AC World TR performance and
BofAML client net trading flows in thematic
universe



Source: BofA Merrill Lynch Global Research

Table 17: BofAML client net trading flows by
region (US\$mn)

Theme	Last month ending (May 4 2015)	3 month avg.	Cumulative Net flows
AMRS	5,113	891	-3,538
APAC	1,282	765	2,045
EMEA	4,453	4,283	9,298
Total	10,847	5,939	7,805

Source: BofA Merrill Lynch Global Research, Cumulative net flows with Sep 5
2014 as starting point, Average flows = average flows between specified
period

Equity Flows – Recent trading

We define BofAML equity net trading flows as USD notional buys minus sells
executed by BofAML equity trading platform for our clients. The April 5 through
May 4 2015 period showed continued inflows into the thematic universe of
+US\$10,847mn, the strongest month of inflow to date. This brings the cumulative
net flows to +US\$7,805mn.

Table 16: BofAML client net trading flows by theme (US\$mn)

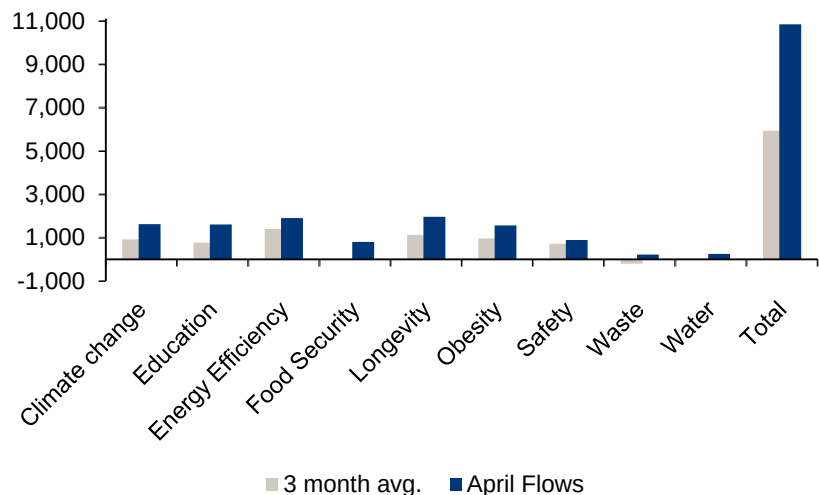
Theme	Last month ending May 4 2015	Apr 4 2015	Mar 4 2015	Feb 4 2015	Jan 4 2015	Dec 4 2014	Cumulative Net flows	3 m avg.
Climate change	1,625	-661	1,800	1,751	-2,012	-336	1,241	921
Education	1,613	255	427	1,501	-1,860	342	3,773	765
Energy Efficiency	1,907	266	2,040	2,502	-1,203	-217	5,086	1,404
Food Security	805	NA	NA	NA	NA	NA	805	NA
Longevity	1,966	1,919	-498	-1,499	-1,569	-1,188	-5,218	1,129
Obesity	1,563	1,808	-478	-949	-1,104	610	-107	964
Safety	894	-475	1,726	2,223	117	-560	3,449	715
Waste	224	-1,192	369	1,309	698	-205	279	-200
Water	250	-304	-34	465	-858	-269	-1,502	-29
Total	10,847	1,618	5,351	7,304	-7,791	-1,823	7,805	5,939

Source: BofA Merrill Lynch Global Research; Cumulative net flows with Sep 5 2014 as starting point. Average flows=average net flow between
specified period.

Inflows for all themes and all regions, highest to date

We witnessed the highest net inflows this month of +\$10,847mn since we began
monitoring in September 2014. All regions (AMRS, EMEA, APAC) showed gains
and it was the first month in which every theme also experienced inflows.
Longevity experienced the highest inflows for a second month in a row, with
+\$1,966mn, erasing much of the outflows from previous months. Energy
Efficiency, Education, and Safety remain the themes with most positive
cumulative inflows with +US\$5,086mn, +US\$3,773mn, and +US\$3,449mn
respectively since September 2014.

Chart 21: BofAML client net trading flows by theme (US\$mn)



Source: BofA Merrill Lynch Global Research; April Flows signify the period from Apr 5 2014 to May 4 2015

Themes

Climate change & extreme weather

- A perfect storm

[Thematic Investing: Extreme weather primer – weathering the perfect storm 12 September 2013](#)

A Transforming World thematic impacts: Earth, Government, Innovation, Markets, People.

Extreme weather: welcome to the new normal - Climate anomalies are on the rise globally with 2013 marking the 28th consecutive year with a global temperature above the 20th century average (Source: NOAA). Extreme weather is becoming the new normal, with extremes now covering 10% of the globe vs. 0.1% to 0.2% from 1951-1980 (Source: NASA). While no single incident can be definitively attributed to climate change, there is overwhelming scientific evidence that we should expect more damaging extreme weather events, with up to 40% of global land area at risk from extreme heat by 2040E (Source: Coumou et. al.).

Losses are skyrocketing: we're not sufficiently prepared - Global climate-related losses have risen to as much as US\$200bn in 2005 as a result of Hurricane Katrina. 2011 and 2012 were the two worst years on record for extreme weather events, which caused a total of more than \$170 billion in damages, much of that to businesses (Source: NOAA). 90% of the S&P Global 100 across industry sectors identify extreme weather and climate change as current or future business risks (Source: C2ES). But worryingly, less than 50% of companies have integrated climate change adaptation into their business strategies (Source: CDP)

It's getting warmer: on track for a 2-4°C warmer world - Without further action to reduce greenhouse gas emissions (GHGs), scientists are predicting a 2-4°C rise in temperatures by 2100 and it could happen as early as the 2060s. This would mean unprecedented heat waves, severe drought, and major floods in many regions with serious impacts on human systems and ecosystems and new risks that would threaten our future adaptation needs (Source: World Bank). The U.S. National Climate Change Assessment (NCA) – released in May 2014 warns of climate change-related problems that are already disrupting the lives of ordinary Americans (e.g. extreme weather, sea-level rise, thawing of Arctic sea ice, shift in growing seasons et. al.) and calls for action to reduce GHG emissions.

A perfect storm is brewing: food-water-energy security - By 2030E, global food demand is set to increase by up to 50%, water demand by up to 40% and energy demand by up to 50%. Given how closely food, water and energy security are connected, this will mean increasing trade-offs and resource rationing. It also threatens to create a “perfect storm” of global events, which poses key questions for governments, stakeholders, corporates and investors as to how to meet these demands while adapting to and mitigating climate change.

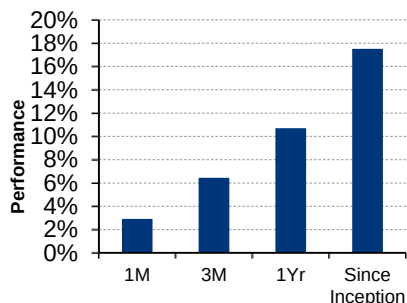
Weathering the storm: 7 entry points for long-term solutions - In our view, a number of stocks are placed to benefit from their role as long-term solution providers for the perfect storm of food-water-energy security in an extreme weather and climate change constrained world. We have identified c200 stocks covered by BofAML Global Research across seven entry points: 1) Water; 2) Fertilizers; 3) Crop Science; 4) Farming and Agricultural Equipment; 5) Second Generation Biofuels; 6) Energy Efficiency; and 7) Renewables and Cleantech.

Table 18: Climate Change Primer Picks beta relative to the market

Raw Beta	1.09
Adjusted Beta	1.06
Alpha	0.03
R^2 (Correlation^2)	0.78
Correlation	0.88

Source: BofA Merrill Lynch Global Research. Relative index=MSCI AC World TR (GDUEACWF Index). Weekly observations since inception, through May 4 2015

Chart 23: Climate Change Primer Picks performance (through May 4 2015)

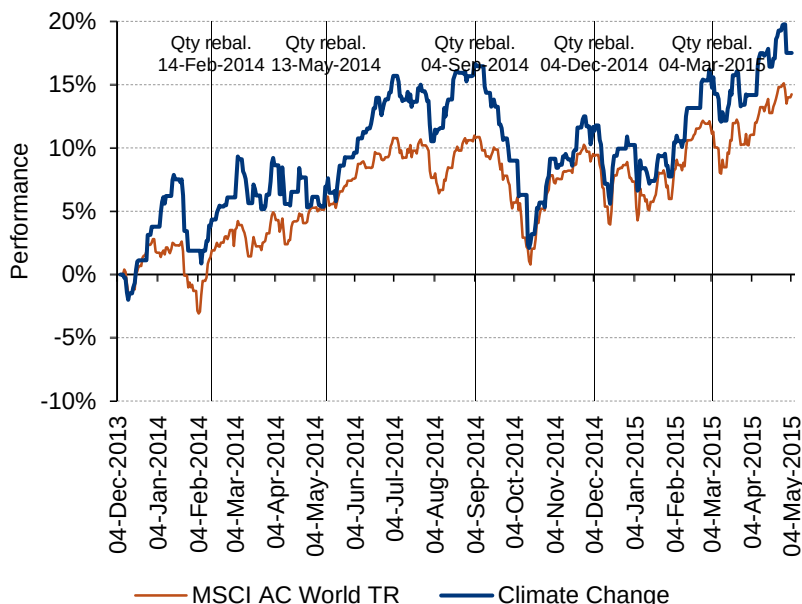


BofA Merrill Lynch Global Research. Inception is Dec 6 2013.

Primer Picks performance

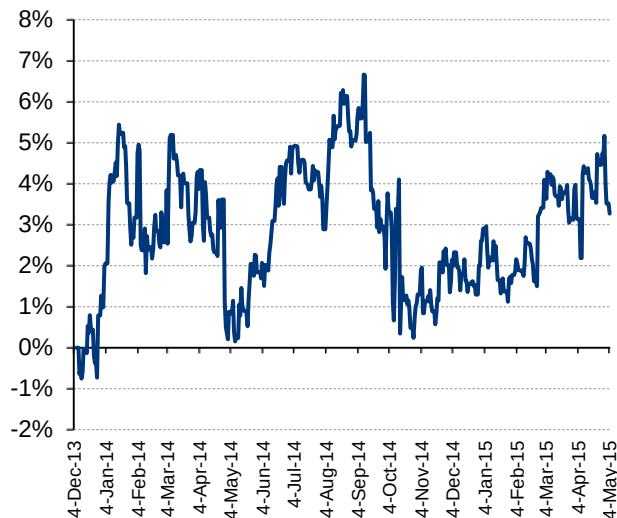
Climate change & extreme weather Primer Picks is up +17.51% since Dec 6, 2013. The theme fared relatively well in the last 3 months, rising +6.44%. During the last month, climate change Primer Picks remained relatively rose by +2.92%.

Chart 22: Climate Change Primer Picks performance (through May 4 2015)



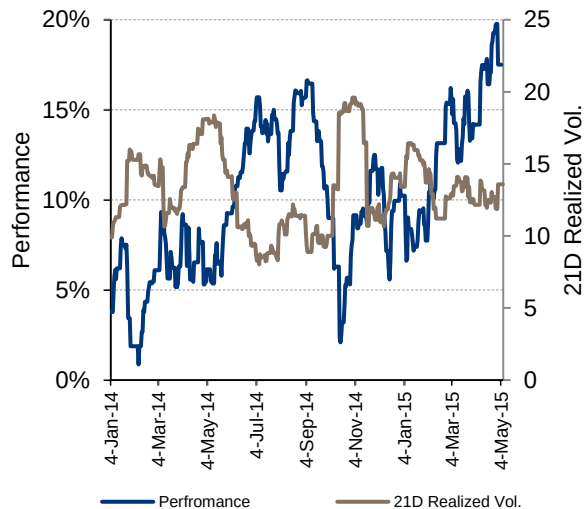
Source: BofA Merrill Lynch Global Research. See Appendix on Page 65 for list of Primer Picks rebalances. Qty rebal = Quarterly Primer Picks update. Past performance should not and cannot be viewed as an indicator of future performance. A complete performance record is available upon request.

Chart 24: Relative performance of Climate Change Primer Picks vs. MSCI AC World (through May 4 2015)



Source: BofA Merrill Lynch Global Research. Benchmark = MSCI AC World TR Gross (GDUEACWF). Past performance should not and cannot be viewed as an indicator of future performance

Chart 25: Climate Change - Primer Picks performance and 21-day realized volatility



Source: BofA Merrill Lynch Global Research. 21D Realized Vol is the rolling 21-day (business day) realized volatility of the Primer Picks performance. Past performance should not and cannot be viewed as an indicator of future performance.

Table 19: Climate Change Theme and Sub-theme P/E valuation

Sub-Theme	Forward PE	
	Universe	Primer Picks
Advanced Biofuels	16.1x	30.0x
Agricultural Equipment	19.1x	NA
Aircraft Engines	16.2x	16.1x
Bus	11.7x	11.5x
Cleantech	22.4x	21.5x
Crop Science	18.7x	21.6x
Efficiency - Auto	18.3x	17.7x
Efficiency - Buildings	18.6x	16.4x
Efficiency - Inds. & Integ.	16.9x	18.4x
Farming	11.4x	8.7x
Fertilisers	12.7x	11.6x
IoT	29.1x	22.7x
IT	28.3x	24.0x
LEDs & Lighting	19.9x	13.6x
Lightweighting	16.3x	18.0x
Rail & Rail Equipment	15.8x	15.5x
Smart Grid & Storage	17.5x	15.9x
Water Infra. & Supply	15.4x	13.8x
Water Management	18.5x	14.9x
Water Treatment	17.1x	21.9x
Climate Change	19.5x	19.1x
MSCI AC World	16.9x	

Source: BofA Merrill Lynch Global Research. Forward P/E is based on consensus analyst earnings estimates for the next four quarters as compiled by Bloomberg. NA - Primer Picks includes stocks only with Buy and High/Medium exposure. Some sub-themes do not have Primer Picks companies within them.

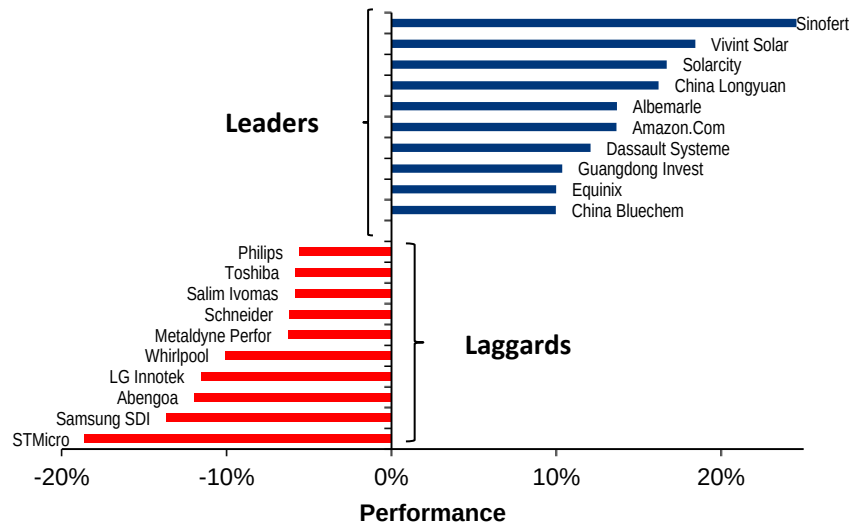
Table 20: Climate change & extreme weather
BofAML client net trading flows (US\$ mn)

Last month ending (May 4 2015)	1,625
Apr 4 2015	-661
Mar 4 2015	1,800
Feb 4 2015	1,751
Jan 4 2015	-2,012
Dec 4 2014	-336
Nov 4 2014	-417
Oct 4 2014	-510
Cumulative Net flows	1,241
3 month avg.	921

Source: BofA Merrill Lynch Global Research Cumulative net flows with Sep 5 2014 as starting point. Average flows=average net flow between specified period

Leaders and laggards

Chart 26: 1M top/bottom total return performance of Climate Change Primer Picks

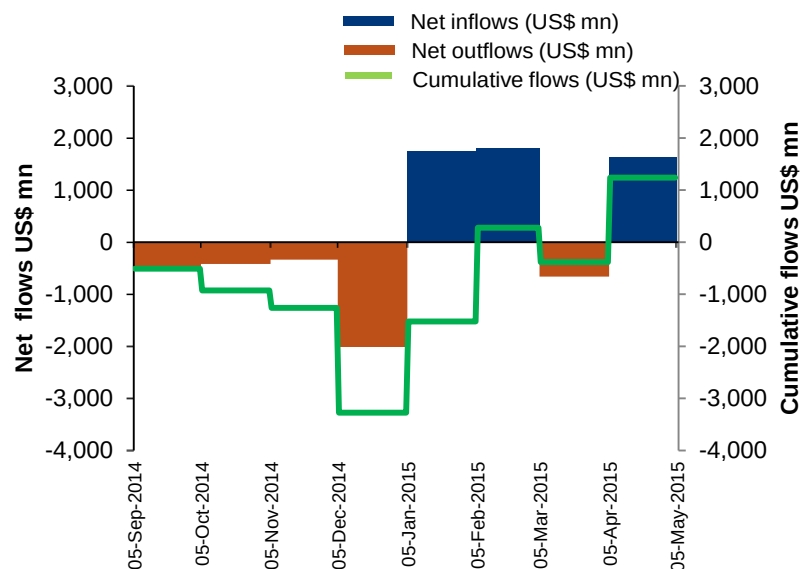


Source: BofA Merrill Lynch Global Research; Bloomberg

Flows

In our wider climate change thematic stock list, BofAML global equity trading showed +\$1,625mn of inflows for the April period. Cumulative net flows are now +US\$1,241mn in the past eight month period, bringing it back to the green.

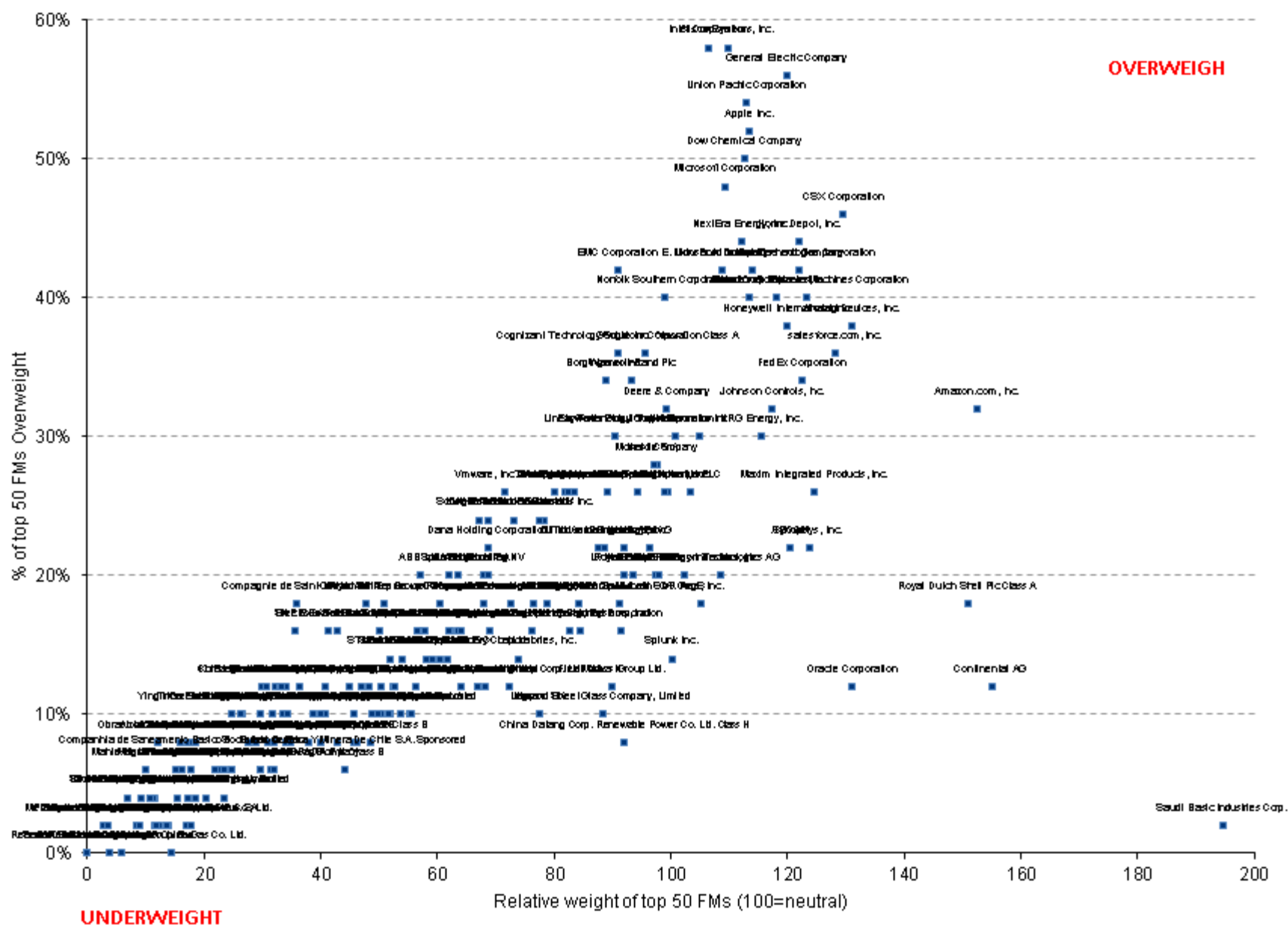
Chart 27: Climate change – BofAML client monthly net flows and cumulative flows



Source: BofA Merrill Lynch Global Research, cumulative net flows with Sept 5 2014 as starting point

Positioning of climate change stocks

Chart 28: Positioning and ownership – Climate Change & Extreme Weather



08 May 2015

Positioning of climate change stocks

Table 21: Top Overweight and Underweight stocks in Extreme Weather & Climate Change

Top Overweight			Top Underweight		
	Weightings	% top holders overweight		Weightings	% top holders overweight
Cisco Systems, Inc.	110	58%	Saudi Arabian Fertilizer Co.	0	0%
Intel Corporation	106	58%	BYD Co. Ltd. Class A	0	0%
General Electric Company	120	56%	Renesas Electronics Corporation	0	0%
Union Pacific Corporation	113	54%	Siemens Limited	4	0%
Apple Inc.	114	52%	Petronas Chemicals Group Bhd	6	0%
Dow Chemical Company	113	50%	Hong Kong & China Gas Co. Ltd.	14	0%
Microsoft Corporation	109	48%	CPFL Energia S.A.	8	2%
CSX Corporation	129	46%	Inversiones Aguas Metropolitanas S.A.	9	2%
Home Depot, Inc.	122	44%	ICL-Israel Chemicals Ltd.	9	2%
NextEra Energy, Inc.	112	44%	Aguas Andinas S.A. Series A	12	2%
United Technologies Corporation	122	42%	Enel Green Power S.p.A.	12	2%
E. I. du Pont de Nemours and Company	114	42%	Doosan Heavy Industries & Construction Co., Ltd.	12	2%
Monsanto Company	109	42%	Guangdong Investment Limited	14	2%
EMC Corporation	91	42%	LG Innotek Co., Ltd.	14	2%
Eaton Corp. Plc	114	40%	Advantech Co., Ltd.	17	2%

Source: BofAML Global Research. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

Style Cycle

According to the Style Cycle model, stocks that are highest ranked within the Climate Change theme constitute a mix of water infrastructure, renewables, and LEDs & lighting. Stocks that are lowest ranked are within water treatment, rail & rail equipment sub-theme.

Table 22: Climate Change & Extreme Weather - Style Cycle Top/Bottom 15 stocks

Top				Bottom			
Sedol	Name	Sub-theme	Recovery rank (1 = Top)	Sedol	Name	Sub-theme	Recovery rank (1 = Bottom)
B54C01	K+S AG	Fertilisers	100	B783TY	Delphi Automotive Plc	Efficiency - Auto	1
537974	Obrascon Huar Lain	Water Infra. & Supply	100	230422	Ecolab Inc	Water Treatment	1
B0YBZJ	Cia Saneamento Min	Water Infra. & Supply	99	291473	Union Pacific Corp	Rail & Rail Equipment	1
B1VP0K	Rexel	Efficiency - Inds. & Integ.	99	225701	Cognizant Tech Solutions	IT	2
204917	Advanced Energy Inds Inc	Cleantech/IT	98	258817	Microsoft Corp	IoT	2
451361	Kemira Oy	Water Treatment	98	B929F4	Asml Holding Nv	IT	3
B83KH8	Abengoa Sa (B)	Cleantech	97	243420	Home Depot Inc	Efficiency - Buildings	3
B4YX1N	China Dtnng Co Rnwb	Cleantech	96	265432	Monsanto Co	Crop Science	3
629467	Doosan Heavy Ind	Water Treatment	96	245920	Idexx Labs Inc	Water Management	4
B1L87F	Trina Solar Ltd	Cleantech	96	200597	Intl Business Machines Corp	IT	5
B1DN3X	China Bluechemical	Fertilisers	95	266880	Pall Corp	Water Treatment	5
B5L2Q4	Salim Ivomas	Farming	95	202045	Honeywell International Inc	Efficiency - Auto/Efficiency - Buildings/Efficiency - Inds. & Integ.	6
B39Z8G	Lg Innotek Co	LEDs & Lighting	94	B798FW	Novozymes	Advanced Biofuels/Crop Science	6
B1W4V6	Prysmian Spa	Efficiency - Inds. & Integ.	94	218063	Canadian National Railway	Rail & Rail Equipment	7
557910	Acciona Sa	Cleantech	92	286082	Stericycle Inc	Water Treatment	7

Source: BofA Merrill Lynch Global Research. Top and bottom 15 stocks are based on a relative ranking within our Water theme. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

[Thematic Investing: Global Education Primer - Stay in school 01 November 2013](#)

Education - Stay in school

One of the most pressing socio-economic challenges - We believe that education presents one of the most pressing socioeconomic challenges today, with 100m children never having attended school, tens of millions of dropouts, 800m illiterate adults, and major gaps in lifelong skills and training in both emerging and developed markets. We also believe that education for all (EFA) offers a once-in-a-generation investment opportunity to build healthy, prosperous and equitable societies, with every dollar invested in education generating US\$10-15 in economic returns (source: UN).

US\$4.5-5.1tn market today, US\$5.9-7.8tn by 2017E - The global education sector is worth US\$4.5-5.1tn today, encompassing K-12, post-secondary, corporate and government learning, e-learning, child care and language learning. Going forward, we see the fastest growth coming from e-learning and for-profit education, as well as from emerging markets' increasing focus and spend (notably China and Brazil). By 2017E, global education is on target to become a US\$5.9-7.8tn market (source: GSV Advisors, BofA Merrill Lynch estimates).

Strong growth drivers, EMs leading the way - Growth drivers include strong spending (c5% of global GDP), increasing enrolment rates (90% for primary completion, 71% for secondary enrolment), demographic opportunities (booming population of 5-17 year olds in EMs), more women in education, EMs upping their spend on education (disposable spending on education in China, India and Brazil is 10-13%), increasing global mobility, and a growing realisation of employment, earnings and economic development needs and opportunities (developed market graduates earn >US\$1m more than high school dropouts over their lifetime).

Structural shifts, for-profit/private & EdTech - We believe the high cost of education is placing a burden on cash-strapped governments and households, which means increasing dependence on private spending (32% of funding for higher education in the OECD, 62% in the US), a growing role for for-profit education companies, and an increasing focus on affordability and results. Further, we think the integration of ICT and the shift to EdTech (from print to digital and from classroom to online learning) means e-learning is set to become a US\$250bn+ market by 2017E, posing threats and opportunities for many incumbents.

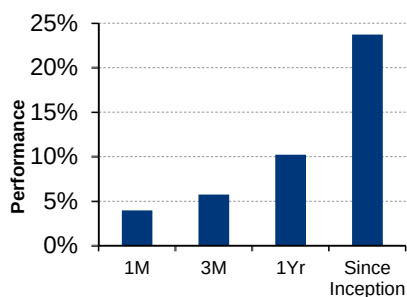
Four major entry points for investors - We have mapped education across a number of sectors' value chains to highlight the diverse range of entry points available to those wishing to invest in the theme: 1) K-12, 2) post-secondary, 3) content and 4) EdTech.

Table 23: Education Primer Picks beta relative to the market

Raw Beta	1.14
Adjusted Beta	1.09
Alpha	0.10
R^2 (Correlation^2)	0.51
Correlation	0.71

Source: BofA Merrill Lynch Global Research. Relative index=MSCI AC World TR (GDUEACWF Index). Weekly observations since inception, through May 4 2015

Chart 30: Education Primer Picks performance (through May 4 2015)



BofA Merrill Lynch Global Research. Inception is Dec 6 2013.

Chart 31: Relative performance of Education Primer Picks vs. MSCI AC World (through May 4 2015)

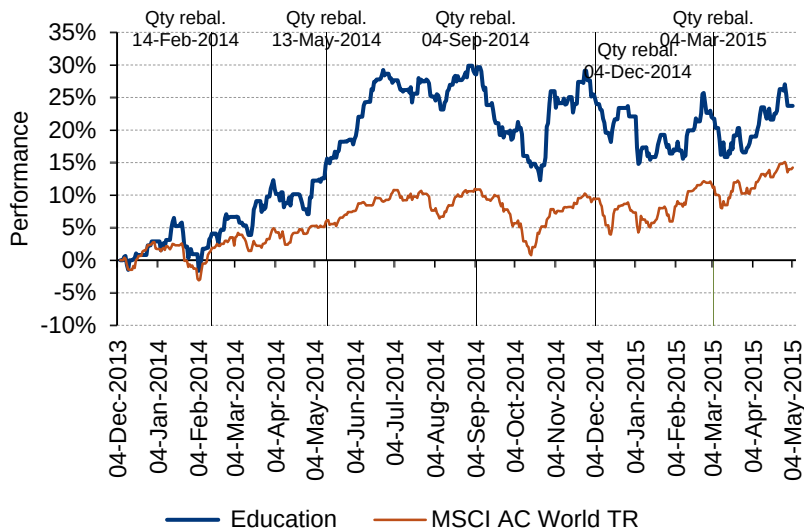


Source: BofA Merrill Lynch Global Research. Benchmark = MSCI AC World TR Gross (GDUEACWF). Past performance should not and cannot be viewed as an indicator of future performance

Primer Picks performance

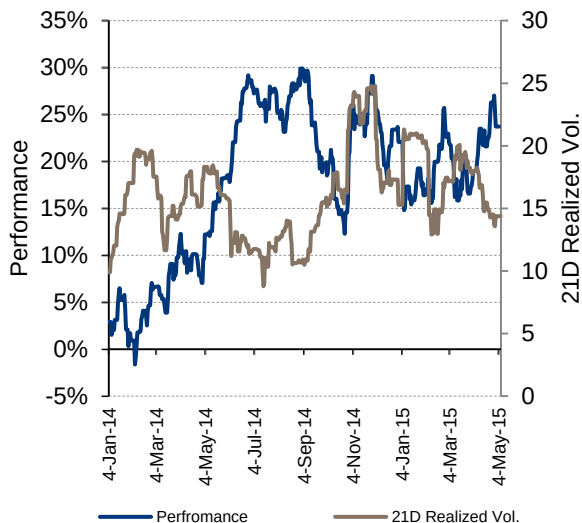
Education Primer Picks is up +23.71% since Dec 6, 2013. It is up +5.74% during the past three months. During the last month, Education Primer Picks rallied +3.96%, making it the strongest performing theme and regaining losses from the previous month.

Chart 29: Education Primer Picks performance (through May 4 2015)



Source: BofA Merrill Lynch Global Research. See Appendix on Page 65 for list of Primer Picks rebalances. Qty rebal = Quarterly Primer Picks update. Past performance should not and cannot be viewed as an indicator of future performance. A complete performance record is available upon request.

Chart 32: Education - Primer Picks performance and 21-day realized volatility



Source: BofA Merrill Lynch Global Research. 21D Realized Vol is the rolling 21-day (business day) realized volatility of the Primer Picks performance. Past performance should not and cannot be viewed as an indicator of future performance.

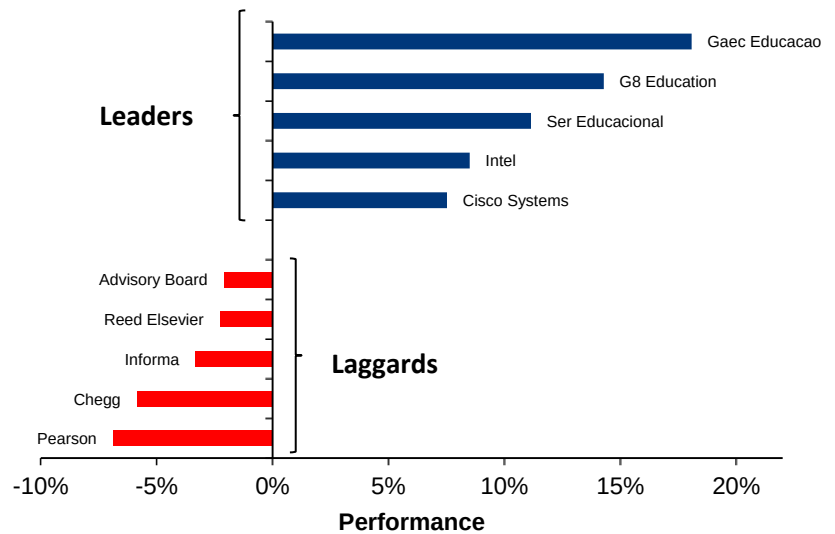
Table 24: Education Theme and Sub-theme P/E valuation

Sub-Theme	Forward PE	
	Universe	Primer Picks
EdTech	19.6x	18.0x
K-12 & childcare	16.3x	16.3x
Miscellaneous	17.3x	17.3x
Post-secondary, Colleges & Universities	10.5x	9.6x
Publishing & content	16.5x	15.5x
Education	16.3x	15.4x
MSCI AC World	16.9x	

Source: BofA Merrill Lynch Global Research. Forward P/E is based on consensus analyst earnings estimates for the next four quarters as compiled by Bloomberg.

Leaders and laggards

Chart 33: 1M top/bottom total return performance of Education Primer Picks



Source: BofA Merrill Lynch Global Research; Bloomberg

Table 25: Education BofAML client net trading flows (US\$ mn)

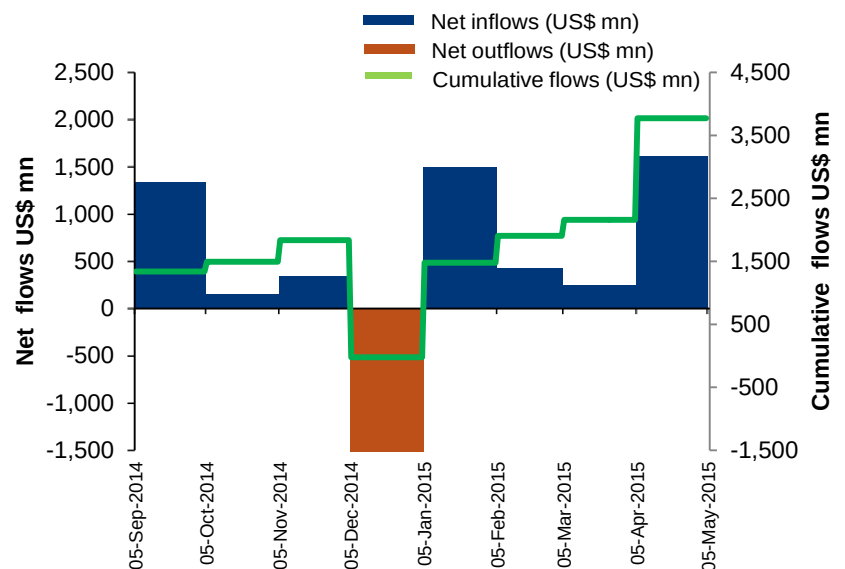
Last month ending (May 4 2015)	1,613
Apr 4 2015	255
Mar 4 2015	427
Feb 4 2015	1,501
Jan 4 2015	-1,860
Dec 4 2014	342
Nov 4 2014	157
Oct 4 2014	1,338
Cumulative Net flows	3,773
3 month avg.	765

Source: BofA Merrill Lynch Global Research Cumulative net flows with Sep 5 2014 as starting point. Average flows=average net flow between specified period

Flows

In our wider Education thematic stock list, BofAML global equity trading showed inflows of +US\$1,613mn for the April period. The theme has experienced inflows every month except for December 2014 since we began monitoring in Sep 2014. This brings cumulative net flows to +US\$3,773mn in the past eight month period.

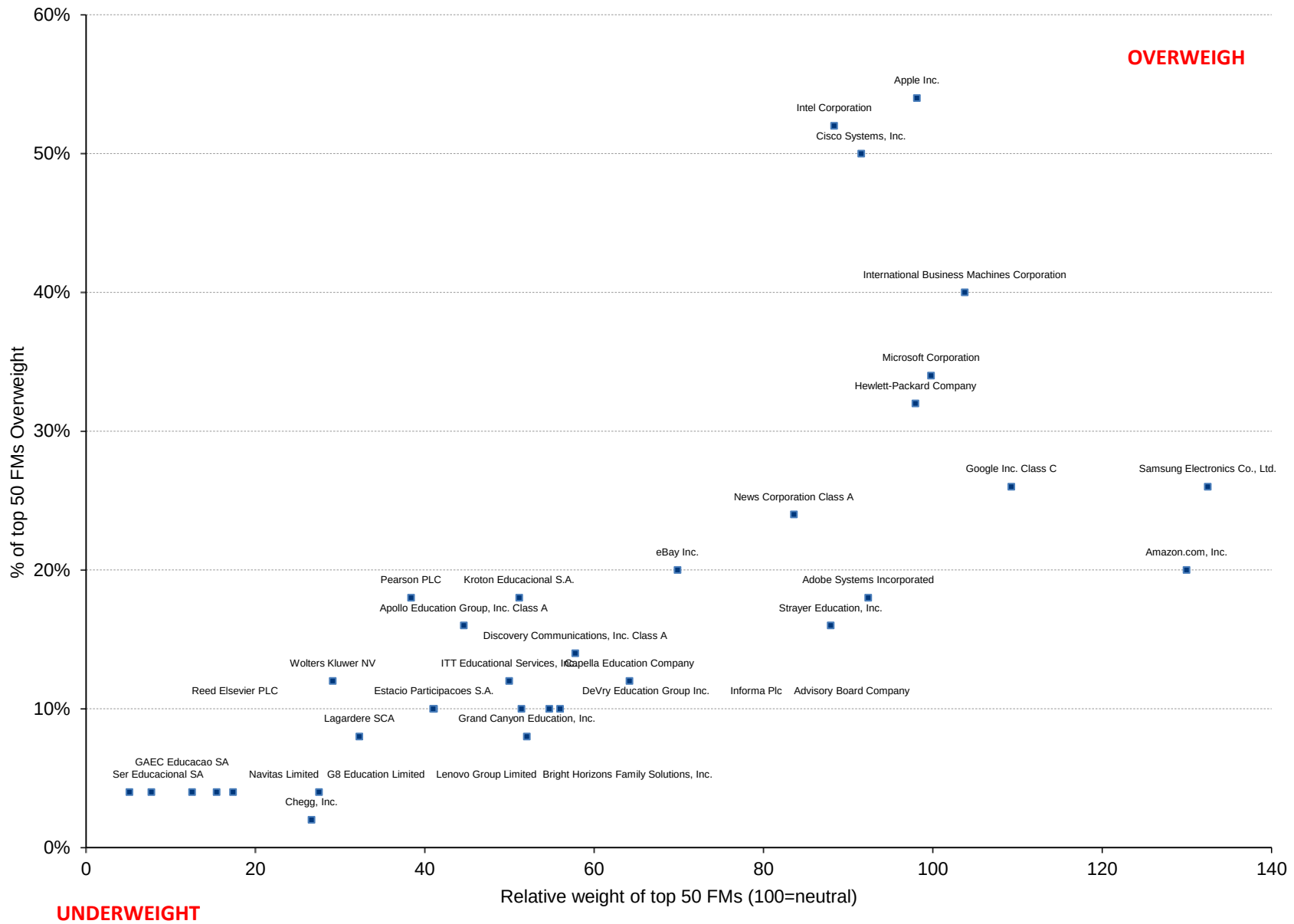
Chart 34: Education – BofAML client monthly net flows and cumulative flows



Source: BofA Merrill Lynch Global Research, cumulative net flows with Sept 5 2014 as starting point

Positioning of Education stocks

Chart 35: Positioning and ownership – Education



Source: BofAML Global Research

08 May 2015

Positioning of Education stocks

Table 26: Top Overweight and Underweight stocks in Education

Top Overweight			Top Underweight		
	Weightings	% top holders overweight		Weightings	% top holders overweight
Apple Inc.	98	54%	Chegg, Inc.	27	2%
Intel Corporation	88	52%	Ser Educacional SA	5	4%
Cisco Systems, Inc.	92	50%	GAEC Educacao SA	8	4%
International Business Machines Corporation	104	40%	Navitas Limited	13	4%
Microsoft Corporation	100	34%	G8 Education Limited	15	4%
Hewlett-Packard Company	98	32%	Lenovo Group Limited	17	4%
Samsung Electronics Co., Ltd.	132	26%	Bright Horizons Family Solutions, Inc.	28	4%
Google Inc. Class C	109	26%	Lagardere SCA	32	8%
News Corporation Class A	84	24%	Grand Canyon Education, Inc.	52	8%
Amazon.com, Inc.	130	20%	DeVry Education Group Inc.	51	10%

Source: BofAML Global Research. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

Style Cycle

According to the Style Cycle model, stocks that should do relatively well within the Education theme are in post-secondary, colleges, & universities and publishing & content. Stocks that that should fare less well are within sub-themes relating to EdTech.

Table 27: Education - Style Cycle Top/Bottom 10 stocks

Top				Bottom			
Sedol	Name	Sub-theme	Recovery rank (1 = Top)	Sedol	Name	Sub-theme	Recovery rank (1 = Bottom)
245237	Itt Educational Services Inc	Post-secondary, Colleges & Universities	100	204625	Apple Inc	EdTech	3
454721	Lagardere	Publishing & content	97	258817	Microsoft Corp	EdTech	6
BMJ6DW	Informa Plc (Gb)	Publishing & content	94	200597	Intl Business Machines Corp	EdTech	9
677172	Samsung Electronic	EdTech	88	B3F1XM	Grand Canyon Education Inc	Post-secondary, Colleges & Universities	12
285341	Strayer Education Inc	Post-secondary, Colleges & Universities	88	246324	Intel Corp	EdTech	15
204369	Apollo Education Group Inc	Post-secondary, Colleges & Universities	85	200815	Adobe Systems Inc	EdTech	18
BBGVT4	News Corp	Publishing & content	82	BFMXX8	Gaec Educacao S.A	Post-secondary, Colleges & Universities	18
BG6N6K	Chegg Inc	EdTech	79	283694	Kroton Educacional	K-12 & childcare	24
226760	Devry Education Group Inc	Post-secondary, Colleges & Universities	76	229381	Ebay Inc	Publishing & content	27
67760	Pearson	Publishing & content	73	B2B0DG	Reed Elsevier	Publishing & content	30

Source: BofA Merrill Lynch Global Research. Top and bottom 15 stocks are based on a relative ranking within our Water theme. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

[Thematic Investing: The Efficient Frontier - Energy Efficiency Primer 04 September 2014](#)

Energy efficiency – Efficient frontier

A Transforming World thematic impacts: Earth, Government, Innovation

Global energy crisis: the current path is unsustainable - Primary energy demand accounts for more than 7% of global GDP, and with demand set to grow by up to 40% by 2035E, the world needs US\$48-53tn in energy investments over the period (source: IEA). Today's share of fossil fuels in the global energy mix is the same as it was 25Y ago, leaving much of the world dependent on energy imports and associated geopolitical risks. The current energy path is also putting us on a CO2 emissions trajectory consistent with long-term global temperature increases of 2.0°C -4.5°C, making irreversible [climate change](#) a reality.

Doing more with less: from hidden fuel to world's #1 fuel - An energy-secure future for all will require a balanced energy mix, encompassing clean coal, gas, nuclear and renewables – as well as energy efficiency. Historical energy savings from efficiency have exceeded the output from any other single fuel source, and efficiency could halve the energy needed to power the world by 2035E (source: IEA). We believe that efficiency is the cheapest and easiest way to reduce energy demand and CO2 emissions, and that the combination of increasingly effective policies and high energy prices means that it will transition from hiding in plain sight to become the world's "first fuel."

Invest for the future: up to US\$14tn in investments (2035E) - Global investments in energy efficiency have ranged from US\$130bn-300bn/pa in recent years. By 2035E, we are anticipating US\$8-14tn in investments – or US\$550bn+ in annual spending – both to meet growth in demand and make the transition to a lower-carbon economy (source: IEA). We believe that there is significant "low hanging fruit" potential given that 80% of energy is lost along the value chain, every dollar spent means US\$2-4 in lifetime cost savings, and two-thirds of the economic potential to improve energy efficiency remains untapped (source: ABB, IEA). Investing in efficiency will also reduce mid- to long-term exposure to the risk of stranded assets vis-à-vis fossil fuels.

Eight major entry points for investors - We have mapped energy efficiency exposure across a number of sectors' value chains to highlight a diverse range of entry points for investors wishing to play the energy efficiency theme: (1) Autos; (2) Buildings; (3) Industrials; (4) Internet of Things (IoT); (5) ICT (incl. cloud, data centres, semis); (6) Lighting & LEDs; (7) Smart Grid & Energy Storage; and (8) Transport (incl. bus, plane, rail, shipping).

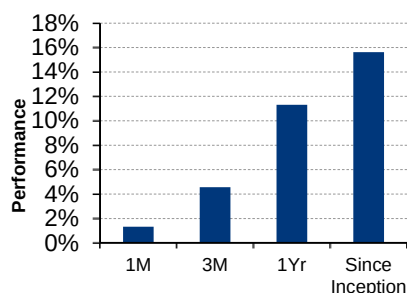
Table 28: Energy Efficiency Primer Picks beta relative to the market

Raw Beta	1.11
Adjusted Beta	1.07
Alpha	0.00
R ² (Correlation ²)	0.81
Correlation	0.90

Source: BofA Merrill Lynch Global Research. Relative index=MSCI AC World TR (GDUEACWF Index). Weekly observations since inception, through May 4 2015

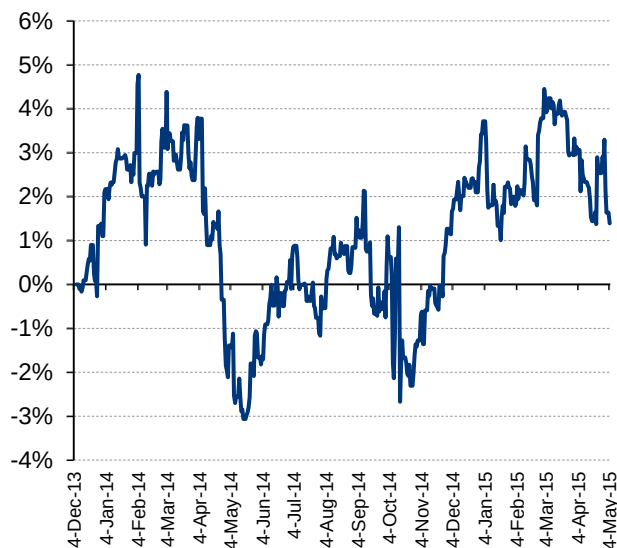
Primer Picks performance

Chart 37: Energy Efficiency Primer Picks performance (through May 4 2015)



BofA Merrill Lynch Global Research. Inception is Dec 6 2013.

Chart 38: Relative performance of Energy Efficiency Primer Picks vs. MSCI AC World (through May 4 2015)

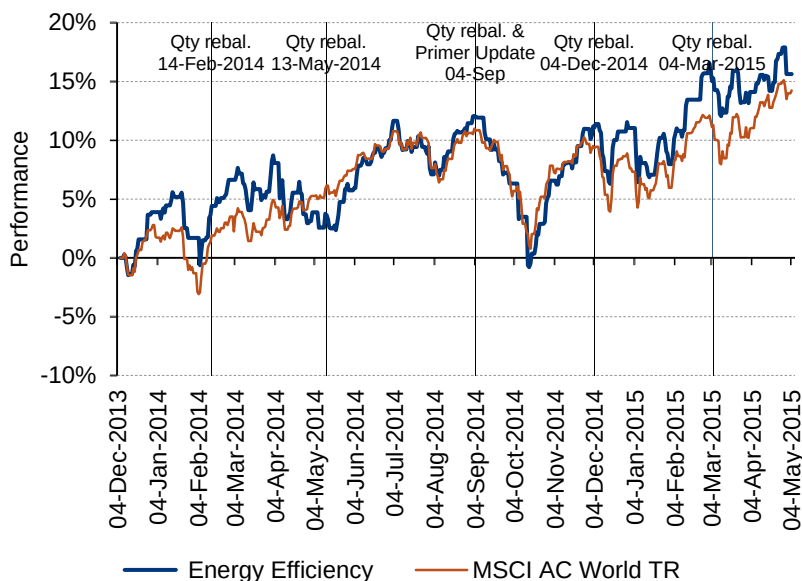


Source: BofA Merrill Lynch Global Research. Benchmark = MSCI AC World TR Gross (GDUEACWF). Past performance should not and cannot be viewed as an indicator of future performance

Primer Picks performance

Energy efficiency Primer Picks is up +15.63% since Dec 6, 2013. The theme rose +4.57% during the last three month period. During the past month, energy efficiency Primer Picks drifted higher by +1.33%.

Chart 36: Energy Efficiency Primer Picks performance (through May 4 2015)



Source: BofA Merrill Lynch Global Research. See Appendix on Page 65 for list of Primer Picks rebalances. Qty rebal = Quarterly Primer Picks update. Past performance should not and cannot be viewed as an indicator of future performance. A complete performance record is available upon request.

Chart 39: Energy Efficiency - Primer Picks performance and 21-day realized volatility



Source: BofA Merrill Lynch Global Research. 21D Realized Vol is the rolling 21-day (business day) realized volatility of the Primer Picks performance. Past performance should not and cannot be viewed as an indicator of future performance.

Table 29: Energy Efficiency Theme and Sub-theme P/E valuation

Sub-Theme	Forward PE	
	Universe	Primer Picks
Aircraft Engines	16.2x	16.1x
Auto	18.3x	17.7x
Buildings	18.6x	16.4x
Bus	11.7x	11.5x
Industrials & Integrated	16.9x	18.4x
IoT	29.1x	22.7x
IT	28.3x	24.0x
LEDs & Lighting	19.9x	13.6x
Lightweighting	16.3x	18.0x
Rail & Rail Equipment	15.8x	15.5x
Smart Grid & Storage	17.5x	15.9x
Energy Efficiency	20.7x	19.1x
MSCI AC World	16.9x	

Source: BofA Merrill Lynch Global Research. Forward P/E is based on consensus analyst earnings estimates for the next four quarters as compiled by Bloomberg, NA - Primer Picks includes stocks only with Buy and High/Medium exposure. Some sub-themes do not have Primer Picks companies within them.

Table 30: Energy Efficiency BofAML client net trading flows (US\$ mn)

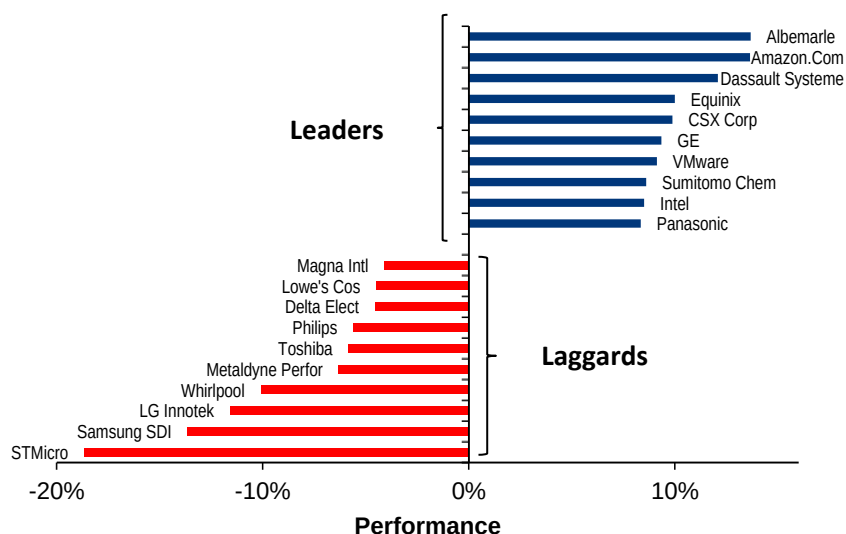
Last month ending (May 4 2015)	1,907
Apr 4 2015	266
Mar 4 2015	2,040
Feb 4 2015	2,502
Jan 4 2015	-1,203
Dec 4 2014	-217
Nov 4 2014	-356
Oct 4 2014	147
Cumulative Net flows	5,086
3 month avg.	1,404

Source: BofA Merrill Lynch Global Research Cumulative net flows with Sep 5 2014 as starting point. Average flows=average net flow between specified period

Energy Efficiency has the highest cumulative inflows of any theme

Leaders and laggards

Chart 40: 1M top/bottom total return performance of Energy Efficiency Primer Picks

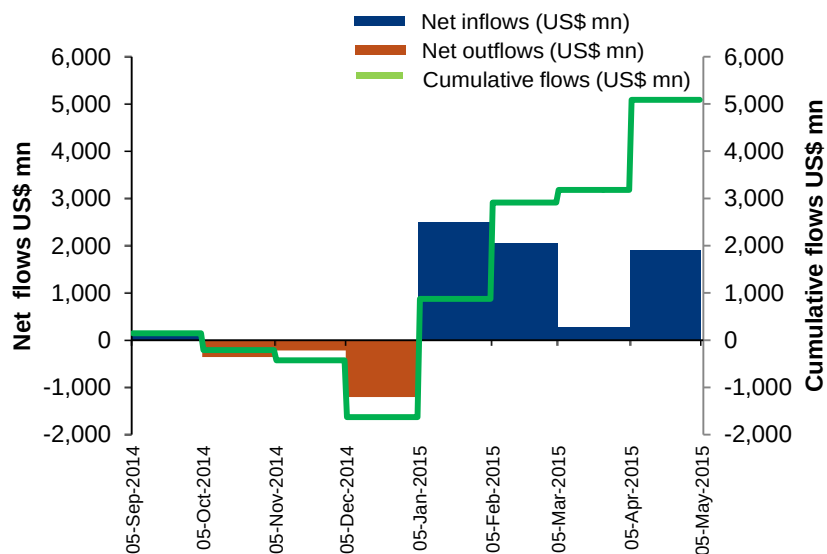


Source: BofA Merrill Lynch Global Research; Bloomberg

Flows

In our wider energy efficiency thematic stock list, BofAML global equity trading showed inflows of +US\$1,907mn for the April period. This brings cumulative net flows to +US\$5,086mn in the past eight month period, the highest of any theme.

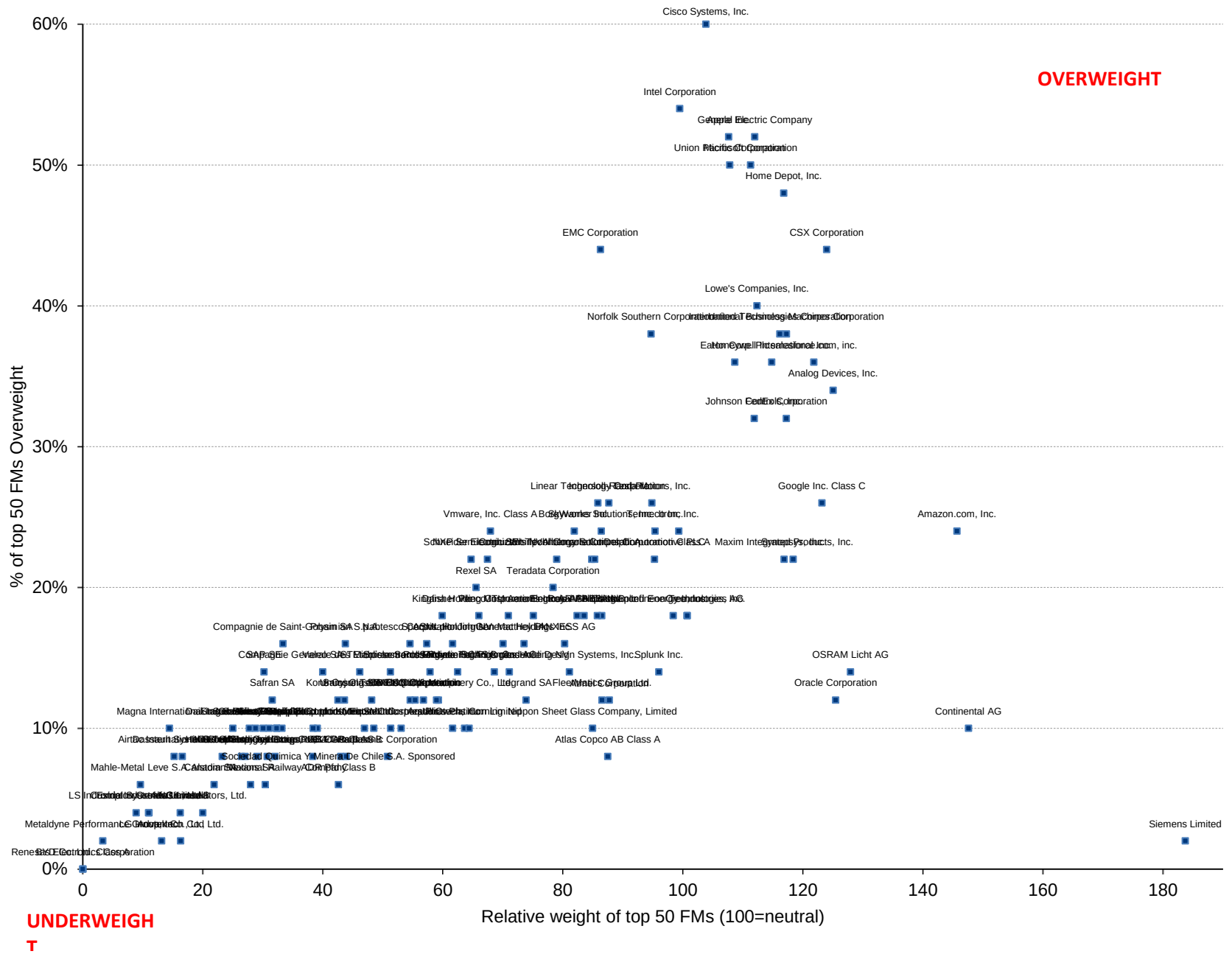
Chart 41: Energy efficiency – BofAML client monthly net flows and cumulative flows



Source: BofA Merrill Lynch Global Research, cumulative net flows with Sept 5 2014 as starting point

Positioning of energy efficiency stocks

Chart 42: Positioning and ownership – Energy Efficiency



08 May 2015

Positioning of energy efficiency stocks

Table 31: Top Overweight and Underweight stocks in Energy Efficiency

Top Overweight			Top Underweight		
	Weightings	% top holders overweight		Weightings	% top holders overweight
Cisco Systems, Inc.	104	60%	BYD Co. Ltd. Class A	0	0%
Intel Corporation	99	54%	Renesas Electronics Corporation	0	0%
General Electric Company	112	52%	Metaldyne Performance Group, Inc.	3	2%
Apple Inc.	108	52%	LG Innotek Co., Ltd	13	2%
Microsoft Corporation	111	50%	Advantech Co., Ltd.	16	2%
Union Pacific Corporation	108	50%	Siemens Limited	184	2%
Home Depot, Inc.	117	48%	LS Industrial Systems Co., Ltd.	9	4%
CSX Corporation	124	44%	Exide Industries Limited	11	4%
EMC Corporation	86	44%	Crompton Greaves Limited	11	4%
Lowe's Companies, Inc.	112	40%	Alfa Laval AB	16	4%
International Business Machines Corporation	117	38%	NGK Insulators, Ltd.	20	4%
United Technologies Corporation	116	38%	Mahle-Metal Leve S.A.	10	6%
Norfolk Southern Corporation	95	38%	Nexans SA	28	6%
Honeywell International Inc.	115	36%	Canadian National Railway Company	30	6%
Eaton Corp. Plc	109	36%	Sociedad Quimica Y Minera De Chile S.A.	43	6%

Source: BofAML Global Research. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

Style Cycle

According to the Style Cycle model, stocks that are highest ranked within the Energy Efficiency theme are mix including smart grid & storage, industrials, transportation and LEDs & lighting. Stocks that are lowest ranked are within sub-themes relating to IT and IoT.

Table 32: Energy Efficiency - Style Cycle Top/Bottom 15 stocks

Top				Bottom			
Sedol	Name	Sub-theme	Recovery rank (1 = Top)	Sedol	Name	Sub-theme	Recovery rank (1 = Bottom)
B1VP0K	Rexel	Industrials & Integrated	100	225701	Cognizant Tech Solutions	IT	1
204917	Advanced Energy Inds Inc	IT	99	291473	Union Pacific Corp	Rail & Rail Equipment	1
223235	Cree Inc	LEDs & Lighting	98	B783TY	Delphi Automotive Plc	Auto	2
B1W4V6	Prysmian Spa	Industrials & Integrated	97	243420	Home Depot Inc	Buildings	3
482110	Solvay	Auto/Lightweighting	97	B929F4	Asml Holding Nv	IT	4
687985	Teco Elec&Machine	Industrials & Integrated	96	258817	Microsoft Corp	IoT	4
B19NKB	Home Retail Group	Buildings	95	202045	Honeywell International Inc	Auto/Buildings/Industrials & Integrated	5
B05M8B	Lanxess	Auto	93	200597	Intl Business Machines Corp	IT	6
B39Z8G	Lg Innotek Co	LEDs & Lighting	93	204625	Apple Inc	IoT/IT	7
637821	Ls Industrial Sys	Auto	93	5958	ARM Holdings	IoT/IT	8
247194	Itron Inc	Smart Grid & Storage	91	218063	Canadian National Railway Co	Rail & Rail Equipment	8
62152	National Express	Bus	91	620267	Advantech Co Ltd	Industrials & Integrated/IoT/Smart Grid & Storage	9
B0DJ8Q	Alstom	Industrials & Integrated/Smart Grid & Storage/Rail & Rail Equipment	90	B23SN6	Vmware Inc -CI A	IT	10
664144	Nippon Sheet Glass	Buildings	90	B09M9D	Kone Oyj	Buildings	11
596233	STMicroelectronics	IT	89	297102	Lkq Corp	Auto	11

Source: BofA Merrill Lynch Global Research. Top and bottom 15 stocks are based on a relative ranking within our Water theme. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

[Thematic Investing: Feed the World: global food security primer 30 March 2015](#)

Food Security –Feed the World

A Transforming World thematic impacts: Earth, Government, Innovation

Food security: 805mn going hungry & GDP hit by 3%. Food security exists when all people have access to sufficient, safe and nutritious food. While global per capita calorie supply has improved to reach 2,868kcal per day - 805mn people are chronically undernourished, and hunger and under-nutrition reduces global GDP by c2-3% (cUS\$2tn). The global population is expected to grow from 7.2bn today to 9.6bn by 2050E and 11-12bn by 2100E. The combination of rising incomes and changing diets mean that by 2050, the world needs to produce 70% more food globally.

9.6bn to feed by 2050E: 70% more food production needed. In our view, all potential food security solutions should be considered given that we may have already arrived at peak production for many food categories. Global challenges include: declining yields (1.4% pa today vs. 3.2% in 1960), limited land remaining to be cultivated (1.4bn ha), the protein challenge (+2% meat demand to 2030E), food waste (30% of edible food), peak water (Ag is 70% of water use), and extreme weather and climate change (25% of wheat yields at risk), among others.

\$2.3tn food & Ag market: \$220bn in annual investments. The food & Ag sector accounts for 3% of global GDP, making the sector worth US\$2.3tn. Annual investments in food security & Ag are estimated at US\$220bn with 75% coming from the private sector. Every dollar invested in Ag R&D creates US\$20 in economic activity, with Ag-related growth 2-4x more effective at reducing poverty than other sectors. That said, annual investments from 2015-30E would need to reach US\$480bn to realise “zero hunger”.

Fast growth areas: protein, inputs, BioAg, tech, EMs, H&W. We believe that positive industry fundamentals support long-term growth beyond the current down-cycle. Short-term, we anticipate fast growth for areas like: inputs, protein plays, BioAg, precision Ag and the Internet of Things (IoT), EMs including Brazil and China, and healthy eating/wellness.

Eight major entry points for investors. We highlight eight entry points for investors wishing to play the food security theme: (1) Agricultural Equipment; (2) Agricultural Inputs; (3) Agribusiness, Protein & Dairy; (4) Farming; (5) Food Safety & Animal Health; (6) Water; (7) Healthy Eating; and (8) Reducing Food Waste

Primer picks relative value

We cannot currently show performance for our Food Security Primer Picks list because it was launched in March 2015, and has been in existence for less than one year.

Table 33: Food Security Theme and Sub-theme P/E valuation

Sub-Theme	Forward PE	
	Universe	Primer Picks
Farming	12.1x	NA
Agribusiness, Protein & Dairy	14.3x	13.8x
Agriculture & Food Equipment	15.7x	NA
Agricultural Inputs	16.4x	17.0x
Food Safety & Animal Health	20.8x	23.2x
Healthy Eating	21.5x	23.8x
Reducing Food Waste	16.8x	15.4x
Water	16.5x	17.0x
Food Security	16.6x	17.0x
MSCI AC World	16.9x	

Source: BofA Merrill Lynch Global Research. Forward P/E is based on consensus analyst earnings estimates for the next four quarters as compiled by Bloomberg. NA - Primer Picks includes stocks only with Buy and High/Medium exposure. Some sub-themes do not have Primer Picks companies within them.

Style Cycle

According to the Style Cycle model, stocks that are highest ranked within the Food Security theme are in Water. Stocks that are lowest ranked are within sub-themes relating to agricultural inputs and healthy eating.

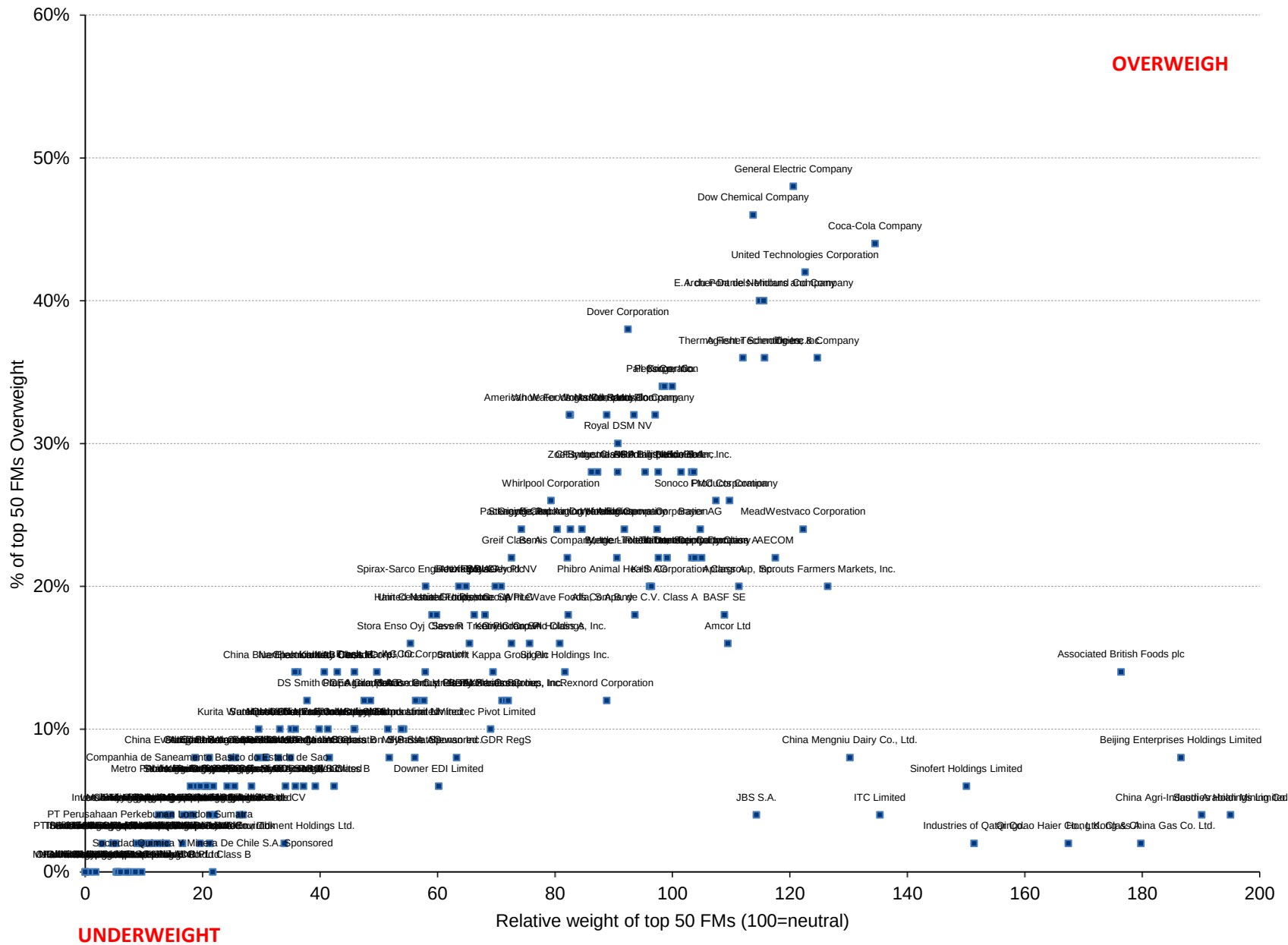
Table 34: Food Security - Style Cycle Top/Bottom 15 stocks

Top				Bottom			
Sedol	Name	Sub-theme	Recovery rank (1 = Top)	Sedol	Name	Sub-theme	Recovery rank (1 = Bottom)
507267	Stora Enso	Reducing Food Waste	100	230422	Ecolab Inc	Food Safety & Animal Health/Water	1
646557	Downer Edi Ltd	Water	99	B0JGGP	Ite	Agribusiness, Protein & Dairy	1
691487	Ugl Limited	Water	99	67312	Associated British Foods	Agriculture Inputs	2
BX17Q1	Leighton Holdings	Water	98	268151	Pepsico Inc	Water	2
B8L1DR	Felda Global Ventu	Farming	98	220665	Coca-Cola Co	Water	3
B0YBZJ	Cia Saneamento Min	Water	97	265432	Monsanto Co	Agriculture Inputs/Water	3
B0MT4R	Empresas Ica Sab	Water	97	B798FW	Novozymes	Agriculture Inputs	3
615333	Aveng	Water	96	266880	Pall Corp	Water	3
629467	Doosan Heavy Ind	Water	96	B95WG1	Zoetis Inc	Food Safety & Animal Health	3
B54C01	K+S AG	Agriculture Inputs	95	451957	Kerry Group	Healthy Eating	6
451361	Kemira Oy	Water	94	286082	Stericycle Inc	Water	6
B1YWHR	Marfrig Gbl Foods	Agribusiness, Protein & Dairy	94	245920	Idexx Labs Inc	Food Safety & Animal Health/Water	7
B27WY8	Duratex Sa	Water	93	212624	Mettler-Toledo Intl Inc	Food Safety & Animal Health	7
B5L2Q4	Salim Ivomas	Farming	93	293768	Waters Corp	Food Safety & Animal Health	7
557910	Acciona Sa	Water	92	290033	Tractor Supply Co	Agriculture Inputs	8

Source: BofA Merrill Lynch Global Research. Top and bottom 15 stocks are based on a relative ranking within our Food Security theme. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

Positioning of food security stocks

Chart 43: Positioning and ownership – Food Security



Source: BofAML Global Research

08 May 2015

Positioning of food security stocks

Table 35: Top Overweight and Underweight stocks in Food Security

Top Overweight			Top Underweight		
	Weightings	% top holders overweight		Weightings	% top holders overweight
General Electric Company	121	48%	Almarai Co. Ltd.	0	0%
Dow Chemical Company	114	46%	Metalfrio Solutions S.A.	0	0%
Coca-Cola Company	134	44%	Bumitama Agri Ltd.	1	0%
United Technologies Corporation	123	42%	NGL Energy Partners LP	2	0%
E. I. du Pont de Nemours and Company	116	40%	PT Astra Agro Lestari Tbk	5	0%
Archer-Daniels-Midland Company	115	40%	CIMIC Group Limited	6	0%
Dover Corporation	92	38%	Uralkali PJSC	6	0%
Deere & Company	125	36%	Wilmar International Limited	6	0%
Agilent Technologies, Inc.	116	36%	Felda Global Ventures Holdings Bhd.	7	0%
Thermo Fisher Scientific Inc.	112	36%	Charoen Pokphand Foods Public Co. Ltd.	7	0%
Kroger Co.	100	34%	Kuala Lumpur Kepong Bhd.	9	0%
PepsiCo, Inc.	99	34%	IOI Corp. Bhd.	10	0%
Pall Corporation	98	34%	Sociedad Quimica Y Minera De Chile S.A.	22	0%
Ingersoll-Rand Plc	89	32%	Aguas Andinas S.A. Series A	14	2%
American Water Works Company, Inc.	83	32%	Alfa Laval AB	17	2%

Source: BofAML Global Research. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

[Thematic Investing: The Silver Dollar – longevity
revolution primer 06 June 2014](#)

Demographics - Longevity revolution

A Transforming World thematic impacts: People, Government, Markets

Global ageing: the greatest transformation of our time - Ageing populations are becoming a virtually universal phenomenon, and the number of older persons (60+) is expected to more than double from 841mn in 2013 to 2bn+ by 2050 (Source: UN). People aged 65+ will outnumber children under 5 for the first time in human history in 2047 (Source: UN), and falling birth rates mean that some countries are heading towards a potentially catastrophic decline in population. We believe that all aspects of society and the economy need to be viewed through the lens of this demographic transformation.

Longevity risk: highly underestimated - Longevity risk will be one of the most significant challenges facing retirement systems over the next 50Y, with global annuity and pension-related exposure estimated to be as high as US\$15-25tn. Many countries could be facing additional costs of up to 50% of 2010 GDP by 2050E (Source: IMF).

Look for the silver lining: US\$15tn+ opportunity (2020E) - The longevity economy is becoming an increasingly powerful force, and the spending power of 60+ consumers is expected to reach US\$15tn by 2020E (Source: Euromonitor). The US longevity sector alone is currently estimated at US\$7.1tn, making it the world's #3 economy. This section of the economy is expected to account for over 50% of US and Japanese GDP by the 2030s (Source: Oxford Economics, NLIRI). However, there are pressing challenges concerning wealth inequality, those on low incomes, women and the EM elderly.

Cradle to grave: three main entry points for investors - We have mapped efforts to tackle the global dynamics of longevity to highlight three entry points for investors wishing to play the "silver dollar" theme: 1) Pharma & Healthcare (incl. tackling age-related diseases and conditions such as cancer, cardiovascular disease, Alzheimer's, diabetes, osteoporosis, as well as medical devices, hearing aids, dental and vision care, and incontinence); 2) Financials (incl. insurance, asset & wealth management); and 3) Consumer (incl. senior living, care, managed care, healthcare REITs, aging in place, death care, pharmacies & drug stores, anti-ageing, travel & leisure, retail, VMS, and technology).

BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks

We cannot currently show performance for our Longevity Primer Picks list because it was launched in June 2014, and has been in existence for less than one year.

Primer picks relative value

Table 36: Longevity Theme and Sub-theme P/E valuation

Sub-Theme	Forward PE	
	Universe	Primer Picks
Asset & Wealth Management	13.4x	13.5x
Consumer - Beauty	20.6x	27.0x
Consumer - Death Care	18.4x	18.4x
Consumer - Drug Stores	20.3x	21.4x
Consumer - Retail	13.8x	NA
Consumer - Travel	18.6x	13.8x
Consumer - Vitamins	17.7x	18.7x
Dental Care	18.4x	17.0x
Hearing Aids	21.2x	17.4x
Incontinence & Ostomy	22.0x	26.9x
Insurance	11.7x	12.6x
Long-term living & care - Ageing in place	17.9x	17.8x
Long-term living & care - Healthcare	14.7x	13.1x
Long-term living & care - Managed Care	17.1x	18.0x
Long-term living & care - Senior Living	34.5x	34.5x
Long-term living & care - Healthcare REITs	26.8x	39.2x
Medical Technology	18.3x	18.5x
Other financial	17.4x	NA
Pharmaceuticals & Healthcare	23.7x	18.7x
Genetics & Genome	41.2x	41.2x
Longevity	18.7x	18.0x
MSCI AC World	16.9x	

Source: BofA Merrill Lynch Global Research. Forward P/E is based on consensus analyst earnings estimates for the next four quarters as compiled by Bloomberg. NA - Primer Picks includes stocks only with Buy and High/Medium exposure. Some sub-themes do not have Primer Picks companies within them.

Table 37: Longevity BofAML client net trading flows (US\$ mn)

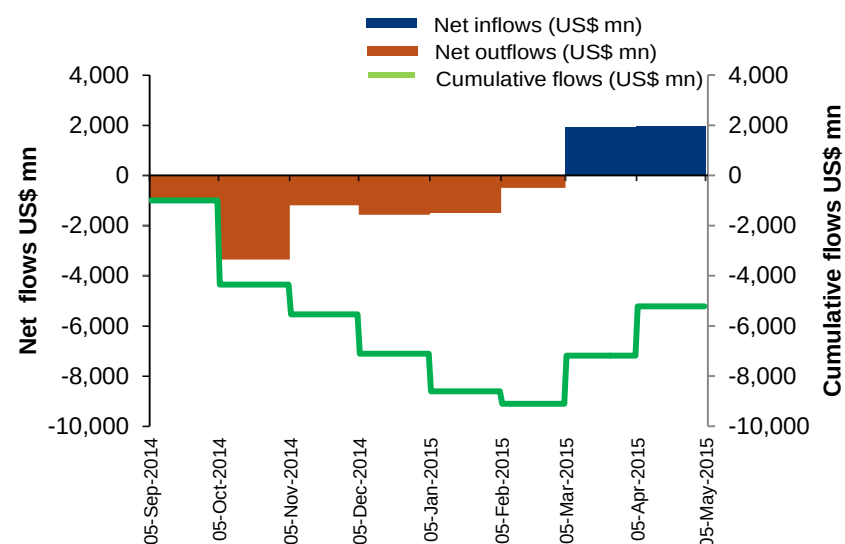
Last month ending (May 4 2015)	1,966
Apr 4 2015	1,919
Mar 4 2015	-498
Feb 4 2015	-1,499
Jan 4 2015	-1,569
Dec 4 2014	-1,188
Nov 4 2014	-3,351
Oct 4 2014	-998
Cumulative Net flows	-5,218
3 month avg.	1,129

Source: BofA Merrill Lynch Global Research Cumulative net flows with Sep 5 2014 as starting point. Average flows=average net flow between specified period

Flows

In our wider Longevity thematic stock list, BofAML global equity trading showed outflows of +US\$1,966mn for the April period. This is the highest inflow out of any theme, and only the month of inflows for Longevity since we began observations in September 2014. This brings cumulative net flows to -US\$5,218mn in the past eight month period.

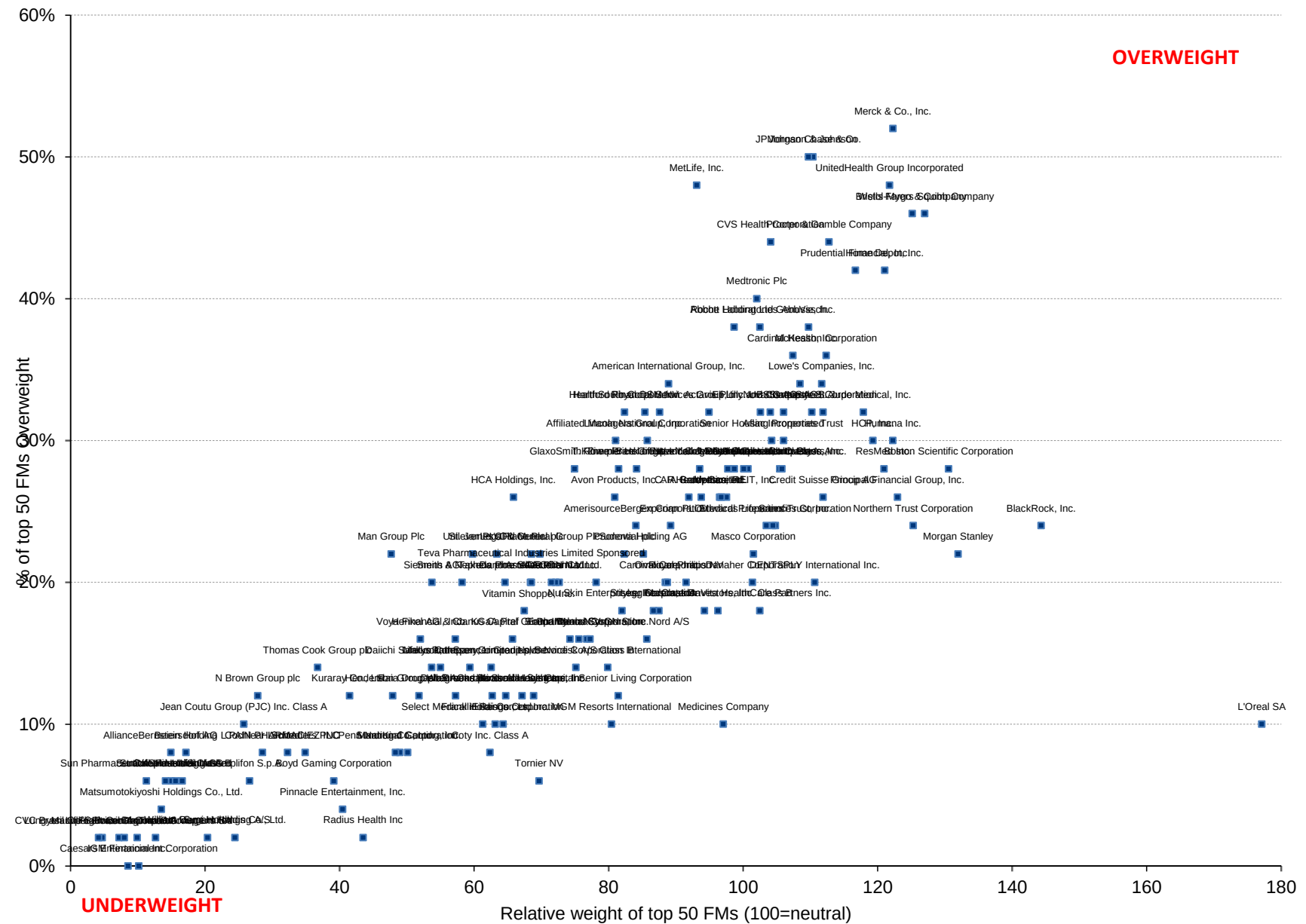
Chart 44: Longevity – BofAML client monthly net flows and cumulative flows



Source: BofA Merrill Lynch Global Research, cumulative net flows with Sept 5 2014 as starting point

Positioning of longevity stocks

Chart 45: Positioning and ownership – Longevity



08 May 2015

Positioning of longevity stocks

Table 38: Top Overweight and Underweight stocks in Longevity

Top Overweight			Top Underweight		
	Weightings	% top holders overweight		Weightings	% top holders overweight
Merck & Co., Inc.	122	52%	IGM Financial Inc.	9	0%
Johnson & Johnson	110	50%	Caesars Entertainment Corporation	10	0%
JPMorgan Chase & Co.	110	50%	Lungyen Life Service Corporation	4	2%
UnitedHealth Group Incorporated	122	48%	CVC Brasil Operadora e Agencia de Viagens SA	5	2%
MetLife, Inc.	93	48%	Manulife Financial Corporation	7	2%
Bristol-Myers Squibb Company	127	46%	Saga Plc	8	2%
Wells Fargo & Company	125	46%	Brasil Pharma S.A.	10	2%
Procter & Gamble Company	113	44%	Flight Centre Travel Group Limited	13	2%
CVS Health Corporation	104	44%	William Demant Holding A/S	20	2%
Home Depot, Inc.	121	42%	Sugi Holdings Co., Ltd.	24	2%
Prudential Financial, Inc.	117	42%	Radius Health Inc	43	2%
Medtronic Plc	102	40%	Matsumotokiyoshi Holdings Co., Ltd.	13	4%
AbbVie, Inc.	110	38%	Pinnacle Entertainment, Inc.	40	4%
Roche Holding Ltd Genusssch.	102	38%	Amplifon S.p.A.	27	6%
Abbott Laboratories	99	38%	Boyd Gaming Corporation	39	6%

Source: BofAML Global Research. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

Style Cycle

According to the Style Cycle model, stocks that rank highest within the Longevity theme are in long-term living & care, and consumer-related sub-themes such as retail, travel, and beauty. Stocks that rank lowest are within incontinence & ostomy, and pharmaceuticals & healthcare.

Table 39: Longevity - Style Cycle Top/Bottom 15 stocks

Top				Bottom			
Sedol	Name	Sub-theme	Recovery rank (1 = Top)	Sedol	Name	Sub-theme	Recovery rank (1 = Bottom)
B83VD9	Man Group Plc	Asset & Wealth Management	100	220910	Colgate-Palmolive Co	Consumer - Beauty	1
268210	Penn National Gaming Inc	Consumer - Travel	100	658248	Sun Pharmaceutical	Pharmaceuticals & Healthcare	1
250163	Senior Housing Pptys Trust	Long-term living & care - Healthcare REITs	100	B8FMRX	Coloplast	Incontinence & Ostomy	2
592737	Aegon	Insurance	99	BHC8X9	Novo-Nordisk As	Pharmaceuticals & Healthcare	2
B3TDL4	Caesars Entertainment Corp	Consumer - Travel	98	243420	Home Depot Inc	Long-term living & care - Ageing in place	3
275267	Kindred Healthcare Inc	Long-term living & care - Healthcare	98	247583	Johnson & Johnson	Medical Technology/Consumer - Beauty	3
206672	Avon Products	Consumer - Beauty	97	711038	Roche Holding	Pharmaceuticals & Healthcare	3
261687	Nu Skin Enterprises - CI A	Consumer - Beauty	96	261399	Illumina Inc	Genetics & Genome	5
B4MF0Q	Select Medical Holdings Corp	Long-term living & care - Healthcare	96	710306	Novartis	Pharmaceuticals & Healthcare	6
B0HZL9	DSM NV	Consumer - Vitamins	95	270440	Procter & Gamble Co	Consumer - Beauty	6
B0J7D9	Daiichi Sankyo Com	Pharmaceuticals & Healthcare	94	232052	Lauder (Estee) Cos Inc -CI A	Consumer - Beauty	7
B126KH	Debenhams	Consumer - Retail	94	251615	Lilly (Eli) & Co	Pharmaceuticals & Healthcare	8
BLT1Y0	Saga Plc	Consumer - Travel/Insurance	93	405780	L'Oreal	Consumer - Beauty	8
B77J08	Old Mutual	Insurance	92	715603	Sonova	Hearing Aids	8
243222	Pinnacle Entertainment Inc	Consumer - Travel	92	256711	Edwards Lifesciences Corp	Medical Technology	10

Source: BofA Merrill Lynch Global Research. Top and bottom 15 stocks are based on a relative ranking within our Water theme. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

[Thematic Investing: Globesity and Health & Wellness primer 03 December 2014](#)

Obesity and health & wellness - Globesity

A Transforming World thematic impacts: People, Government, Innovation

Pressing global health challenge - We believe that the obesity epidemic may be the most pressing health challenge facing the world today. The number of overweight or obese people has tripled since 1980 with not a single country making progress in reducing these rates. Today, almost one-third of the world's population or 2.1bn people are now overweight, including 671mn who are obese (source: The Lancet 2014). By 2030, close to 50% of the world's population is projected to be overweight or obese.

#5 cause of death & US\$2tn in annual costs – Obesity is the fifth-leading global risk for death, accounting for 3.4mn adult deaths a year. Obesity can raise the risk of cardiovascular disease, diabetes, osteoarthritis, and cancer, among many other health-threatening conditions. Total health care costs are more than 40% higher for obese patients than normal-weight patients. The global economic impacts of obesity are estimated at US\$2.0tn or 2.8% of global GDP, on par with the impacts of smoking or armed violence, war and terrorism (source: McKinsey). The future costs could be overwhelming, especially given high levels of global childhood obesity and growing obesity in EMs.

US\$932bn food & beverage health & wellness market – Over the past two years, 10+ countries have passed fat/sugar taxes with the two being increasingly heralded as the “new tobacco”. Developed market consumers have also shown a clear trend toward fresh and healthy foods in recent years. The global health and wellness (H&W) food market is estimated at US\$932bn in 2014. It is both high growth and high margin and is set to reach US\$1.1tn by 2019 (source: Euromonitor), while fresh produce is expected to reach US\$736bn by 2015 (source: Companiesandmarkets.com). We anticipate a shift in business model focus from product volumes alone to the quality of food & beverage portfolios from an H&W perspective.

Four major entry points for investors - We have mapped the global fight against obesity across a number of sector value chains to highlight the diverse range of entry points for investors wishing to play the global fight against obesity theme: 1) Pharmaceuticals, Health Care & Medtech; 2) Food, Food Retail, Quick Casual & Beverages; 3) Weight Loss, Diet, Nutrition & VMS; and 4) Sports Apparel & Equipment.

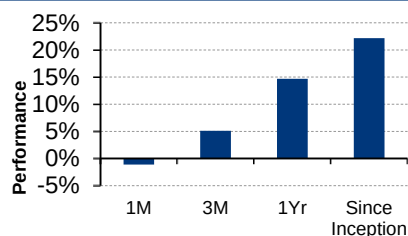
08 May 2015

Table 40: Obesity Primer Picks beta relative to the market

Raw Beta	0.82
Adjusted Beta	0.88
Alpha	0.13
R ² (Correlation ²)	0.64
Correlation	0.80

Source: BofA Merrill Lynch Global Research. Relative index=MSCI AC World TR (GDUEACWF Index). Weekly observations since inception, through May 4 2015

Chart 46: Obesity Primer Picks performance (through May 4 2015)

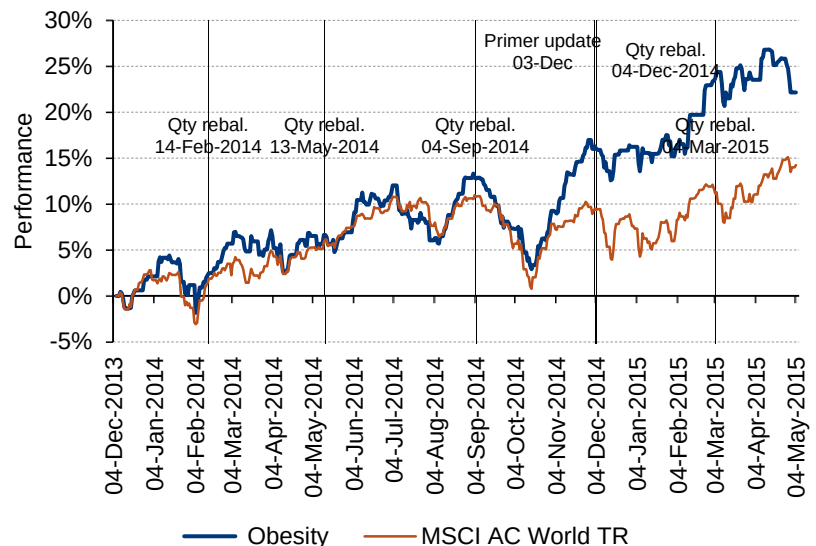


BofA Merrill Lynch Global Research. Inception is Dec 6 2013.

Primer Picks performance

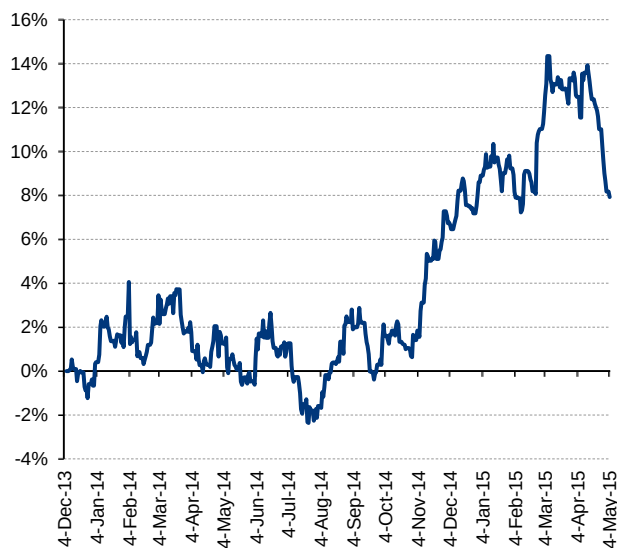
Obesity Primer Picks is up +22.16% since Dec 6, 2013, making it the third best performing theme in our universe. The theme rallied +5.1% during the last three month period. During the last month, obesity Primer Picks drifted lower by -1.11%, making it the only theme to be down this month.

Chart 47: Obesity Primer Picks performance (through May 4 2015)



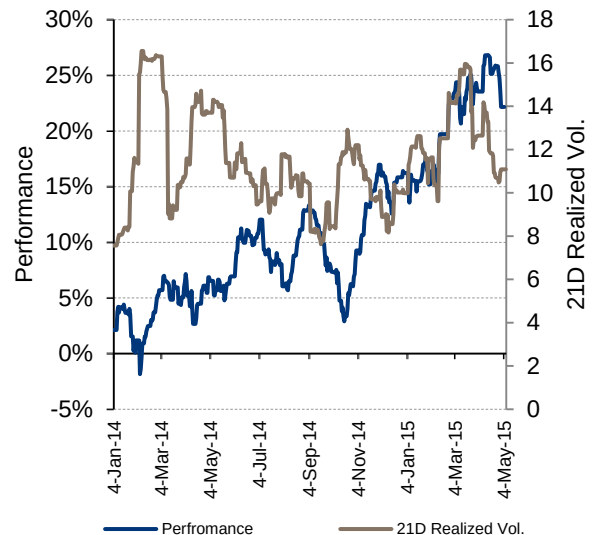
Source: BofA Merrill Lynch Global Research. See Appendix on Page 65 for list of Primer Picks rebalances. Qty rebal = Quarterly Primer Picks update. Past performance should not and cannot be viewed as an indicator of future performance. A complete performance record is available upon request.

Chart 48: Relative performance of Obesity Primer Picks vs. MSCI AC World (through May 4 2015)



Source: BofA Merrill Lynch Global Research. Benchmark = MSCI AC World TR Gross (GDUEACWF). Past performance should not and cannot be viewed as an indicator of future performance

Chart 49: Obesity - Primer Picks performance and 21-day realized volatility



Source: BofA Merrill Lynch Global Research. 21D Realized Vol is the rolling 21-day (business day) realized volatility of the Primer Picks performance. Past performance should not and cannot be viewed as an indicator of future performance.

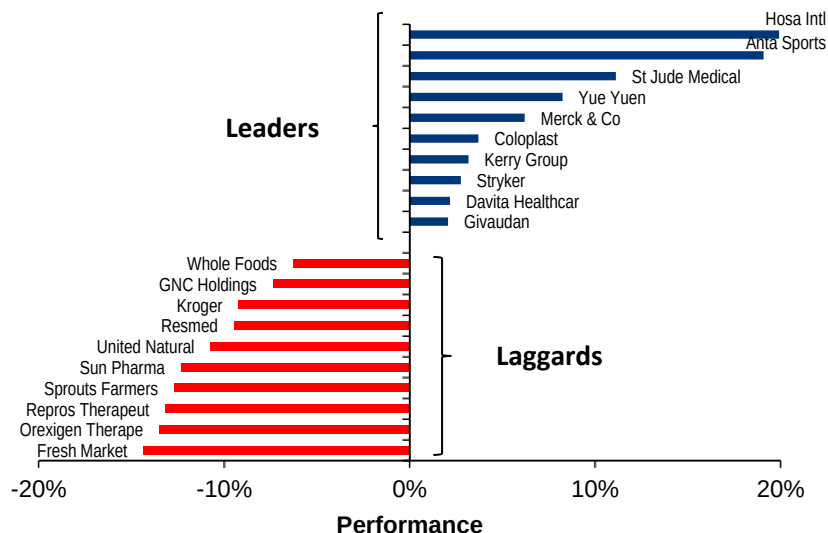
Table 41: Obesity Theme and Sub-theme P/E valuation

Sub-Theme	Forward PE	
	Universe	Primer Picks
Cmcl weight mgmt, diet & nutrition	18.4x	16.8x
Food	20.9x	24.8x
Food Retail	19.5x	19.5x
Pharmaceuticals & Health Care	22.4x	19.0x
Sports apparel & equipment	18.8x	20.0x
Obesity	20.8x	19.8x
MSCI AC World	16.9x	

Source: BofA Merrill Lynch Global Research. Forward P/E is based on consensus analyst earnings estimates for the next four quarters as compiled by Bloomberg, NA - Primer Picks includes stocks only with Buy and High/Medium exposure. Some sub-themes do not have Primer Picks companies within them.

Leaders and laggards

Chart 50: 1M top/bottom total return performance of Obesity Primer Picks



Source: BofA Merrill Lynch Global Research; Bloomberg

Table 42: Obesity BofAML client net trading flows (US\$ mn)

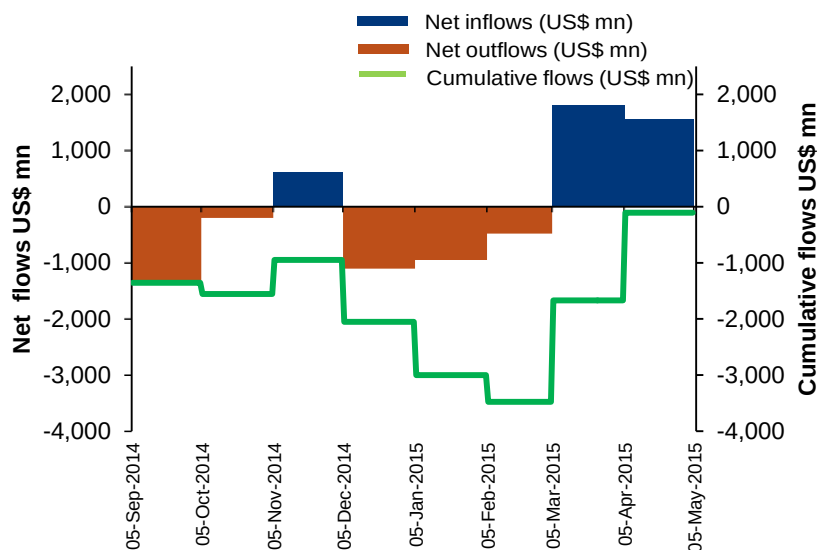
Last month ending (May 4 2015)	1,563
Apr 4 2015	1,808
Mar 4 2015	-478
Feb 4 2015	-949
Jan 4 2015	-1,104
Dec 4 2014	610
Nov 4 2014	-200
Oct 4 2014	-1,356
Cumulative Net flows	-107
3 month avg.	964

Source: BofA Merrill Lynch Global Research Cumulative net flows with Sep 5 2014 as starting point. Average flows=average net flow between specified period

Flows

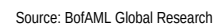
In our wider Obesity thematic stock list, BofAML global equity trading showed inflows of +US\$1,563mn for the April period. This brings cumulative net flows to -US\$107mn in the past eight month period.

Chart 51: Obesity – BofAML client monthly net flows and cumulative flows



Source: BofA Merrill Lynch Global Research, cumulative net flows with Sept 5 2014 as starting point

Chart 52: Positioning and ownership - Obesity and Health & Wellness



08 May 2015

Positioning of obesity and health & wellness stocks

Table 43: Top Overweight and Underweight stocks in Obesity and Health & Wellness

Top Overweight			Top Underweight		
	Weightings	% top holders overweight		Weightings	% top holders overweight
Roche Holding Ltd Genusssch.	119	48%	Hosa International Limited	1	0%
Novartis AG	148	44%	China Dongxiang (Group) Co., Ltd.	9	0%
Merck & Co., Inc.	119	40%	Mitsubishi Tanabe Pharma Corporation	9	0%
Nestle S.A.	115	40%	Sun Pharmaceutical Industries Limited	10	0%
Johnson & Johnson	109	40%	Shenzhou International Group Holdings Ltd.	15	4%
Abbott Laboratories	101	38%	ANTA Sports Products Ltd.	16	4%
Medtronic Plc	100	38%	Li Ning Co. Ltd.	16	4%
Coca-Cola Company	130	36%	Coloplast A/S Class B	17	4%
Bayer AG	110	36%	Geringe AB Class B	25	4%
General Mills, Inc.	101	32%	Columbia Sportswear Company	27	4%
Kroger Co.	99	32%	Glanbia Plc	38	4%
AstraZeneca PLC	93	32%	China Mengniu Dairy Co., Ltd.	26	6%
GlaxoSmithKline plc	88	32%	Gildan Activewear Inc.	27	6%
Eli Lilly and Company	135	30%	BRF SA	29	6%
Kraft Foods Group, Inc.	104	30%	Lexicon Pharmaceuticals, Inc.	53	6%

Source: BofAML Global Research. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

Style Cycle

According to the Style Cycle model, stocks that are highest ranked within the Obesity theme are in biotech, commercial weight-loss & nutrition, and sports apparel & equipment. Stocks that are lowest ranked are large-cap pharmaceuticals and food producers.

Table 44: Obesity and Health & Wellness - Style Cycle Top/Bottom 15 stocks

Top				Bottom			
Sedol	Name	Sub-theme	Recovery rank (1 = Top)	Sedol	Name	Sub-theme	Recovery rank (1 = Bottom)
769835	Geringe	Pharmaceuticals & Health Care	100	264014	Nike Inc	Sports apparel & equipment	1
257693	Lexicon Pharmaceuticals Inc	Pharmaceuticals & Health Care	99	B0X7DZ	Chipotle Mexican Grill Inc	Food	2
B0HZL9	DSM NV	Coml weight mgmt, diet & nutrition	98	B8FMRX	Coloplast	Pharmaceuticals & Health Care	3
B1WLCZ	Orexigen Therapeutics Inc	Pharmaceuticals & Health Care	97	658248	Sun Pharmaceutical	Pharmaceuticals & Health Care	3
298876	Repro Therapeutics Inc	Pharmaceuticals & Health Care	96	268151	Pepsico Inc	Food	5
B1VVGZ	Svenska Cellulosa	Pharmaceuticals & Health Care	95	BHC8X9	Novo-Nordisk As	Pharmaceuticals & Health Care	7
293465	Vivus Inc	Pharmaceuticals & Health Care	94	711038	Roche Holding	Pharmaceuticals & Health Care	8
B3VLKV	Gnc Holdings Inc	Coml weight mgmt, diet & nutrition	93	247583	Johnson & Johnson	Pharmaceuticals & Health Care	9
605737	Asics Corp	Sports apparel & equipment	91	220665	Coca-Cola Co	Food	10
687098	Mitsubishi Tanabe	Pharmaceuticals & Health Care	88	B24CGK	Reckitt Benckiser	Food/Coml weight mgmt, diet & nutrition	11
B5LTM9	Otsuka Hldgs Co	Pharmaceuticals & Health Care	88	B2QKY0	Shire	Pharmaceuticals & Health Care	12
BKWP5S	Ahold(Kon)Nv	Food Retail	88	710306	Novartis	Pharmaceuticals & Health Care	13
658653	Yue Yuen Indl Hldg	Sports apparel & equipment	87	200230	Abbott Laboratories	Pharmaceuticals & Health Care	14
630720	Eisai Co	Pharmaceuticals & Health Care	86	451957	Kerry Group	Food Retail	15
403197	Adidas	Sports apparel & equipment	85	B0PZN1	Under Armour Inc	Sports apparel & equipment	16

Source: BofA Merrill Lynch Global Research. Top and bottom 15 stocks are based on a relative ranking within our Water theme. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

[Thematic Investing: Safer world primer – global safety & security 12 February 2014](#)

Safety & Security - Safer world

A Transforming World thematic impacts: People, Earth, Government, Innovation

It's not safe out there! It's an unsafe world for all of us – every year 2.3mn people are killed at work (Source: ILO), 1.3mn lose their lives in road accidents, and 15,000+ die in terrorist attacks (Source: NCTC). Globalisation is driving the need for safety and posing new challenges from EM growth to outsourcing, the food supply chain, a degrading environment, and new diseases. We believe some corporates may push the boundaries of safety in their efforts to exploit new resources.

From cybersecurity to “Cybergeddon” to cyber-opportunities - The “threatscape” is changing fast, with cybersecurity attacks and critical infrastructure breakdowns being recognised as one of the top five global risks today (Source: WEF), and cyber eclipsing terrorism as a threat. The average cost of cyber-attacks for US companies reached a record US\$11.6mn in 2013 (Source: Ponemon), while cybercrime costs the global economy an estimated US\$500bn annually (Source: CSIS & McAfee). Cybersecurity has become a homeland security issue, with a worst-case “Cybergeddon” scenario now on the table. Positively, IT is also enabling new safety & security solutions and opportunities across sectors.

Investors need to play safe - Public opinion has become more sensitive to issues of quality, security, health & safety, environmental protection and social responsibility, which has led to the proliferation, strengthening and convergence of regulation and the development of non-regulatory standards. As a result, corporates are increasingly being forced to adapt to new best practices on safety & security. We believe that investors need to focus on this shift and look for long-term solutions to the ever-growing raft of threats against people, governments, infrastructure and society as a whole.

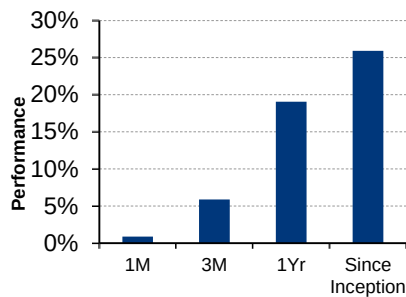
Eight entry points for investors, US\$1.5tn+ market (2020e) - We have mapped efforts to promote safety & security across a number of global sector value chains to highlight the diverse range of entry points for investors wishing to play the “Safer World” theme: 1) Auto; 2) Commercial & Residential; 3) Cybersecurity; 4) Homeland; 5) Life Sciences; 6) Oil & Gas; 7) Testing, Inspection & Certification (TIC); and 8) Workplace. We believe these entry points will represent a combined US\$1.5tn+ market by 2020.

Table 45: Safety Primer Picks beta relative to the market

Raw Beta	1.10
Adjusted Beta	1.07
Alpha	0.13
R ² (Correlation ²)	0.71
Correlation	0.84

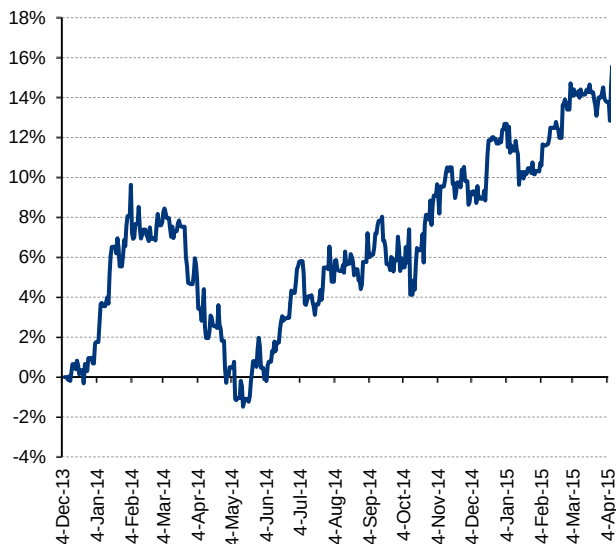
Source: BofA Merrill Lynch Global Research. Relative index=MSCI AC World TR (GDUEACWF Index). Weekly observations since inception, through May 4 2015

Chart 53: Safety Primer Picks performance (through May 4 2015)



BofA Merrill Lynch Global Research. Inception is Dec 6 2013.

Chart 55: Relative performance of Safety Primer Picks vs. MSCI AC World (through May 4 2015)

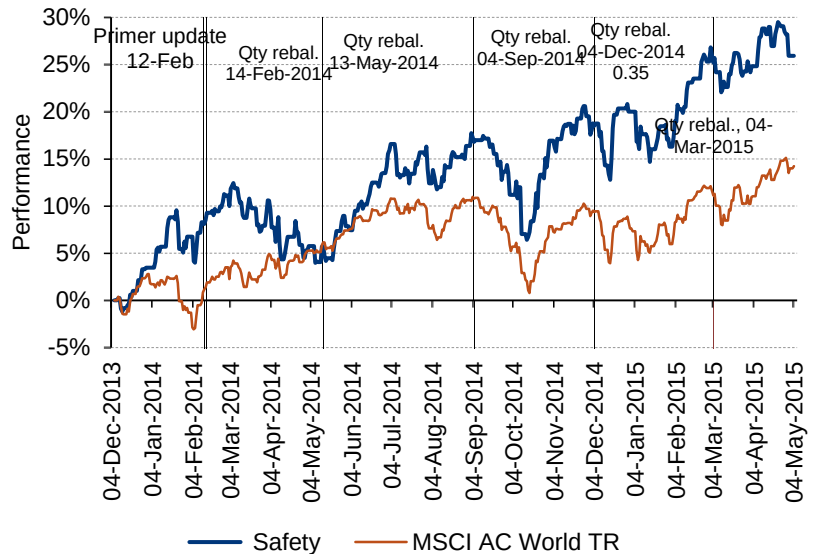


Source: BofA Merrill Lynch Global Research. Benchmark = MSCI AC World TR Gross (GDUEACWF). Past performance should not and cannot be viewed as an indicator of future performance

Primer Picks performance

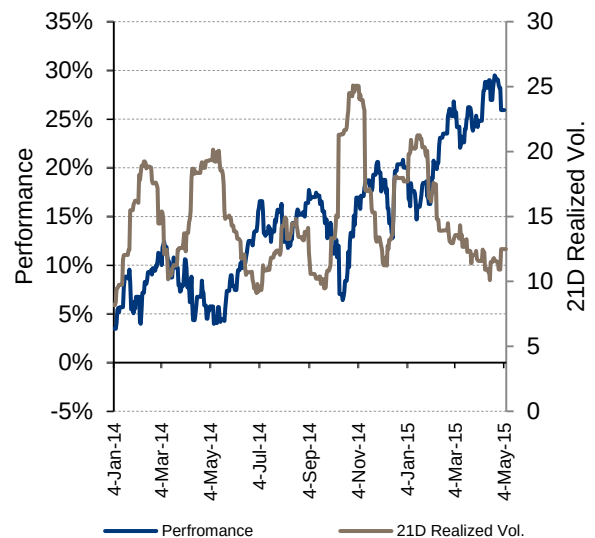
Safety Primer Picks is up +25.93% since Dec 6, 2013, making it the best performing theme. The theme rallied +5.88% during the last three month period. During the last month, safety Primer Picks drifted higher by +0.88%.

Chart 54: Safety Primer Picks performance (through May 4 2015)



Source: BofA Merrill Lynch Global Research. See Appendix on Page 65 for list of Primer Picks rebalances. Qty rebal. = Quarterly Primer Picks update. Past performance should not and cannot be viewed as an indicator of future performance. A complete performance record is available upon request.

Chart 56: Safety - Primer Picks performance and 21-day realized volatility



Source: BofA Merrill Lynch Global Research. 21D Realized Vol is the rolling 21-day (business day) realized volatility of the Primer Picks performance. Past performance should not and cannot be viewed as an indicator of future performance.

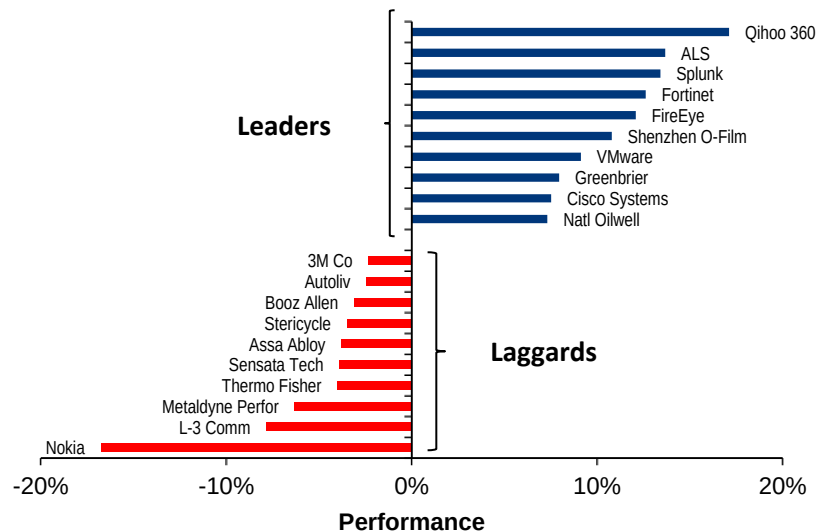
Leaders and laggards

Table 46: Safety Theme and Sub-theme P/E valuation

Sub-Theme	Forward PE	
	Universe	Primer Picks
Auto	14.4x	13.9x
Commercial & Residential	16.0x	17.0x
Cybersecurity	33.3x	38.4x
Homeland	13.7x	13.7x
Life Sciences	20.4x	20.2x
Oil & Gas	13.1x	12.7x
TIC	15.6x	15.6x
Workplace	17.5x	18.4x
Food Safety	18.9x	18.9x
Medical	23.0x	23.1x
Safety	20.5x	23.5x
MSCI AC World	16.9x	

Source: BofA Merrill Lynch Global Research. Forward P/E is based on consensus analyst earnings estimates for the next four quarters as compiled by Bloomberg, NA - Primer Picks includes stocks only with Buy and High/Medium exposure. Some sub-themes do not have Primer Picks companies within them.

Chart 57: 1M top/bottom total return performance of Safety Primer Picks



Source: BofA Merrill Lynch Global Research; Bloomberg

Table 47: Safety BofAML client net trading flows (US\$ mn)

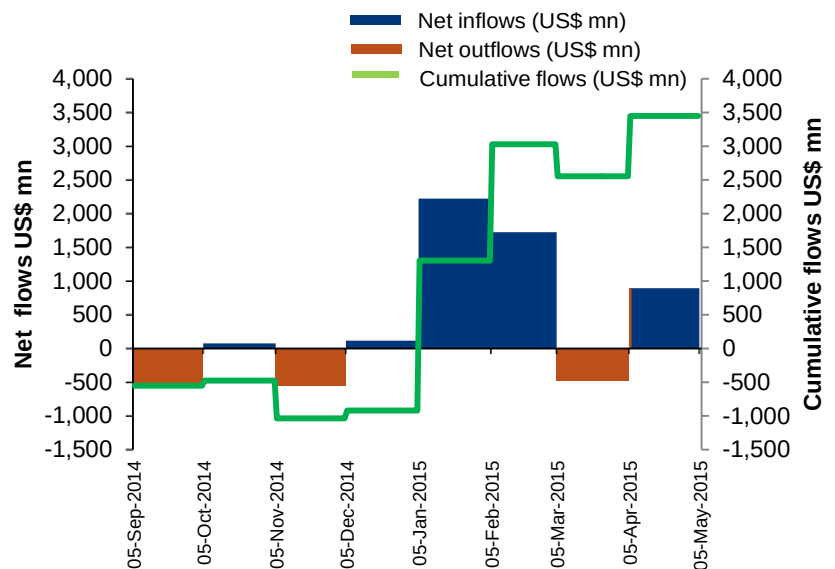
Last month ending (May 4 2015)	894
Apr 4 2015	-475
Mar 4 2015	1,726
Feb 4 2015	2,223
Jan 4 2015	117
Dec 4 2014	-560
Nov 4 2014	-200
Oct 4 2014	-553
Cumulative Net flows	3,449
3 month avg.	715

Source: BofA Merrill Lynch Global Research Cumulative net flows with Sep 5 2014 as starting point. Average flows=average net flow between specified period

Flows

In our wider Safety & Security thematic stock list, BofAML global equity trading showed outflows of +US\$894mn for the April period. This brings cumulative net flows to +US\$3,449mn in the past eight month period, the third highest of any theme.

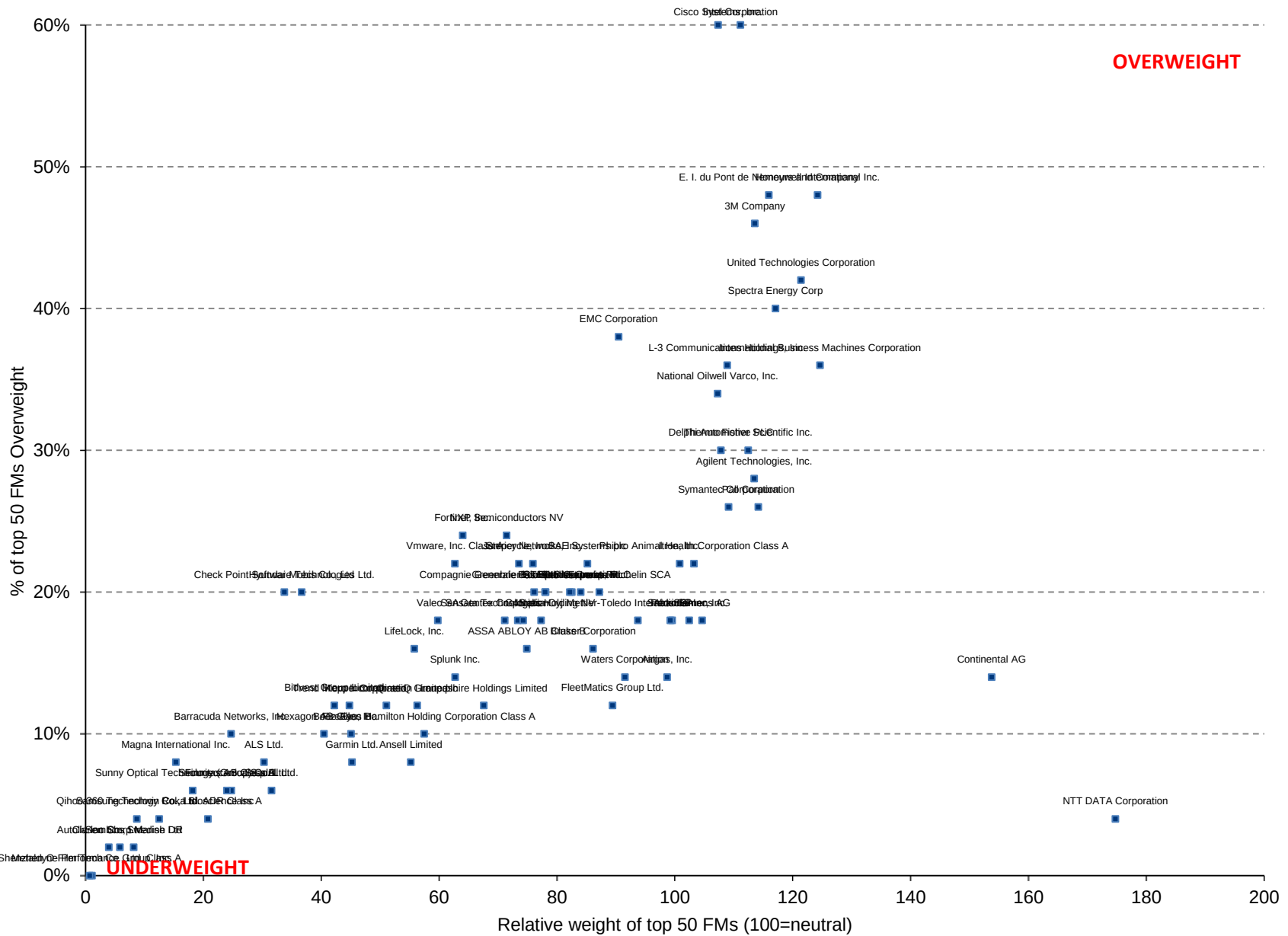
Chart 58: Safety – BofAML client monthly net flows and cumulative flows



Source: BofA Merrill Lynch Global Research, cumulative net flows with Sept 5 2014 as starting point

Positioning of safety & security stocks

Chart 59: Positioning and ownership - Safety



Source: BofAML Global Research

08 May 2015

Positioning of safety & security stocks

Table 48: Top Overweight and Underweight stocks in Safety

Top Overweight			Top Underweight		
	Weightings	% top holders overweight		Weightings	% top holders overweight
Intel Corporation	111	60%	Shenzhen O-Film Tech Co., Ltd. Class A	1	0%
Cisco Systems, Inc.	107	60%	Metaldyne Performance Group, Inc.	1	0%
Honeywell International Inc.	124	48%	Clarion Co., Ltd.	4	2%
E. I. du Pont de Nemours and Company	116	48%	Autoliv Inc Shs Swedish DR	6	2%
3M Company	114	46%	Sembcorp Marine Ltd	8	2%
United Technologies Corporation	121	42%	Samsung Techwin Co., Ltd	9	4%
Spectra Energy Corp	117	40%	Qihoo 360 Technology Co., Ltd. ADR Class A	12	4%
EMC Corporation	90	38%	Roka Bioscience Inc	21	4%
International Business Machines Corporation	125	36%	NTT DATA Corporation	175	4%
L-3 Communications Holdings, Inc.	109	36%	Sunny Optical Technology (Group) Co. Ltd.	18	6%
National Oilwell Varco, Inc.	107	34%	Securitas AB Class B	24	6%
Thermo Fisher Scientific Inc.	112	30%	Finmeccanica S.p.A.	25	6%
Delphi Automotive PLC	108	30%	Seadrill Ltd.	32	6%
Agilent Technologies, Inc.	113	28%	ALS Ltd.	30	8%
Pall Corporation	114	26%	Ansell Limited	55	8%

Source: BofAML Global Research. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

Style Cycle

According to the Style Cycle model, stocks that are highest ranked within the Safety theme are in commercial & residential and homeland. Stocks that are lowest ranked are within cybersecurity and life sciences sub-theme.

Table 49: Safety - Style Cycle Top/Bottom 15 stocks

Top				Bottom			
Sedol	Name	Sub-theme	Recovery rank (1 = Top)	Sedol	Name	Sub-theme	Recovery rank (1 = Bottom)
B86SZR	Als Limited	TIC	100	B783TY	Delphi Automotive Plc	Auto	1
B0DJNG	Finmeccanica	Homeland	99	259570	3M Co	Commercial & Residential	3
620513	Sembcorp Marine	Oil & Gas	97	230422	Ecolab Inc		4
565478	ATOS	Homeland	96	200597	Intl Business Machines Corp	Cybersecurity	5
238753	Greenbrier Companies Inc	Oil & Gas	95	212624	Mettler-Toledo Intl Inc	Life Sciences	7
B1VQ5C	Keppel Corp	Oil & Gas	93	266880	Pall Corp	Life Sciences	8
628661	Ansell	Workplace	89	293768	Waters Corp	Life Sciences	9
247194	Itron Inc	Commercial & Residential/Cybersecurity	89	202045	Honeywell International Inc	Commercial & Residential	11
224736	L-3 Communications Hldgs Inc	Homeland	89	286082	Stericycle Inc	Medical	12
677267	Samsung Techwin	Commercial & Residential	88	218133	Check Point Software Techn	Cybersecurity	13
B0PYHC	Lancashire Hldgs	Oil & Gas	87	291550	United Technologies Corp	Commercial & Residential	15
BL95N2	Phibro Animal Health Corp	Food Safety	85	201817	Du Pont (E I) De Nemours		16
555404	Securitas	Commercial & Residential	84	B23SN6	Vmware Inc -CI A	Cybersecurity	17
BT6T3P	Metaldyne Performance Group	Auto	83	246324	Intel Corp	Cybersecurity	19
262448	National Oilwell Varco Inc	Oil & Gas	81	569878	Assa Abloy	Commercial & Residential	20

Source: BofA Merrill Lynch Global Research. Top and bottom 15 stocks are based on a relative ranking within our Water theme. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

[Thematic Investing: No time to waste - global waste primer 05 April 2013](#)

Waste - No time to waste

A Transforming World thematic impacts: Earth, Government, Innovation

Global waste crisis - Poor waste management is a global reality, with only 25% of the 11bn tonnes collected annually recycled or recovered – and 3.5 bn people lacking access to basic waste management services. The situation will get worse with waste volumes growing faster than urbanisation rates and GDP growth – and waste volumes set to double to 2025 (vs. 2005), and double again from 2025-50.

US\$1tn+ market today - Waste management is a US\$1tn market today that includes municipal solid waste (MSW), industrial waste, waste-to-energy (WtE), and sustainable packaging, among other areas. Growth drivers are increasing volumes, changing variety and complexity of waste streams, urbanisation, income growth (GDP-waste link), reducing environmental and social risks and costs, resource scarcity, commodity prices, growing private sector involvement, stakeholder pressure, and tightening regulation.

From “trash to cash” - We are seeing a shift away from waste as a mandatory public service to waste management as a sustainable business opportunity. We see the fastest growth in the next decade coming from diversion, recycling, recovery of valuable secondary raw materials, waste-to-energy, e-waste, and sustainable packaging – as well as from EMs. We see considerable low hanging fruit potential given that 70%+ of global waste is currently landfilled. “Greening” waste management will require increasing MSW recycling by a factor of 3.5x and doubling industrial waste recycling.

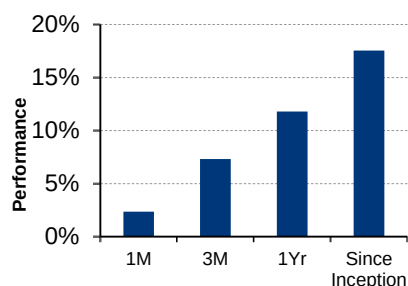
Multiple entry points for US\$2tn market (2020E) - We believe that the global dynamics of waste management mean that the sector offers numerous growth opportunities for those with exposure to the value chain. By 2020, we estimate that the waste industry could be worth up to US\$2tn, with Europe facing the toughest strategic challenges, and Asia and South America seeing the fastest growth. We see opportunities across waste management, industrial treatment, WtE, wastewater & sewage, E&C, recycling, and sustainable packaging among other areas.

Table 50: Waste Primer Picks beta relative to the market

Raw Beta	0.96
Adjusted Beta	0.97
Alpha	0.05
R ² (Correlation ²)	0.72
Correlation	0.85

Source: BofA Merrill Lynch Global Research. Relative index=MSCI AC World TR (GDUEACWF Index). Weekly observations since inception, through May 4 2015

Chart 60: Waste Primer Picks performance (through May 4 2015)

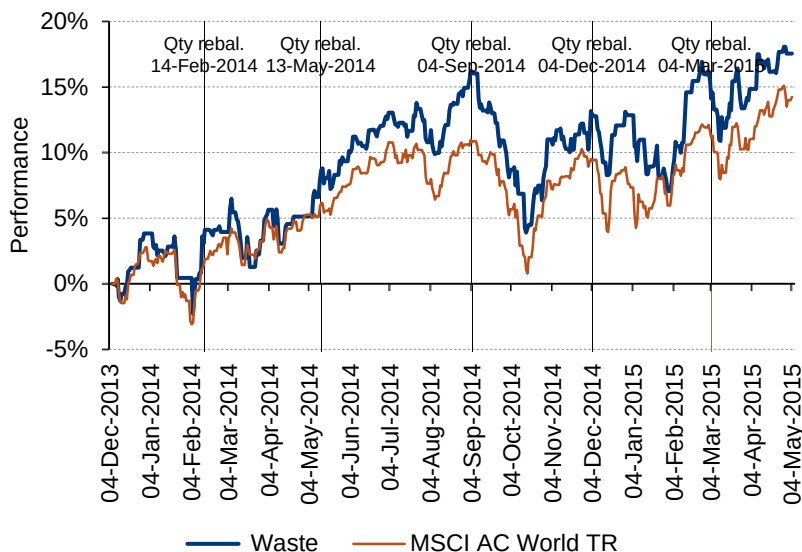


BofA Merrill Lynch Global Research. Inception is Dec 6 2013.

Primer Picks performance

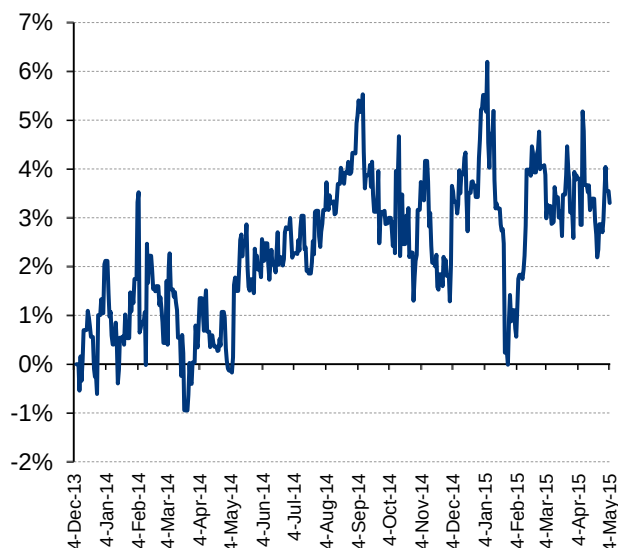
Waste Primer Picks is up +17.54% since Dec 6, 2013. The theme has been up +7.32% in the past three month period, the second best performing theme during this period. During the last month Waste Primer Picks rallied +2.35%.

Chart 61: Waste Primer Picks performance (through May 4 2015)



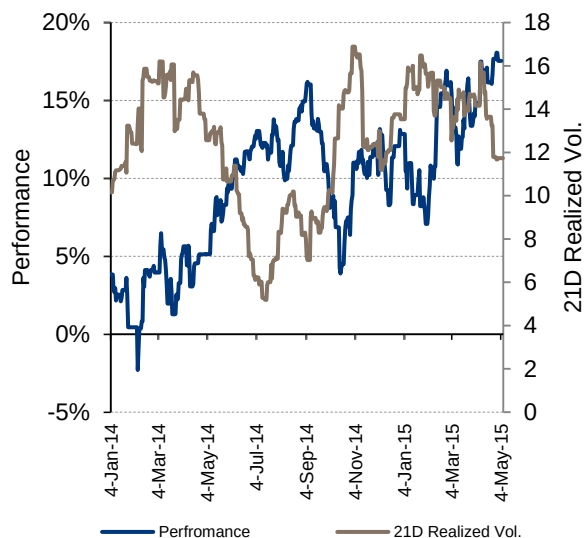
Source: BofA Merrill Lynch Global Research. See Appendix on Page 65 for list of Primer Picks rebalances. Qty rebal = Quarterly Primer Picks update. Past performance should not and cannot be viewed as an indicator of future performance. A complete performance record is available upon request.

Chart 62: Relative performance of Waste Primer Picks vs. MSCI AC World (through May 4 2015)



Source: BofA Merrill Lynch Global Research. Benchmark = MSCI AC World TR Gross (GDUEACWF). Past performance should not and cannot be viewed as an indicator of future performance

Chart 63: Waste - Primer Picks performance and 21-day realized volatility



Source: BofA Merrill Lynch Global Research. 21D Realized Vol is the rolling 21-day (business day) realized volatility of the Primer Picks performance. Past performance should not and cannot be viewed as an indicator of future performance.

Table 51: Waste Theme and Sub-theme P/E valuation

Sub-Theme	Forward PE	
	Universe	Primer Picks
Engineering & Construction	10.8x	NA
Life Sciences	19.6x	NA
Management	20.3x	19.3x
Management (Medical)	25.5x	25.5x
Management (Transport)	15.7x	NA
Oil & Gas	23.1x	NA
Other	27.7x	NA
Recycling	15.5x	14.7x
Sustainable Packaging	14.1x	14.4x
TIC	15.6x	15.6x
Treatment	15.2x	16.0x
Waste-to-Energy	19.3x	NA
Wastewater & Sewage	16.6x	13.3x
Waste	16.8x	15.5x
MSCI AC World	16.9x	

Source: BofA Merrill Lynch Global Research. Forward P/E is based on consensus analyst earnings estimates for the next four quarters as compiled by Bloomberg. NA - Primer Picks includes stocks only with Buy and High/Medium exposure. Some sub-themes do not have Primer Picks companies within them.

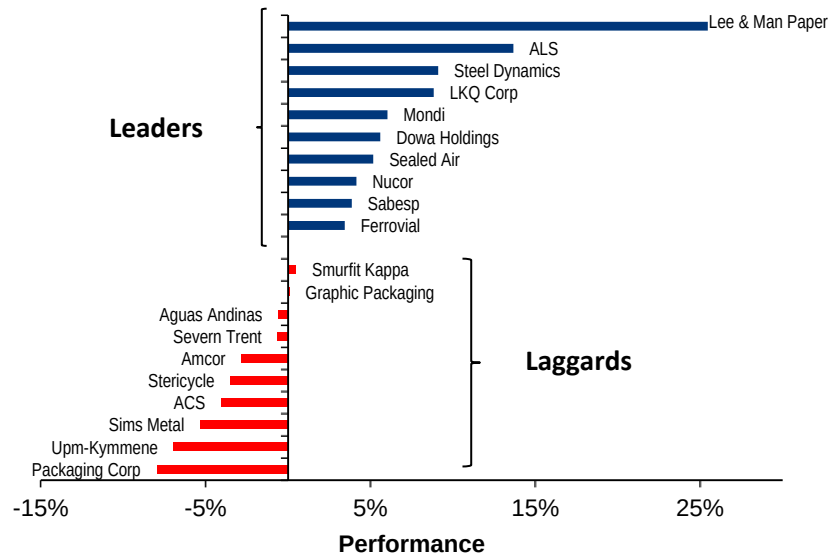
Table 52: Waste BofAML client net trading flows (US\$ mn)

Last month ending (May 4 2015)	224
Apr 4 2015	-1,192
Mar 4 2015	369
Feb 4 2015	1,309
Jan 4 2015	698
Dec 4 2014	-205
Nov 4 2014	-911
Oct 4 2014	-12
Cumulative Net flows	279
3 month avg.	-200

Source: BofA Merrill Lynch Global Research Cumulative net flows with Sep 5 2014 as starting point. Average flows=average net flow between specified period

Leaders and laggards

Chart 64: 1M top/bottom total return performance of Waste Primer Picks

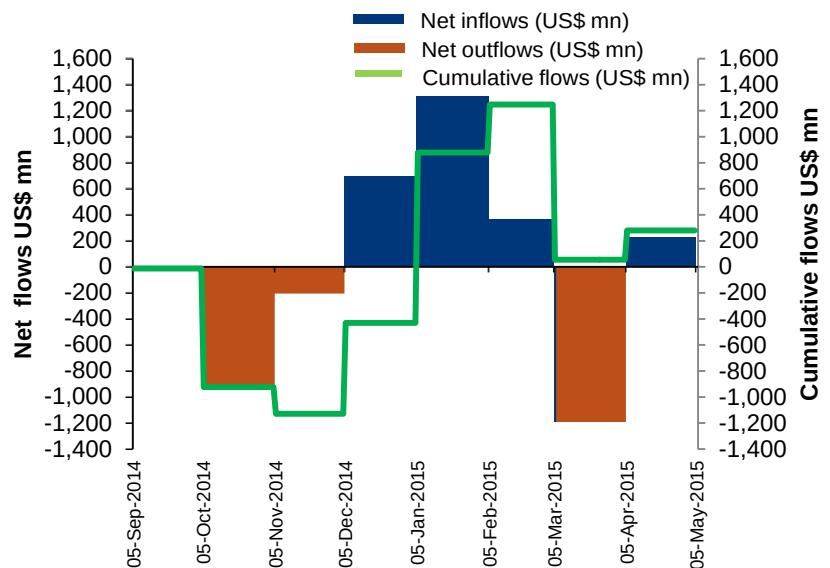


Source: BofA Merrill Lynch Global Research; Bloomberg

Flows

In our wider Waste thematic stock list, BofAML global equity trading showed outflows of +US\$224mn for the April period. This brings cumulative net flows to flat, or +US\$279mn in the past eight month period.

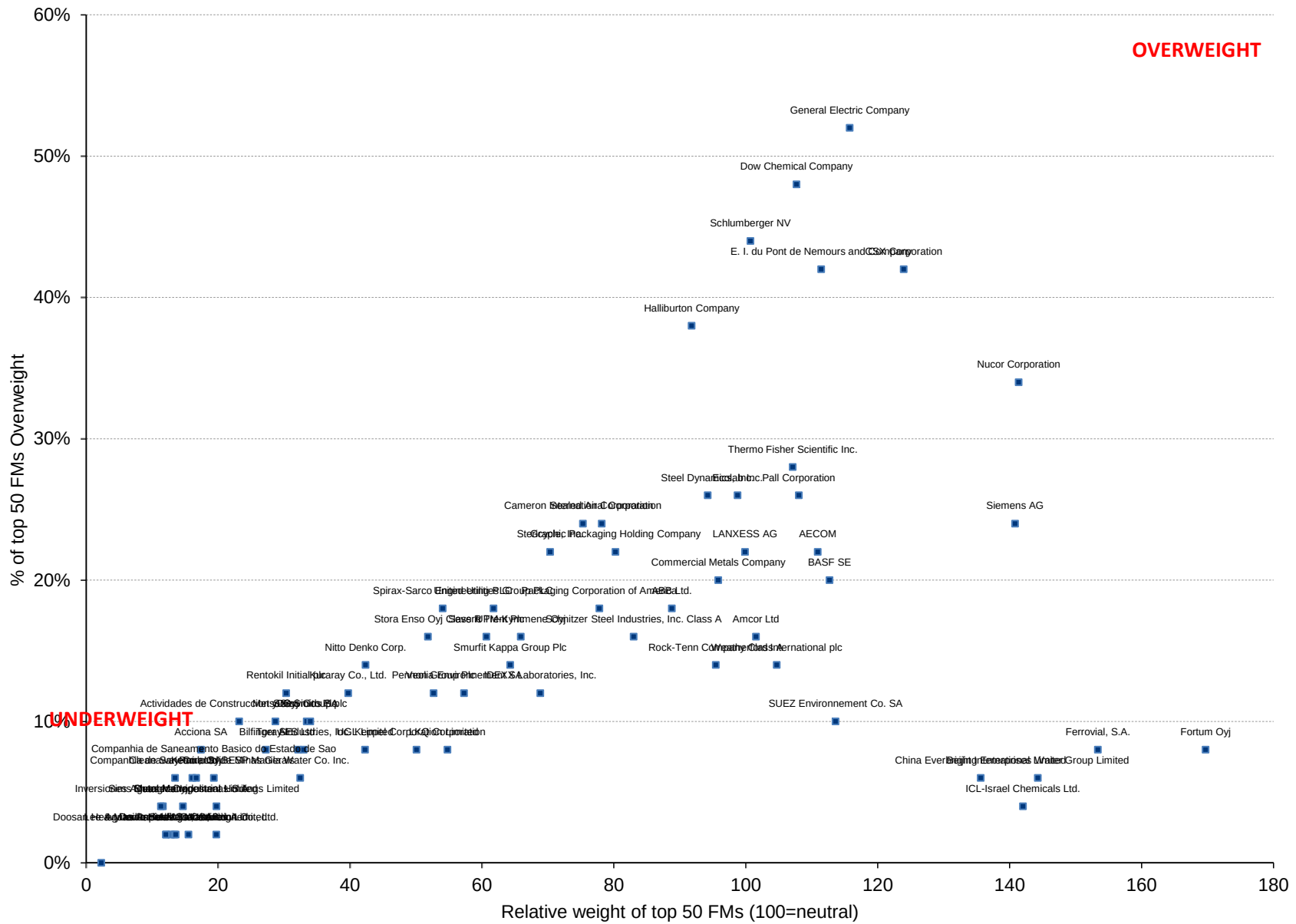
Chart 65: Waste – BofAML client monthly net flows and cumulative flows



Source: BofA Merrill Lynch Global Research, cumulative net flows with Sept 5 2014 as starting point

Positioning of waste stocks

Chart 66: Positioning and ownership - Waste



Source: BofAML Global Research

08 May 2015

Positioning of waste stocks

Table 53: Top Overweight and Underweight stocks in Waste

Top Overweight			Top Underweight		
	Weightings	% top holders overweight		Weightings	% top holders overweight
General Electric Company	116	52%	SIIC Environment Holdings Ltd.	2	0%
Dow Chemical Company	108	48%	Doosan Heavy Industries & Construction Co., Ltd.	12	2%
Schlumberger NV	101	44%	Daido Steel Co., Ltd.	12	2%
CSX Corporation	124	42%	Aguas Andinas S.A. Series A	13	2%
E. I. du Pont de Nemours and Company	111	42%	Dowa Holdings Co., Ltd.	13	2%
Halliburton Company	92	38%	Lee & Man Paper Manufacturing Limited	14	2%
Nucor Corporation	141	34%	Alfa Laval AB	15	2%
Thermo Fisher Scientific Inc.	107	28%	Mondi Limited	20	2%
Pall Corporation	108	26%	Outotec Oyj	11	4%
Ecolab Inc.	99	26%	Inversiones Aguas Metropolitanas S.A.	12	4%
Steel Dynamics, Inc.	94	26%	Sims Metal Management Limited	15	4%
Siemens AG	141	24%	Shanghai Industrial Holdings Limited	20	4%
Sealed Air Corporation	78	24%	ICL-Israel Chemicals Ltd.	142	4%
Cameron International Corporation	75	24%	China Everbright International Limited	136	6%
AECOM	111	22%	Beijing Enterprises Water Group Limited	144	6%

Source: BofAML Global Research. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

Style Cycle

According to the Style Cycle model, stocks that are highest ranked within the Waste theme are in wastewater & sewage and sustainable packaging. Stocks that are lowest ranked are within life sciences and waste treatment sub-themes.

Table 54: Waste - Style Cycle Top/Bottom 15 stocks

Top				Bottom			
Sedol	Name	Sub-theme	Recovery rank (1 = Top)	Sedol	Name	Sub-theme	Recovery rank (1 = Bottom)
507267	Stora Enso	Sustainable Packaging	100	230422	Ecolab Inc	Oil & Gas/Treatment	1
691487	Ugl Limited	Engineering & Construction	100	266880	Pall Corp	Life Sciences	3
282129	Schnitzer Steel Inds	Recycling	99	286082	Stericycle Inc	Management (Medical)	3
B0YBZJ	Cia Saneamento Min	Wastewater & Sewage	97	201817	Du Pont (E I) De Nemours	Treatment	6
511738	Bilfinger + Berger	Engineering & Construction	96	245920	Idexx Labs Inc	Other	6
629467	Doosan Heavy Ind	Recycling/Treatment	94	297102	Lkq Corp	Recycling	9
221326	Commercial Metals	Recycling	93	216075	Csx Corp	Management (Transport)	10
557910	Acciona Sa	Wastewater & Sewage	91	288690	Thermo Fisher Scientific	Life Sciences	11
451361	Kemira Oy	Oil & Gas/Treatment	90	710889	ABB	Waste-to-Energy	13
B1FN8X	Outotec Oyj	Treatment	89	240530	Halliburton Co	Oil & Gas	14
B0LCW7	Sims Metal Mgmt	Recycling	87	645553	Icl-Israel Chem	Treatment	14
505125	UPM-Kymmene	Sustainable Packaging	86	277920	Schlumberger Ltd	Oil & Gas	14
669377	Lee & Man Paper Ma	Sustainable Packaging	84	606660	Amcor Limited	Sustainable Packaging	19
B86SZR	Als Limited	TIC	81	B01YCG	Beijing Ent Water	Wastewater & Sewage	20
403187	Veolia Environneme	Management/Wastewater & Sewage	81	572797	Siemens	Treatment	21

Source: BofA Merrill Lynch Global Research. Top and bottom 15 stocks are based on a relative ranking within our Water theme. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

[Thematic Investing: Blue Revolution -
global water primer - 4 April 2014](#)

Water - Blue revolution

A Transforming World thematic impacts: Earth, Government, Innovation

Global water crisis - Water scarcity remains a global reality, with 768m people lacking access to clean drinking water and 2.5bn having no access to proper sanitation. Freshwater accounts for only 2.5% of global water – and we have already reached peak water. Increasing water demand, water pollution and water stress mean that demand is set to overshoot supply by 40% in the next 20Y.

A perfect storm is brewing, water is the 21st century oil - The WEF has recognised water as one of top-three global risks for 2014. Further, 50% of the world's population will be living in conditions of "water stress" by 2030 and 40% in "severe water stress" by 2050. Globally, 45% of projected 2050 GDP is at risk and as many as 50 countries are potential locations for conflicts over water. Given how closely food, water and energy security are connected, an impending "perfect storm" of events appears to be looming for the food and energy sectors, in a world constrained by Climate Change & Extreme Weather.

Investors need to go blue, US\$600bn market & 7%+ CAGR - Water is a US\$600bn market today, which is delivering a CAGR of 7%, well above global growth rates. The S&P Global Water index has delivered a 10.4% annualised performance over 10Y, and outperformed the market as well as benchmark gold, and oil & gas indices on a 1Y, 3Y, 5Y and 10Y basis. We see the fastest 3-5Y growth coming from the lowest-hanging fruits (water treatment and recycling), countries incentivising private sector actors (Brazil, China, the US), the more "crop per drop" theme, smart metering and "big data"/technology-based solutions, and water-friendly forms of energy (wind and solar).

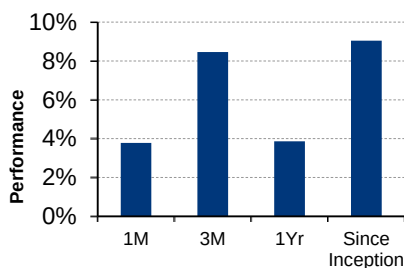
Four entry points for investors, US\$1tn market (2020E) - We have mapped efforts to tackle the global dynamics of water supply and demand to highlight four entry points for investors wishing to play the "Blue Revolution" theme: 1) Treatment; 2) Management; 3) Infrastructure & Supply; and 4) Water-friendly Energy. We believe these entry points will represent a combined US\$1tn+ market by 2020.

Table 55: Water Primer Picks beta relative to the market

Raw Beta	1.01
Adjusted Beta	1.01
Alpha	-0.06
R^2 (Correlation^2)	0.62
Correlation	0.79

Source: BofA Merrill Lynch Global Research. Relative index=MSCI AC World TR (GDUEACWF Index). Weekly observations since inception, through May 4 2015

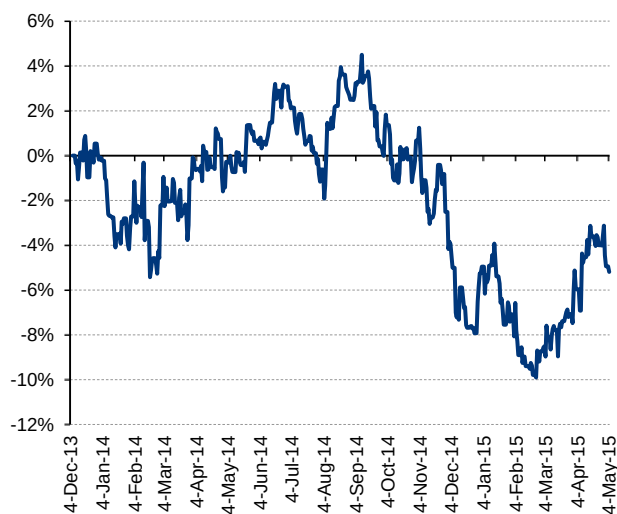
Chart 68: Water Primer Picks performance (through May 4 2015)



BofA Merrill Lynch Global Research. Inception is Dec 6 2013.

Realized volatility increased despite Water Primer Picks rallying.

Chart 69: Relative performance of Water Primer Picks vs. MSCI AC World (through May 4 2015)

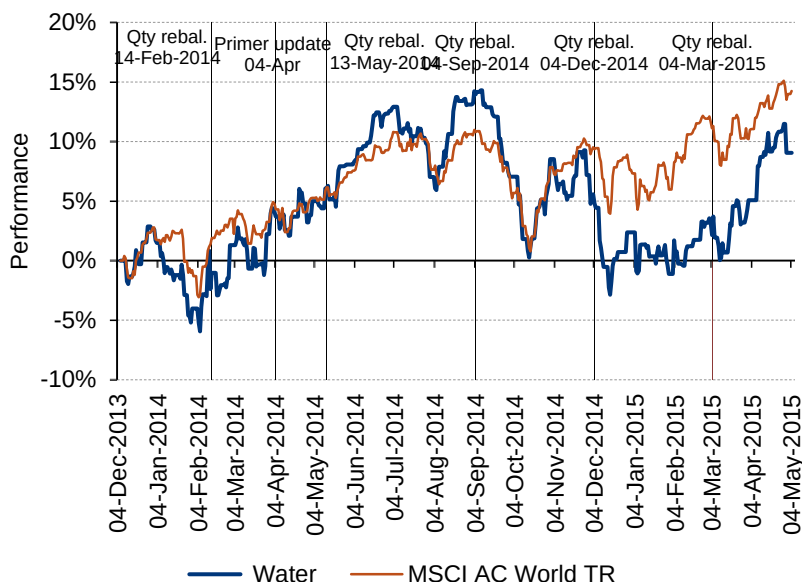


Source: BofA Merrill Lynch Global Research. Benchmark = MSCI AC World TR Gross (GDUEACWF). Past performance should not and cannot be viewed as an indicator of future performance

Primer Picks performance

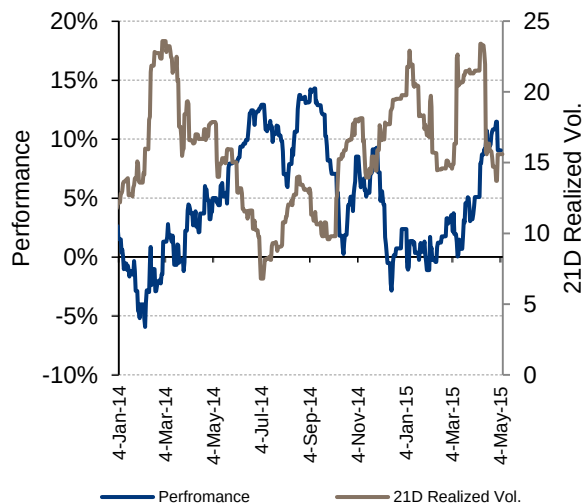
Water Primer Picks is up +9.05% since Dec 6, 2013, making it the worst performing theme. The theme was up +8.46% in the past three month period, the best out of any theme and regaining much of its losses during 4Q14. Last month was one of its stronger months. Water Primer Picks managed to climb +3.78%, the second best performer during this period.

Chart 67: Water Primer Picks performance (through May 4 2015)



Source: BofA Merrill Lynch Global Research. See Appendix on Page 65 for list of Primer Picks rebalances. Qty rebal = Quarterly Primer Picks update. Past performance should not and cannot be viewed as an indicator of future performance. A complete performance record is available upon request.

Chart 70: Water - Primer Picks performance and 21-day realized volatility



Source: BofA Merrill Lynch Global Research. 21D Realized Vol is the rolling 21-day (business day) realized volatility of the Primer Picks performance. Past performance should not and cannot be viewed as an indicator of future performance.

Table 56: Water Theme and Sub-theme P/E valuation

Sub-Theme	Forward PE	
	Universe	Primer Picks
Engineering & Construction	13.2x	13.3x
Management	17.6x	19.5x
Pipes, pumps & valves	15.5x	16.0x
Treatment	17.4x	17.3x
Utilities	16.5x	14.4x
Water-Friendly Energy	22.4x	21.5x
Water	17.9x	18.8x
MSCI AC World	16.9x	

Source: BofA Merrill Lynch Global Research. Forward P/E is based on consensus analyst earnings estimates for the next four quarters as compiled by Bloomberg, NA - Primer Picks includes stocks only with Buy and High/Medium exposure. Some sub-themes do not have Primer Picks companies within them.

Table 57: Water BofAML client net trading flows (US\$ mn)

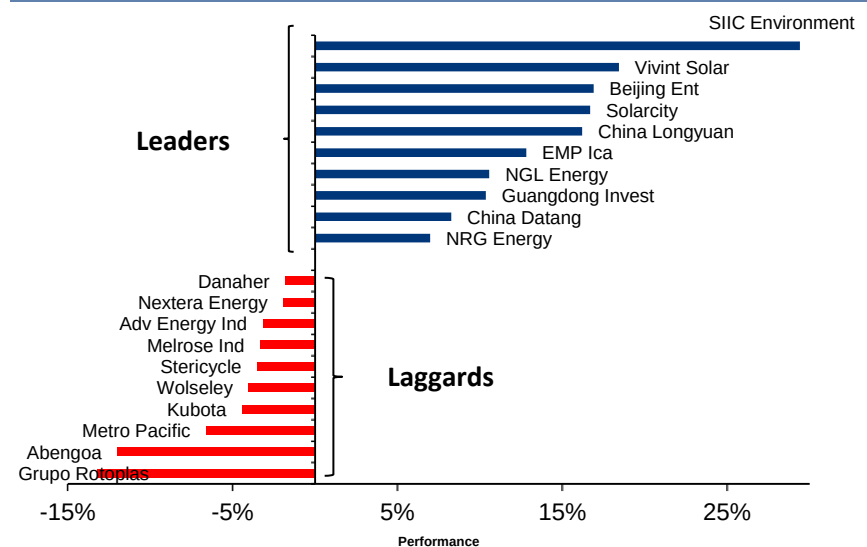
Last month ending (May 4 2015)	250
Apr 4 2015	-304
Mar 4 2015	-34
Feb 4 2015	465
Jan 4 2015	-858
Dec 4 2014	-269
Nov 4 2014	-459
Oct 4 2014	-295
Cumulative Net flows	-1,502
3 month avg.	-29

Source: BofA Merrill Lynch Global Research Cumulative net flows with Sep 5 2014 as starting point. Average flows=average net flow between specified period

Water has experienced outflows every month with the exception of January 2015

Leaders and laggards

Chart 71: 1M top/bottom total return performance of Water Primer Picks

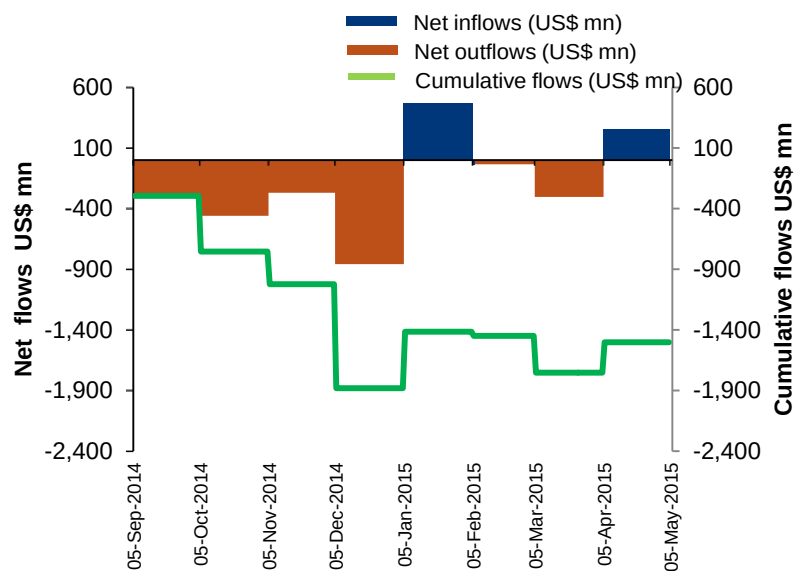


Source: BofA Merrill Lynch Global Research; Bloomberg

Flows

In our wider water thematic stock list, BofAML global equity trading showed inflows of +US\$304mn for the April period. The theme has experienced outflows every month with the exception of January since we began monitoring in September 2014. This brings cumulative net flows to -US\$1,502mn in the past eight month period.

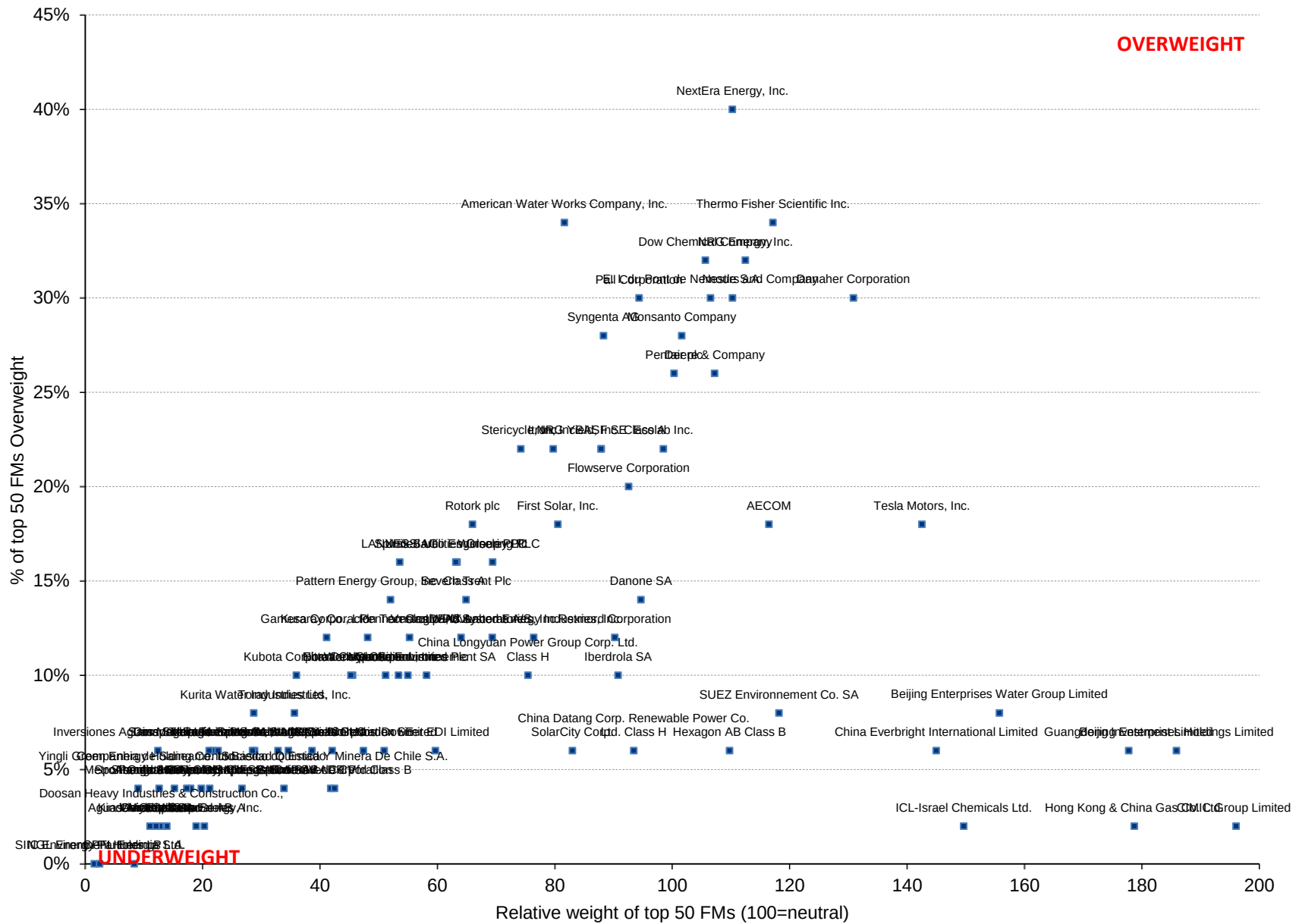
Chart 72: Water – BofAML client monthly net flows and cumulative flows



Source: BofA Merrill Lynch Global Research, cumulative net flows with Sept 5 2014 as starting point

Positioning of water stocks

Chart 73: Positioning and ownership - Water



Source: BofAML Global Research

Positioning of water stocks

Table 58: Top Overweight and Underweight stocks in Water

Top Overweight			Top Underweight		
	Weightings	% top holders overweight		Weightings	% top holders overweight
NextEra Energy, Inc.	110	40%	NGL Energy Partners LP	2	0%
Thermo Fisher Scientific Inc.	117	34%	SIIC Environment Holdings Ltd.	2	0%
American Water Works Company, Inc.	82	34%	CPFL Energia S.A.	8	0%
NRG Energy, Inc.	112	32%	Kinden Corporation	11	2%
Dow Chemical Company	106	32%	Duratex S.A.	12	2%
Danaher Corporation	131	30%	Chiyoda Corp.	13	2%
Nestle S.A.	110	30%	Vivint Solar Inc	13	2%
E. I. du Pont de Nemours and Company	106	30%	Doosan Heavy Industries & Construction Co., Ltd.	13	2%
Pall Corporation	94	30%	Acciona SA	13	2%
Monsanto Company	102	28%	Aguas Andinas S.A. Series A	14	2%
Syngenta AG	88	28%	Alfa Laval AB	19	2%
Deere & Company	107	26%	Enphase Energy, Inc.	20	2%
Pentair plc	100	26%	ICL-Israel Chemicals Ltd.	150	2%
Ecolab Inc.	98	22%	Hong Kong & China Gas Co. Ltd.	179	2%
BASF SE	88	22%	CIMIC Group Limited	196	2%

Source: BofAML Global Research. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

Style Cycle

According to the Style Cycle model, stocks that are highest ranked within the Water theme are within water-friendly energy, and engineering & construction sub-theme. Stocks that are lowest ranked are in water treatment and management, as well as equipment such as pipes, pumps & valves.

Table 59: Water - Style Cycle Top/Bottom 15 stocks

Top				Bottom			
Sedol	Name	Sub-theme	Recovery rank (1 = Top)	Sedol	Name	Sub-theme	Recovery rank (1 = Bottom)
691487	Ugl Limited	Engineering & Construction	100	230422	Ecolab Inc	Treatment	1
646557	Downer Edi Ltd	Engineering & Construction	99	265432	Monsanto Co	Management	2
B0MT4R	Empresas Ica Sab	Engineering & Construction/Treatment	98	266880	Pall Corp	Treatment	3
BX17Q1	Leighton Holdings	Engineering & Construction	97	286082	Stericycle Inc	Treatment	4
B4YX1N	China Dting Co Rnwb	Water-Friendly Energy	95	201817	Du Pont (E I) De Nemours	Management/Treatment	5
B0YBZJ	Cia Saneamento Min	Utilities	95	245920	Idexx Labs Inc	Treatment	5
B83KH8	Abengoa Sa (B)	Water-Friendly Energy	94	643655	Hongkong&China Gas	Utilities	8
B1L87F	Trina Solar Ltd	Water-Friendly Energy	93	225087	Danaher Corp	Treatment	9
629467	Doosan Heavy Ind	Treatment	91	712387	Nestle	Treatment	10
204917	Advanced Energy Inds Inc	Water-Friendly Energy	90	435664	Syngenta	Management	11
B27WY8	Duratex Sa	Management	89	608169	Beijing Enterprise	Engineering & Construction	12
557910	Acciona Sa	Treatment/Water-Friendly Energy	88	288690	Thermo Fisher Scientific Inc	Treatment	13
451361	Kemira Oy	Treatment	87	BLS09M	Pentair Plc	Pipes, pumps & valves	14
B05M8B	Lanxess	Treatment	86	B616C7	Tesla Motors Inc	Water-Friendly Energy	15
B86SZR	Als Limited	Treatment	85	BFNWV4	Wolseley	Management	16

Source: BofA Merrill Lynch Global Research. Top and bottom 15 stocks are based on a relative ranking within our Water theme. BofAML Thematic stock lists are not a recommended list either individually or as a group of stocks.

Methodology Appendix

Thematic Investing Stock Lists & Primer Picks

We have previously created a BofA Merrill Lynch Global Research list of stocks which have exposure to our equity themes – Climate Change & Extreme Weather, Education, Energy Efficiency, Longevity, Obesity and Health & Wellness, Safety & Security, Waste, and Water. They lists are part of BofAML Thematic Investing Stocks Lists.

For each Stock List, we have a subset called Primer Picks, which have “material” - either High or Medium -- exposure to the relevant theme, and have a Buy rating by the fundamental analyst. The Stock Lists and Primer Picks are in a document called theme Primer Picks. Thematic Investing Primers and their accompanying thematic Primer Picks are updated together. We update the full universe of all Thematic Investing Stock Lists and Primer Picks simultaneously on a quarterly basis and announced through a published research report – A Transforming World - Quarterly Primer Picks. We show a representation of performance based on the Primer Picks.

Performance representation methodology

Each Thematic Investing Primer Picks list is equal-weighted, with rebalancing each time we publish an update. Updates are made in both the A Transforming World - Quarterly Primer Picks as well as the Primer Picks that are published when each theme is updated. The performance of any individual security on the list is its percentage change in price, including dividends $[(\text{End Price} - \text{Begin Price}) / \text{Begin Price}]$. Dividends and corporate actions are credited when the stock goes ex-dividend. The performance does not reflect transaction costs. If such cost were reflected the performance would have been lower.

Price at which the rebalance occurs is the end-of-day price on the T + 1 date from publication. Stocks that are no longer covered, or are no longer Buy rated or become restricted are taken into account and removed at the next quarterly or theme update. In the same manner, stocks that are added for reasons such as change in restriction, new research initiation, etc. can only occur when the Primer Picks list is updated.

We assume 0% tax rate. The actual tax rate for investors will be dependent on several factors such as the country of domicile of the company, country in which the stock is listed, country of company operations, as well as country in which the investor is based. Investors should consult their own tax circumstances to gauge exact performance.

Seven themes - Education, Energy Efficiency, Climate Change & Extreme Weather, Obesity and Health & Wellness, Safety & Security, Waste, and Water – have a base value of 100 starting at December 6 2013, which is the T + 1 date from when the Quarterly Primer Picks product was introduced. Prior to that, each Primer Picks list was maintained and published separately. Longevity theme was introduced on June 6 2014 and Food Security was introduced on March 30 2015, which is less than 12 months, hence we cannot show performance at the moment.

The indicative performance of the BofAML themes is calculated by the BofA Merrill Lynch Research group.

For historical Primer Picks changes prior to March 4 2015, refer to [Theme Watch: Go with the thematic flow 12 March 2015](#)

Appendix of Primer Picks changes

BofAML Thematic Investing Primer Picks lists are rebalanced on a quarterly basis through A Transforming World - Quarterly Primer Picks, and when the themes are updated. Below is an appendix of latest rebalances:

Table 60: March 4 2014 Primer Picks changes

Theme	Ticker	Date	Action	Comment
Climate Change	002594 CS	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	1504 TT	04-Mar-15	Addition	New Initiation
Climate Change	ABG/P SQ	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	ABY UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	AEIS UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	CDNS UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	CON GY	04-Mar-15	Addition	Rating upgrade
Climate Change	CTSH UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	EDPR PL	04-Mar-15	Addition	Rating upgrade
Climate Change	EMC UN	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	FDX UN	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	GAM SQ	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	JMAT LN	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	MPG UN	04-Mar-15	Addition	New Initiation
Climate Change	MTX GY	04-Mar-15	Addition	Rating upgrade
Climate Change	NYLD UN	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	NZYM DC	04-Mar-15	Addition	New Initiation
Climate Change	SNPS UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	STM FP	04-Mar-15	Addition	Rating upgrade
Climate Change	SU FP	04-Mar-15	Addition	Rating upgrade
Climate Change	SVT LN	04-Mar-15	Addition	Rating upgrade
Climate Change	SWKS UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	SYNN VX	04-Mar-15	Addition	Rating upgrade
Climate Change	TEN UN	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	TERP UW	04-Mar-15	Addition	New Initiation
Climate Change	UTX UN	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	VWS DC	04-Mar-15	Addition	Rating upgrade
Climate Change	WHR UN	04-Mar-15	Addition	Theme exposure warranted for inclusion
Climate Change	ABBN VX	04-Mar-15	Removal	Rating downgrade
Climate Change	1186 HK	04-Mar-15	Removal	Under extended review
Climate Change	390 HK	04-Mar-15	Removal	Under extended review
Climate Change	EGPW IM	04-Mar-15	Removal	Rating downgrade
Climate Change	GOOG UW	04-Mar-15	Removal	Theme exposure warranted for exclusion
Climate Change	525 HK	04-Mar-15	Removal	Under extended review
Climate Change	INXN UN	04-Mar-15	Removal	No Rating (Being acquired by Telecity)
Climate Change	LLTC UW	04-Mar-15	Removal	Rating downgrade
Climate Change	NSC UN	04-Mar-15	Removal	Rating downgrade
Climate Change	SIE GY	04-Mar-15	Removal	Rating downgrade
Climate Change	6273 JT	04-Mar-15	Removal	Rating downgrade
Climate Change	SPLK UW	04-Mar-15	Removal	Theme exposure warranted for exclusion
Education	ABCO UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Education	HPQ UN	04-Mar-15	Addition	Out of extended review
Education	KROT3 BS	04-Mar-15	Addition	Theme exposure warranted for inclusion
Education	SEER3 BS	04-Mar-15	Addition	Theme exposure warranted for inclusion
Education	9783 JT	04-Mar-15	Removal	Under extended review
Energy Efficiency	002594 CS	04-Mar-15	Addition	Theme exposure warranted for inclusion
Energy Efficiency	1504 TT	04-Mar-15	Addition	New Initiation
Energy Efficiency	AEIS UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Energy Efficiency	CDNS UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Energy Efficiency	CON GY	04-Mar-15	Addition	Rating upgrade
Energy Efficiency	CTSH UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Energy Efficiency	FDX UN	04-Mar-15	Addition	Theme exposure warranted for inclusion
Energy Efficiency	MPG UN	04-Mar-15	Addition	New Initiation
Energy Efficiency	MTX GY	04-Mar-15	Addition	Rating upgrade
Energy Efficiency	SNPS UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Energy Efficiency	STM FP	04-Mar-15	Addition	Rating upgrade

Table 60: March 4 2014 Primer Picks changes

Theme	Ticker	Date	Action	Comment
Energy Efficiency	SU FP	04-Mar-15	Addition	Rating upgrade
Energy Efficiency	SWKS UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Energy Efficiency	ABBN VX	04-Mar-15	Removal	Rating downgrade
Energy Efficiency	1186 HK	04-Mar-15	Removal	Under extended review
Energy Efficiency	390 HK	04-Mar-15	Removal	Under extended review
Energy Efficiency	GOOG UW	04-Mar-15	Removal	Theme exposure warranted for exclusion
Energy Efficiency	525 HK	04-Mar-15	Removal	Under extended review
Energy Efficiency	INXN UN	04-Mar-15	Removal	No Rating (Being acquired by Telecity)
Energy Efficiency	LLTC UW	04-Mar-15	Removal	Rating downgrade
Energy Efficiency	NSC UN	04-Mar-15	Removal	Rating downgrade
Energy Efficiency	SIE GY	04-Mar-15	Removal	Rating downgrade
Energy Efficiency	6273 JT	04-Mar-15	Removal	Rating downgrade
Energy Efficiency	SPLK UW	04-Mar-15	Removal	Theme exposure warranted for exclusion
Longevity	AB UN	04-Mar-15	Addition	Rating upgrade
Longevity	ABT UN	04-Mar-15	Addition	Rating upgrade
Longevity	9627 JT	04-Mar-15	Addition	Rating upgrade
Longevity	COLOB DC	04-Mar-15	Addition	Rating upgrade
Longevity	DKSH SE	04-Mar-15	Addition	New Initiation
Longevity	HGG LN	04-Mar-15	Addition	Rating upgrade
Longevity	ILMN UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Longevity	INTU UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Longevity	LM UN	04-Mar-15	Addition	Rating upgrade
Longevity	OCR UN	04-Mar-15	Addition	Theme exposure warranted for inclusion
Longevity	PMC UN	04-Mar-15	Addition	Theme exposure warranted for inclusion
Longevity	RDUS UQ	04-Mar-15	Addition	New Initiation
Longevity	REGN UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Longevity	SAGA LN	04-Mar-15	Addition	Theme exposure warranted for inclusion
Longevity	SAN FP	04-Mar-15	Addition	Rating upgrade
Longevity	SDR LN	04-Mar-15	Addition	Rating upgrade
Longevity	SUNP IS	04-Mar-15	Addition	Rating upgrade
Longevity	WDH DC	04-Mar-15	Addition	Rating upgrade
Longevity	ABBV UN	04-Mar-15	Removal	Rating downgrade
Longevity	BAYN GY	04-Mar-15	Removal	Rating downgrade
Longevity	LLY UN	04-Mar-15	Removal	Rating downgrade
Longevity	BEN UN	04-Mar-15	Removal	Rating downgrade
Longevity	LNC UN	04-Mar-15	Removal	Rating downgrade
Longevity	9735 JT	04-Mar-15	Removal	Under extended review
Longevity	SIE GY	04-Mar-15	Removal	Rating downgrade
Longevity	STMN SE	04-Mar-15	Removal	Rating downgrade
Longevity	TNDM UQ	04-Mar-15	Removal	Under restriction
Longevity	UBSN SE	04-Mar-15	Removal	Rating downgrade
Longevity	WDR UN	04-Mar-15	Removal	Rating downgrade
Longevity	WCG UN	04-Mar-15	Removal	Rating downgrade
Obesity	COLOB DC	04-Mar-15	Addition	Rating upgrade
Obesity	GRMN UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Obesity	HAIN UW	04-Mar-15	Addition	New Initiation
Obesity	RMTI UQ	04-Mar-15	Addition	New Initiation
Obesity	SAN FP	04-Mar-15	Addition	Rating upgrade
Obesity	SFM UW	04-Mar-15	Addition	Rating upgrade
Obesity	SUNP IS	04-Mar-15	Addition	Rating upgrade
Obesity	LLY UN	04-Mar-15	Removal	Rating downgrade
Obesity	DSM NA	04-Mar-15	Removal	Rating downgrade
Obesity	TNDM UQ	04-Mar-15	Removal	Under Restriction
Obesity	8113 JT	04-Mar-15	Removal	Under extended review
Safety	002456 CS	04-Mar-15	Addition	Theme exposure warranted for inclusion
Safety	ALIV SS	04-Mar-15	Addition	Coverage reinstated
Safety	BAH UN	04-Mar-15	Addition	Theme exposure warranted for inclusion
Safety	CON GY	04-Mar-15	Addition	Rating upgrade
Safety	GRMN UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Safety	MPG UN	04-Mar-15	Addition	New Initiation
Safety	NOK1V FH	04-Mar-15	Addition	Theme exposure warranted for inclusion
Safety	PAHC UQ	04-Mar-15	Addition	Theme exposure warranted for inclusion

Table 60: March 4 2014 Primer Picks changes

Theme	Ticker	Date	Action	Comment
Safety	BRKR UW	04-Mar-15	Removal	Rating downgrade
Safety	PLL UN	04-Mar-15	Removal	Rating downgrade
Safety	9735 JT	04-Mar-15	Removal	Under extended review
Waste	ACS SQ	04-Mar-15	Addition	Rating upgrade
Waste	8422 TT	04-Mar-15	Addition	Theme exposure warranted for inclusion
Waste	SVT LN	04-Mar-15	Addition	Rating upgrade
Waste	9793 JT	04-Mar-15	Removal	Under extended review
Water	ABG/P SQ	04-Mar-15	Addition	Theme exposure warranted for inclusion
Water	AEIS UW	04-Mar-15	Addition	Theme exposure warranted for inclusion
Water	AGUA* MM	04-Mar-15	Addition	New Initiation
Water	EDPR PL	04-Mar-15	Addition	Rating upgrade
Water	GAM SQ	04-Mar-15	Addition	Theme exposure warranted for inclusion
Water	NYLD UN	04-Mar-15	Addition	Theme exposure warranted for inclusion
Water	SVT LN	04-Mar-15	Addition	Rating upgrade
Water	SYNN VX	04-Mar-15	Addition	Rating upgrade
Water	TERP UW	04-Mar-15	Addition	New Initiation
Water	VWS DC	04-Mar-15	Addition	Rating upgrade
Water	371 HK	04-Mar-15	Removal	Rating downgrade
Water	EGPW IM	04-Mar-15	Removal	Rating downgrade

Source: BofA Merrill Lynch Global Research

Positioning methodology

Positioning between stocks within a Theme

We looked at the publicly disclosed holdings data of 13,000 institutions, 30,000 unique mutual fund portfolios, and 200,000 non-institutional 'insider/stake holders' spanning 110 countries. Within each theme, we looked at the 50 largest funds in terms of the total market value of their holdings within the theme. They would be considered the most influential investors within the theme.

First we calculate if a particular stock is overweight by the biggest holders. We take the market value of the stock held by the top 50 holders and calculate its proportion of total market value in disclosed in the stock. Then we consider the total Theme market value of the top 50 holders, and calculate its proportion of total Theme market value for all the funds. This tells us if the top holders of the Theme are overweight or underweight the particular stock relative to all holders within a Theme.

Next we look at the percentage of top 50 holders who are overweight stock. We look at the total market value of the stock, and calculate its proportion within the market value of the entire Theme. Then we look at the proportion the Theme comprises within the holder's entire portfolio. For example:

- The disclosed MV of Adobe is 28,019mm, and the MV of the Education theme is 1,537,972mm. Adobe then comprises 1.82% of the MV of the Education theme, let's consider this the "active benchmark".
- Let's say a fund has 6.6% of its portfolio within the Education theme, and 0.1% within the Adobe stock specifically. This means the fund has 1.518% of its Education theme in Adobe. This is lower than the active benchmark, the fund is underweight Adobe.

We plot the stock overweight level versus the percentage of top holders that are overweight. The higher the overweight level and the higher the proportion of holder overweight, the higher indication that the stock itself is overweight.

Positioning between sub-themes within a Theme

We looked at the publicly disclosed holdings data of 13,000 institutions, 30,000 unique mutual fund portfolios, and 200,000 non-institutional 'insider/stake holders' spanning 110 countries. Within each theme, we looked at the 50 largest funds in terms of the total market value of their holdings within the theme. They would be considered the most influential investors within the theme.

First we calculate the relative weight of the sub-theme by the biggest holders. We take the market value (MV) of the sub-theme held by the top 50 holders and calculate its proportion of total MV in disclosed in the sub-theme. Then we consider the total Theme MV of the top 50 holders, and calculate its proportion of total Theme market value for all the funds. This tells us if the top holders of the Theme are overweight or underweight the particular sub-theme relative to all holders within a Theme. For example:

- Education theme has 4 sub-themes: EdTech, K-12 & Childcare, Post-secondary, and Publishing
- The top 50 holders of the Education theme have 150,000mn in EdTech. The total MV of EdTech held by all holders is 450,000mn. Then the top 50 holders account for 33.33% MV in EdTech.

- The top 50 holders of the Education theme have an MV of 375,000mn in Education. The total MV of Education theme is 1,500,000mn. This means the top 50 holders account for 25% of Education. $33.33/25=1.33$. Using a 100 scale, 133 is above 100 and shows a relative overweight in the EdTech sub-theme.

Next we look at the percentage of top 50 holders who are overweight the sub-theme. We look at the total market value of the sub-theme, and calculate its proportion within the market value of the entire Theme. Then we look at the proportion the Theme comprises within the holder's entire portfolio. For example:

- The disclosed MV of EdTech sub-theme is 450,000mm, and the MV of the Education theme is 1,500,000mm. Edtech then comprises 30% of the MV of the Education theme, let's consider this the "active benchmark".
- Let's say a fund has 6.6% of its portfolio within the Education theme, and 3% within the Edtech sub-theme specifically. This means the fund has 45% of its Education theme in Edtech. This is higher than the active benchmark, the fund is overweight Edtech.

Positioning between Themes within Thematic Universe

We looked at the publicly disclosed holdings data of 13,000 institutions, 30,000 unique mutual fund portfolios, and 200,000 non-institutional 'insider/stake holders' spanning 110 countries. For the overall Thematic Universe, we looked at the 50 largest funds in terms of the total market value of their holdings within the entire thematic universe. They would be considered the most influential investors of themes.

First we calculate if a particular theme is overweight by the biggest thematic holders. We take the market value of the theme held by the top 50 holders and calculate its proportion of total market value in the theme. Then we consider the total Theme universe market value of the top 50 holders, and calculate its proportion of total Theme universe market value for all the funds. This tells us if the top thematic holders are overweight or underweight the particular theme relative to all holders of the thematic universe.

Next we look at the percentage of top 50 holders who are overweight the theme. We look at the total market value of the theme, and calculate its proportion within the market value of the entire Thematic universe. Then we look at the proportion the Thematic universe comprises within the holder's entire portfolio. For example:

- The disclosed MV of Education is 225,000mm, and the MV of the Thematic Universe is 1,500,000mm. Education then comprises 15% of the MV of the Thematic Universe. We consider this the "active benchmark".
- Let's say a fund has 25% of its portfolio within the Thematic Universe, and 3.2% within the Education theme specifically. This means the fund has 12.8% of its Thematic Universe in Education. This is lower than the active benchmark, the fund is underweight Education.

We plot the theme overweight level versus the percentage of top holders that are overweight. The higher the overweight level and the higher the proportion of holder overweight, the higher indication that the theme itself is overweight.

Holdings data

Sources for this information include 13F, 13G, 13D, Registration filings (S-1, S-2, S-3), Proxy, 10-K, Insider filings (Forms 3, 4, 5), N-30D, N-Q mutual fund holdings, annual reports, and country specific authorities as collated by Factset. We use the most recent data available for each fund, excluding data that is more than 12 months old. The most common “age” of the data is two-to-three months old. To provide a more recent snapshot of the value of the fund managers’ equity holdings, we have marked-to-market the holdings as of the most recent month-end. The report does not reflect any changes, other than re-pricing, in portfolio holdings after the filing dates. The analysis includes both active and passive fund holdings information.

Equity client flow methodology

This portion of the research product provides an aggregated view of BofA Merrill Lynch client trading flows into global stocks executed by the cash equities business of the firm. By aggregating flows across many execution platforms and trading desks, the goal of this product is to provide an overview of what Themes are being bought or sold. It is not meant to be predictive of the market, but aims to provide a holistic view of BofAML client trading flows by Theme.

The trading flow considers all stocks within the Thematic Universe, which spans all global regions. Stocks here are shown only as “net buys,” defined as the notional amount of buy orders less sell orders. Since this product is meant to provide client action context of recent market and Theme performance based on client trading flows, we capture the data as “net buys” rather than trading volume. The order flow comprises all single stock trades executed by the firm globally within the cash equities business including high touch, electronic trading, and portfolio trading. Order flow on derivatives such as options, futures, and swaps are not included.

Equity flows are represented in US dollar terms. Stocks that are not denominated in USD are converted using the spot foreign exchange rate on the day of trading.

ESG consensus positioning methodology

We base our analysis of the 500 largest global SRI mutual funds by AUM – including negative screening, positive screening and long-term thematic funds – who also publicly disclose their fund holdings.

We stress that point since this is different from total market value or even freefloat market value. But we believe that we need to compare SRI Mutual funds to Mutual funds in general, in order to be fair. For indicative purposes, our data suggest that in average mutual funds represent a minimum of 35% of Floated Market Value and 28% of market value (non-floated).

The top 500 SRI funds

Our starting point was to identify the greatest number of funds that could be reasonably perceived as SRI-oriented. This is not as easy as it sounds as there is:

- No “official” definition of SRI or SRI funds;
- No international register for SRI funds, despite the fact that SRI asset managers largely adhere to the United Nations’ Principles for Responsible Investment (PRI), but signatures are at corporate rather than fund level; and

- No legal framework – global, regional or local – enabling third parties to identify SRI funds.

SRI fund selection criteria

Despite the lack of clear, objective, well-accepted definitions and delineations, we believe that it is possible to select funds under the SRI rubric on the following basis:

- The fund is self-marketed by the asset manager as SRI or SRI-friendly;
- Fund name contains some objective “clues” of an SRI orientation, mainly via the usage of “buzzwords” typical of SRI interests/concerns such as:
 1. Responsible, ethical, sustainable, citizenship, stewardship, solidarity, etc.
 2. ESG (environmental, social or governance), green, ecology, planet, human, industries of the future etc.
 3. Agriculture, bottom of the pyramid, climate change, demographics, education, energy efficiency, renewables, safety, waste and water.

Started with 1,344 SRI-oriented funds globally

Using this approach and various databases including Bloomberg Lipper/Morningstar and Factset, we came up with an initial list of 1,344 clearly identified funds that we think could reasonably qualify as SRI-oriented.

Narrowed to 734 funds disclosing stock components

Of these 1,344 funds, we have been able to identify 734 that give access to the detailed list of their stock components, with at least some equity components. We largely excluded all funds invested only in bonds, monetary or non-equity securities.

SRI funds, US\$126bn of the MSCI All-Countries World Index

Looking at equity assets under management, the AUM figures for the 786 SRI identified funds are approximately US\$126bn of the MSCI AC World Index.

- **SRI Weighting** is equal to the weight of SRI “money” compared to the relative MV. If SRI money weight 5% of a stock / sector where it only weights 1% in the benchmark, then the SRI weighting is $5\% / 1\% = 5x$.
- **SRI Macro Factor** is a combination of sector weightings taking into account geographical characteristics. For instance, in sector MV divided by the overall weight of SRI in the total index MV (e.g. $0.20 / 0.97 = 0.21$ for Tobacco and $14.53 / 0.97 = 14.97x$ for Water Utilities).
- **SRI Stock Factor** is derived from the % of MV in the stock divided by the SRI Macro Factor – akin to a SRI sector-geo-normalised factor. To put it in perspective, an SRI Stock Factor of 2.6x means that the company is 2.6x over-allocated compared with the sector average and the geo SRI allocation.

Limitations and assumptions of the model

Missing funds

Not all SRI funds disclose their components; despite our best efforts, some important SRI flows might therefore be missing. However, limiting ourselves to the top 500 SRI funds which do disclose holdings, and applying a geographic and

sector screening allows us to avoid any major skew or bias, at least at stock level. So if the total amount of SRI disclosed assets is obviously below the total amount of all SRI-oriented funds (perhaps by a factor of 2x or more), we can reasonably expect that the relative preferences of SRI investors for companies and sectors are well estimated.

Date of disclosure

SRI components are not all disclosed at the same time. This could lead to an over- or underestimation of the market value for some funds, coupled with outdated information if the components have changed in the meantime. However, we expect that comparing our SRI assets vs. the six-month average market value for the benchmark considerably reduces the risk of over- or underestimation. We suppose that the information disclosed will always lag current day-to-day data, in the meantime – even important factors used to build up financial benchmarks are revised sometimes only on a quarterly or half-year basis (free-float factors for instance).

“Dissensus” inside the consensus

As SRI investors may have different areas of focus and interests, the image captured through the SRI Consensus might obliterate such divergent views and interests, at the sector or company level. Some divergent views could even be self-neutralized. To that point, we would reply that a) investors using financial consensus on estimates face the same situation, and b) it is very likely, based on our experiences, that the bulk of SRI investors will share some common beliefs at least on activities and sectors; for e.g., the need for urgent action against climate change (then a push towards alternative energies and eco-efficiency, the need to speak out against low labour and human rights standards, or a preference for high levels of disclosure on corporate governance practices and standards).

The 'Style Cycle' illustrates the relationship between the economic cycle and investment style

We observe the year on year changes for signals of economic expansion or contraction, and analyse monthly changes in the index for indications of peaks and troughs in macro data. In essence, the combination helps to navigate investors around the economic cycle acting as a timing indicator for style rotation.

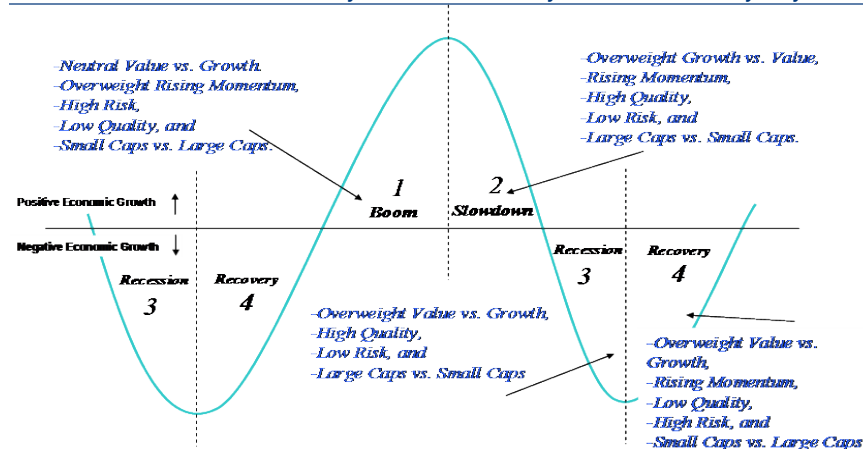
European style cycle methodology

- We have drawn upon the back-testing results first presented in February 2004, using data (since January 1992) of investment style price returns and the economic cycle to create the European 'Style Cycle'.
- The European 'Style Cycle' aims to offer what we believe are two vital components for investing across the cycle. These components we believe are 1) Timing, and 2) Rotation.
- Investment styles with potential for success are based on the favourable positioning within the cycle at a particular point in time. Highlighted investment styles are expected to outperform the MSCI European equal weight price index.
- Similarly, we have identified the investment styles that we believe have the characteristics to under-perform the MSCI European equal weight price index based on the unfavourable positioning within the cycle at a particular point in time. The screens resulting from the investment styles are not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision.
- We first introduced the European Style Cycle in February 2004.

Background

In order to marry our 'top down' work with our 'bottom up' process, we have researched the relationship between the European economic cycle and price performance of various investment styles. The chart below shows European 'Style Cycle'. In brief, the chart illustrates this relationship between the economic cycle and investment style performance. The 4 phases of the economic cycle are dictated by the change in the European Composite Macro Index (CMI). The style preferences in each phase of the cycle are based on the back-testing results of average monthly price returns - by individual investment styles during the changing conditions of the economic cycle.

Chart 74: Phases of the Economic Cycle* & Investment Style Preferences – 'Style Cycle'



Phase 1: Rising & Accelerating; Phase 2: Rising & Decelerating; Phase 3: Falling & Decelerating; Phase 4: Falling & Accelerating.
*Economic Cycle based on the M. Composite Macro Indicator

Source: BofA Merrill Lynch European Equity and Quant Strategy Back testing period from Dec 1992 to Dec 2003. Actual Performance Jan 2004.

1) Defining the 'Cycle'

We define the cycle by using the change in European composite macro index (CMI). The index is an equal weight composite indicator, measuring six key variables. We have selected these 6 indicators because we believe they represent a cross section of views, on the character of the economic/ business/ stock market cycle.

The inputs we use include in the European CMI are as follows:

- Direction of the long-end interest rate expectations,
- Direction of business survey data and economic optimism,
- Economists' consensus GDP forecasts,
- Sell-side analysts' global profit revisions,
- The OECD economic leading indicator, and
- Changes in European inflation expectations.

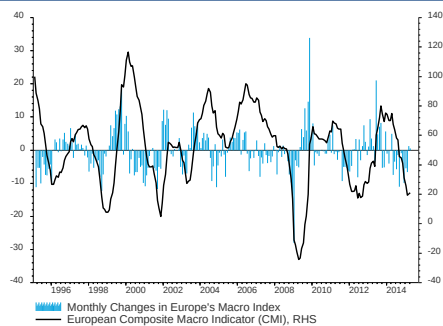
Of course, the cycle may be defined by using more or less inputs, or by using 6 completely different inputs, and this may or may not generate similar results. However, our analysis shows for the purpose of defining a macro tool that shows linkage to the cycle and ultimately expands our understanding of rotations within investment style price returns, then these inputs are sufficient.

Specifically, we have selected these six inputs because they fulfil three key criteria. These inputs in isolation but also as an equal weight composite index,

1) show a high correlation to the change in cyclical vs. defensive stock performance over the duration of our back testing period, **2)** have a high correlation to the consensus 3-month EPS revisions ratio over the duration of our back testing period, and **3)** show a high probability at predicting the direction of 6-month future price returns over the duration of our back testing period.

Simply put, we take each one of the six variables as they existed at month end and record the data, we then use z-scores to normalise the data. (Some are percentages, some levels and others ratios). Using a percentile rank methodology of each variable can achieve the same outcome of normalising individual data. We then aggregate the individual data series by using an equal weight average. The sum of the individual data or aggregate macro series; we refer to as the European Composite Macro Index (CMI).

Chart 75: European Composite Macro Index (CMI) & Monthly changes in CMI



Source: BofA Merrill Lynch European Equity and Quant Strategy –
Based on BY, GDP Forecasts, OECD, IFO Survey, PPI & EPS Revisions.

Phase 1 & 2

When the European Composite Macro Index is expanding (top half of chart 1) then at that point in time we can either be in Phase 1 – ‘boom’ or Phase 2 – ‘slow-down’. Phase 1 – ‘boom’ depicts expansion in economic activity and where the data continues to accelerate. Phase 2 – ‘slow-down’ highlights rising expectations of economic growth, but where the data are decelerating. Although, this phase highlights positive growth the data points would suggest that growth is slowing. Some refer to this as a phase when the 2nd derivative is falling (the change in the change). In brief the CMI shows we are either in a ‘boom’ or ‘slow-down’. The month on month change in the CMI determines the difference between a ‘boom’ phase and a ‘slow-down’ phase.

Phase 3 & 4

When the European Composite Macro Index is contracting (bottom half of chart 1) then at that point in time we can either be in Phase 3 – ‘recession’ or Phase 4 – ‘recovery’. Phase 3 – ‘recession’ shows contracting economic activity and where the data are decelerating. Phase 4 – ‘recovery’ highlights a point in the cycle where economic growth is perceived to be negative but the data point is no longer deteriorating (2nd derivative rising). This phase is most similar to the period between late 2002 and 2003 or 2009. During this period, financial markets ‘bottomed’, sentiment started to rise from depressed levels and business confidence picked-up substantially. In brief the CMI shows we are either in a ‘recession’ or ‘recovery’. The month on month change in the CMI determines the difference between a ‘recession’ phase and a ‘recovery’ phase.

Step 2

How to Read the Table:

+ Denotes that the long and short screens moved in the right direction over the past month. (i.e. - longs are going up and shorts are going down).
- Denotes screens are moving in the opposite direction (i.e. - longs are going down and shorts are going up).
= Denotes a screen where only one of the long/short strategies is moving in the right direction. (i.e. either the long or short portfolio is going in the right direction whilst the other moves in the opposite direction to what is expected).

Volatility - is the annualized standard deviation of the returns of the long minus the short screen. (A low number suggest low volatility and high number implies high volatility). The Long Term (LT) measure is based on all returns since inception of the screens (Generally – 10Years), the Short Term (ST) on the last 2 years of data.

Price returns; not total returns, dividends not re-invested. We use price data using month end data points for our stock selection inputs. We also include restricted stocks in our analysis.

Investment Style price returns are calculated as the simple average performance of the stocks within the screen. This way, we remove any size bias from the analysis, and thereby test whether the factors on which we are focused predict price performance.

2) Defining 'Investment Style'

We define the investment style by aggregating individual screens of stock with the overall BofAML thematic universe, or the specific theme that they are part of. We have taken the entire group of stocks that existed within the theme, or the overall thematic universe and ranked stocks based on screen definitions highlighted in the table below. Given a stock can be included in more than one theme, they will have a likely different relative ranking depending on whichever theme we are considering at the moment. The score will also likely be different depending on whether we are considering the theme, or looking at the overall universe

Stock Screens

We select the top and bottom 10% of stocks under each screen heading and characterise these basket of stocks as either the top or bottom screens based on each factor. Stock screens are produced using month end data and are rebalanced monthly. All baskets of stocks within the screen are based on equal weight average to aggregate stock to screen level. Price return data is then created for each screen on the same equal weight average basis.

For a more in-depth understanding of each screen definition please refer to [Pan European Quantitative Profiles, March 2015](#) research note which highlights each of these 22 screens, their performance and the current stock make-up.

Table 61: Investment Screens

Name	+/-/=	ST Vol	LT Vol	Comment
Forecast Earnings Yield	+	8	14	Has been more volatile in recent yrs relative to history
Trailing Earning Yield	-	8	13	Has been more volatile in recent yrs relative to history
Dividend Yield	-	7	11	One of the least volatile Value metrics
Cash/Price Yield	-	7	7	One of the least volatile Value metrics
Book/Price Yield	-	13	16	The most cyclical Value metric
Price/Sales	-	7	9	One of the least volatile Value metrics
Forecast PEG	+	8	9	One of the least volatile Value metrics
Forecast EPS Growth	+	8	9	The worst performing growth metric
Trailing EPS Growth	+	3	6	The best performing growth strategy in the long run
LT EPS Growth	+	7	8	Has not worked in recent years
3 month For. EPS change	-	5	8	One of the most favoured metrics by bottom up stock pickers
EPS Revision Ratio	+	4	9	One of the most favoured metrics by bottom up stock pickers
Sales Revision Ratio	-	5	8	One of the most favoured metrics by bottom up stock pickers
12m Price Momentum	+	5	10	Tends to perform poorly at cyclical turning points
Return on Assets	+	5	7	Low Quality metrics performed well in 2013
Return on Capital	-	5	7	Low Quality metrics performed well in 2013
Return on Equity	+	6	7	Low Quality metrics performed well in 2013
5yr Return on Equity	+	6	9	Low Quality metrics performed well in 2013
Leverage	+	4	7	Low Quality metrics performed well in 2013
EPS Estimate Dispersion.	-	10	13	A more fundamental metric of risk
Beta	-	11	15	The highest risk style metric
Small Size	-	4	5	Volatility is very low in mid caps

Source: BofA Merrill Lynch European Equity and Quant Strategy. ST = Short term price volatility which is measured over the past 2 years. LT= Long term price volatility which is measured over the past 10 years.

Investment Styles

We use the most commonly used investment style definitions which include Value, Growth, Momentum, Quality, Risk and Size. Investment Style price returns we use are aggregated on an equal weight basis for all screens that fulfil the investment style definition. For example, Value is defined as the 7 portfolios in the table above and including Forecast Earnings Yield and Forecast PEG. Growth is defined as the combination of LT EPS Growth, Forecast Earnings Growth and Trailing EPS Growth, and so on for the remainder of the investment style screens

Step 3

Investment Style Returns and Phases of the Cycle

In step 1 – we defined the cycle. We have a monthly history of which phase of the cycle, the stock market was in, at each point in time. In step 2 – we defined the investment style price returns. We have time-series for price returns based on monthly stock screens. In brief, the 'Style Cycle' marries the phase of the cycle to good and bad price returns for different definitions of investment style.

3) Compiling 'Style Cycle' Stock Screens

Our back tested price returns highlight the combinations of investments styles that are the top and bottom ranked for each phase of the 'style cycle'. The European Composite Macro Index (CMI) informs investors of the timing of this rotation.

Using the 'boom' phase as an example

Compiling a stock screen from our analysis is dependent upon which phase of the cycle we are currently recommending. For example if the CMI is highlighting a preference for the 'boom' phase of the cycle, then past performance suggests the appropriate combination of investment styles to overweight/ underweight vs. the Thematic Universe, or Theme are as follows:

Top Stocks – Small Caps, High Risk, Low Quality and Rising EPS Momentum.

Bottom Stocks – Large Caps, Low Risk, High Quality and Falling EPS Momentum.

- The top and bottom screens for the 'boom' phase are based on an initial stock universe based on the 250 largest stocks ranked by market capitalisation. We use month end data as the latest data points.
- Each stock will have an aggregate percentile rank for Value, Growth, and Momentum. We use the 60-month beta as a measure of Risk and RoE (Return on Equity) as the measure of Quality. All definitions are based on the description provided in step 2.
- We then filter the list of 250 stocks by each factor - we do not exclude restricted stocks from this screening process. Small caps are defined as the bottom 200 stocks when ranked by market caps, and Large caps those in the top 100 stocks by market cap.
- Good Value stocks are perceived to be those stocks with a percentile rank greater than 50, those with a rank less than 50 are perceived to offer poor Value.
- High Growth stocks have a percentile rank greater than 50, and low Growth stocks have a percentile rank less than 50.
- Stocks with rising Momentum have a percentile rank greater than 50, and falling Momentum less than 50
- A beta greater than 1 highlights stocks with high Risk, and a beta less than 1 highlights stocks with low Risk.
- A high RoE is a measure of high quality - we use a threshold which is greater than the median of the universe of 250 stocks to determine which stocks are high Quality. A low RoE or low Risk is a stock with a RoE less than the median RoE of the 250 stock universe.
- The top and bottom stock screens based on the European 'Style Cycle' analysis are based on companies that fulfil the selection criteria within each phase of the cycle framework.

We enter the 'Recovery' phase of the cycle this month.

Back-testing the cycle with investment style

The table below includes the average excess price returns (monthly) for individual investment styles at each phase of the economic cycle. (Style performance is versus MSCI Europe equal weight Price Index, the region from which Style Cycle originates from).

Table 62: Monthly Excess Returns by Investment Style and Phases of the Economic Cycle

Economic Cycle	Value	Growth	Momentum	Quality Hi-Lo	Risk High	Size (Large-Small)
Phase 1 - 'Boom' Rising Accelerating	1.10	0.78	0.97	-1.34	0.65	-0.75
Phase 2 - 'Slow-down' Rising Decelerating	0.00	0.44	0.89	0.52	0.07	0.25
Phase 3 - 'Recession' Falling Decelerating	-0.70	-1.91	-0.81	6.37	-2.85	1.10
Phase 4 - 'Recovery' Falling Accelerating	2.47	1.31	0.10	-3.00	2.66	-2.05
5 Cycle Average	0.72	0.15	0.29	0.64	0.13	-0.36

Source: BofA Merrill Lynch European Equity and Quant Strategy/ DataStream/ OECD/ MSCI
2003

Back testing period Dec 1992 to Dec

Performance based on equal weight portfolios, monthly rebalanced, no transaction costs are included, performance based on price returns and not total returns (dividends are not included).

The back-testing results illustrate how certain investment styles work well compared to others, depending on the economic conditions and ultimately where we are in the cycle. The data presented above looks at all periods since 1992, including 5 complete cycles.

- For the purpose of the historical back-testing, we calculate price returns in our analysis, not total returns. Dividends are not re-invested and performance does not include tax withholdings or any investment advisory fees. We do not include transaction costs, and we not do include implementation costs or borrowing costs in the absolute 'Style Cycle' price returns.
- Price returns are based on month end data, meaning we use closing stock prices for the last trading day of the calendar month. All screens are based on month end data and it is assumed on the 1st business day of the new month our screens would have been available to the market. We calculate the profit or loss for a particular month based on the month end data from one period to the month end data of the next period.
- Screens are determined at the end of each month using month-end data. Price performance is calculated as the simple average performance of the stocks within the screen. In order that we compare like with like, screen performance is compared to an equal-weighted average performance of all stocks in the universe. In this way, we remove any size bias from the analysis, and thereby test whether the factors on which we are focused predict price performance. It is noteworthy that BofA Merrill Lynch restricted stocks have not been excluded from any part of the historical monthly screens as defined as the back-test period.
- Back-testing is hypothetical in nature and reflects application of the screen prior to its introduction. It is not actual performance and it is not intended to be indicative of future performance..

Summarising the results - we draw the following conclusions

Phase 1 'Boom' - investors have benefited most by being overweight Momentum (Rising Price & EPS), High Risk (High Beta & High Estimate Dispersion), Small Caps vs. Large Caps and being Neutral on Value vs. Growth.

Phase 2 'Slow-down' - investors have benefited most by overweighting Growth vs. Value, Momentum (Rising Price & EPS), High Quality (Strong Balance Sheet indicators), Low Risk (Low Beta & Low Estimate Dispersion) and Large Caps vs. Small Caps.

Phase 3 'Recession' – overweight Value vs. Growth, High Quality (Strong Balance Sheet indicators), Low Risk (Low Beta & Low Estimate Dispersion) and Large Caps vs. Small Caps.

Phase 4 'Recovery' – overweight Value vs. Growth, Momentum (Rising Price & EPS), Low Quality (Weak Balance Sheet indicators), High Risk & Small vs. Large Caps.

Value Factors

Forecast Earnings Yield: I/B/E/S next twelve month EPS divided by month end Price.

Trailing Earnings Yield: Trailing twelve month EPS divided by month end Price.

Dividend Yield: Trailing twelve month Dividend per share divided by month end Price.

Cash to Price: Trailing 12 month cash earnings per share divided by month end price. Cash Earnings are defined as earnings plus depreciation on fixed assets. (i.e. -not free cash flow)

Book to Price: Trailing twelve month Book Value per share divided by month end Price.

Price to Sales: Month End Price divided by last reported Sales per share figure.

Forecast PEG: I/B/E/S FY1 P/E divided by I/B/E/S Long Term Growth Estimate

Growth Factors

Forecast Earnings Growth: I/B/E/S FY2 Mean EPS Estimate less latest reported EPS divided by month end price.

Trailing Earnings Growth: Difference between Trailing Twelve Month EPS and Trailing Twelve Month EPS a year prior divided by absolute value of Trailing Twelve Month EPS a year prior.

Forecast EPS Change: Difference between I/B/E/S Forecast Twelve Month EPS and I/B/E/S Forecast Twelve Month EPS a year prior divided by I/B/E/S Forecast Twelve Month EPS a year prior.

Long Term Mean EPS Growth: I/B/E/S Mean Long Term Growth Estimate (+5years).

Momentum Factors

3 Month Change in Mean EPS: Difference between I/B/E/S FY1 mean EPS and I/B/E/S FY1 mean EPS 3 months prior, divided by absolute value of I/B/E/S FY1 mean EPS 3 months prior.

Earnings Revision Ratio: ((# of FY1 and FY2 upward EPS revisions over last 3 months)-(# of FY1 and FY2 downward EPS revisions over last 3 months))/ # of FY1 and FY2 estimates over last 3 months.

Sales Revision Ratio: ((# of FY1 and FY2 upward Sales revisions over last 3 months)-(# of FY1 and FY2 downward Sales revisions over last 3 months))/ # of FY1 and FY2 estimates over last 3 months.

1m Price Momentum: Latest month-end price / 1-month ago price.

12m Price Momentum: Latest month-end price / 12-months ago price.

Risk Factors

Beta: Calculated using regression analysis on 60 months of price performance versus the benchmark. High beta stocks have a high correlation to the market, whilst low beta stocks have a low correlation to market movements.

EPS Estimate Dispersion: Coefficient of variation of I/B/E/S FY2 EPS estimates. The coefficient of variation is defined as the Standard Deviation of Estimates divided by the absolute value of the Mean Estimate.

Quality Factors

Return on Assets: Annual Earnings divided by Total Assets

Return on Capital: Annual Earnings divided by Total Capital

Return on Equity - 1yr: Trailing Twelve Month EPS divided by Trailing Twelve Month Book value per Share

Return on Equity - 5yrs: Average RoE over the last 5 years

Leverage: Annual Long Term Debt / (Annual Long Term Debt + Annual Book Value)

Investment Styles

Value: Equal weighted combination of factors - Forecast/Trailing EPS Yield, Dividend Yield, Cash to Price Yield, Book to Price Yield, Price to Sales and Forecast PEG.

Growth: Equal weighted combination of factors - Forecast/Trailing EPS Growth, Forecast EPS Change and Forecast Long Term Growth.

Momentum: Equal weighted combination of factors - 3m EPS Change, EPS Revision Ratio, Sales Revision Ratio, 1m Price Change and 12m Price Change.

Quality: Equal weighted combination of factors - Return on Assets, Return on Capital, Return on Equity, 5yr Return on Equity and Leverage.

Risk: Equal weighted combination of factors - .EPS Estimate Dispersion and Beta

Investment Styles

Value: Equal weighted combination of factors - Forecast/Trailing EPS Yield, Dividend Yield, Cash to Price Yield, Book to Price Yield, Price to Sales and Forecast PEG.

Growth: Equal weighted combination of factors - Forecast/Trailing EPS Growth, Forecast EPS Change and Forecast Long Term Growth.

Momentum: Equal weighted combination of factors - 3m EPS Change, EPS Revision Ratio, Sales Revision Ratio, 1m Price Change and 12m Price Change.

Quality: Equal weighted combination of factors - Return on Assets, Return on Capital, Return on Equity, 5yr Return on Equity and Leverage.

Risk: Equal weighted combination of factors - .EPS Estimate Dispersion and Beta

Multi Factor Models

STYLE CYCLE: The European 'Style Cycle' links phases of the economic cycle with the performance of investment style. Stocks are screened based on their equal weighted rank of Value, Growth, Momentum, Quality and Risk.

Absolute return

Absolute return is calculated based on monthly returns and reflects simple price appreciation (depreciation) over the stated period of the screened stocks. For purposes of this calculation, the stocks in the screen are assumed to be equally weighted. Returns do not reflect dividend or costs.

Relative return

Relative return is calculated based on monthly returns and reflects simple price appreciation (depreciation) over the stated period of the screened stocks minus the return for our Equal weighted European Universe. Returns do not reflect dividend or costs

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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08 May 2015

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08 May 2015

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