

The **co-operative**  
asset management

# CIS Sustainable World Trust

Manager's Report

**Interim Report**

31st March 2011

Part of The **co-operative** financial services



# CIS Unit Managers

## Trustee Status

The Trustee is State Street Trustees Limited which holds the title to the Trust's investments on behalf of unitholders. The CIS Sustainable World Trust is a "wider-range" investment under the Trustee Investments Act 1961. It is an authorised unit trust scheme under section 243 of the Financial Services and Markets Act 2000 and is categorised as a UCITS Scheme under the Financial Services Authority Collective Investment Schemes Sourcebook. Copies of the Trust Deed may be inspected at the offices of the Manager: CIS Building, Miller Street, Manchester.

## Manager

CIS Unit Managers Limited  
P.O. Box 105  
Manchester M4 8BB  
Authorised and regulated by the Financial Services Authority, and a member of the Investment Management Association

## Directors of the Manager

M.A. Summerfield (Chairman)  
M.D. Fairbairn  
R. Bulmer  
A. Russell

## Trustee

State Street Trustees Limited  
525 Ferry Road  
Edinburgh EH5 2AW  
Authorised and regulated by the Financial Services Authority

## Registrar

CIS Unit Managers Limited  
P.O. Box 105  
Manchester M4 8BB

## Auditors

KPMG LLP  
Chartered Accountants  
1 The Embankment  
Neville Street  
Leeds LS1 4DW

## Investment Manager

The Co-operative Asset Management Limited  
Miller Street  
Manchester M60 0AL  
Authorised and regulated by the Financial Services Authority

# The Co-operative Asset Management

The CIS Sustainable World Trust is an authorised unit trust scheme, the manager of which is CIS Unit Managers Limited. The Manager has appointed The Co-operative Asset Management Limited to undertake the portfolio management for the Trust.

The Co-operative Asset Management is the fund management arm of The Co-operative Financial Services and is independently authorised by the Financial Services Authority to provide discretionary asset management services.

We have a long and successful history of managing our customers' money and our specialist fund management service is unique in the UK market, offering a distinctive approach to responsible investing across all of the funds that we manage. For example, we fully integrate consideration of financial, environmental, social and governance issues throughout the investment process when selecting companies for investment and we also vote at every AGM of companies we hold.

## Investment Objective and Policy

The investment objective is to provide medium to long-term capital growth via worldwide investments in multiple asset classes that adhere to The Co-operative Investments' ethical investment policy, a copy of which is available on request.

The current policy is to actively manage the Trust, which invests primarily in equities (up to a maximum of 85% of the Trust), and some fixed income securities. Overseas allocation will depend upon the relative attractions of the region, with at least 10% of the Trust held in non-UK equities (where equities

are deemed to include convertibles). At least 50% of the Trust will be held in sterling and/or euro denominated securities. The Trust may also invest in any other asset classes including other transferable securities, derivatives and forward transactions, approved money market instruments, deposits, units in collective investment schemes, cash and near cash, property-related investments (for example, transferable securities in real estate investment trusts and property-related derivatives) and in any economic area.

## Risk Profile

Equity shares, bonds, cash and liquid resources, and short-term debtors and creditors that are a direct result of the Trust's operations, all produce risks. The main risks that the Trust faces from its investments are:

- market price risk
- liquidity risk

- interest rate risk
- credit risk
- foreign currency risk.

To manage these risks, the Investment Manager will monitor how the assets are allocated within the Trust portfolio while maintaining the investment aim.

# Cumulative performance (% change to 31/03/11)

	6 months	1 year	Since launch (21/09/09)
Trust	3.9	4.4	16.5
Sector Median	6.6	6.4	16.6
Quartile Ranking	4	4	3

Percentage change in value at bid price, to 31/03/11.  
Net income re-invested.

Source: Lipper. Measured against IMA Balanced Managed sector.

## Investment Review and Outlook

### Fund Manager's comments

During the six month period ending 31st March 2011, the price of the units rose by 3.9% compared to a 6.6% rise in the IMA Balanced Managed sector (the sector) and was ranked in the fourth quartile. Since launch in September 2009 the price of the units has risen 16.5% compared to a 16.6% rise in the sector.

The ability of funds in this sector to invest globally and across different asset classes (such as equities, fixed interest and cash) means that it consists of a very diverse range of funds. The Sustainable ethos of this Trust also brings another point of difference when compared to the sector. This is important to note as it will result in some short-term volatility in performance and quartile ranking when compared to the peer group. That said, we believe that over the long-term, the Trust is well positioned in the sector due to the Sustainability orientated drivers which sit behind it.

The most noticeable trends in the last six months have been the strength in commodity prices and the weakness in the US dollar. Both of these have had an impact on performance. The US dollar weakness reduces the value of our US investments, which

constitute approximately 30% of the Trusts' assets. Over the long-term we believe currency movements will largely even out, however in any six month period they can have an impact, both positive and negative.

With respect to the strength in commodity-related investments, specifically oil & gas and mining companies, the continued recovery in global economic activity, which in turn drives demand for commodities, has resulted in these sectors performing strongly. The Trust will always have minimal exposure in this area due to the environmental issues around extracting these commodities from the ground. The only two commodities we believe have a net social benefit are platinum and natural gas. Platinum is used in automotive catalysts to reduce harmful emissions and natural gas is a lower carbon source of essential energy production when compared to oil and coal. For these reasons the Trust invests in Lonmin, a platinum miner, and BG, a gas exploration company, however investors should expect the Trust to continue to have less exposure than the peer group in this area.

# Investment Review and Outlook

The overall investing environment remains one of an improving global picture with all major economies continuing to see a robust bounce back from the financial crisis of 2008/9. Actions taken by Governments and Central Banks around the world have been successful in restoring confidence to invest and spend by companies and consumers. Although many challenges remain, in particular the need for interest rates to rise and the high level of oil prices, economic expansions after a recession are usually multi-year events suggesting 2011 will be a year of progress.

Within the Trust there remains a bias towards equities, with approximately 75% of the Trust invested in this asset class. Of this 75%

## Outlook

Although many of the current media headlines (Japanese earthquake, Middle East unrest) point to uncertainty in the global economy, there are trends which are almost certain to provide opportunities for investors. The need for less carbon intensive forms of energy, the need to provide for ageing populations and the growing role of technology in our lives are all trends that will provide an opportunity for Sustainable Trusts such as this one. Whilst there are risks to

approximately half is invested outside of the UK. We remain of the belief that equities remain reasonably priced, especially when compared to other asset classes. Opportunities exist to invest in global leaders such as Apple, Johnson & Johnson and Danone at attractive valuations and this is where the portfolio is concentrated.

We do also believe, subject to valuation considerations, there is a case for having some fixed interest exposure. Fixed interest investments currently account for approximately 20% of the Trust's assets. These investments provide income for the Trust and they are less volatile than equity investments, thereby reducing the overall volatility of the Trust.

the global economy, the most important being the rising oil price, the combination of these trends and our expectation of continued growth in the global economy suggest that the Trust will make progress over the medium-term.

Mike Fox  
The Co-operative Asset Management  
April 2011

# Portfolio Statement

as at 31st March 2011

	Holding or nominal value of positions at 31st March 2011	Market Value £	Percentage of total net assets %
<b>Fixed Income</b>			
<b>UK Corporate Bonds (March 2011: 17.11%, Sept 2010: 16.21%)</b>			
Abbey National Treasury Services 5.75% 2026	1,750,000	1,798,475	2.25
Australia & New Zealand Bank 6.54% Uts £ Perp Nts & 1 Liq Prf 2012	2,100,000	2,124,742	2.66
DNB Nordea Bank 6.0116% Frn 2017	2,000,000	1,968,956	2.47
Lloyds TSB Bank 6.5% Mtn 2040	1,500,000	1,427,343	1.79
Nationwide Building Society 5.625% Nts 2026	1,650,000	1,713,606	2.15
Severn Trent Utilities Finance 6% Gtd Snr Mtn 2018	1,410,000	1,534,024	1.92
Svenska Handelsbanken 5.375% Perp	1,500,000	1,510,773	1.89
Thames Water Utilities Cayman Finance 7.241% Mtn 2058	1,390,000	1,581,656	1.98
		<b>13,659,575</b>	<b>17.11</b>
<b>UK Government Securities (March 2011: 2.39%, Sept 2010: not held)</b>			
UK Treasury 4.75% 2015	1,740,000	1,909,500	2.39
		<b>1,909,500</b>	<b>2.39</b>
<b>Equities</b>			
<b>Spain – (March 2011: 1.59%, Sept 2010: 2.56%)</b>			
Telefonica SA	81,000	1,267,055	1.59
		<b>1,267,055</b>	<b>1.59</b>
<b>France – (March 2011: 1.02%, Sept 2010: not held)</b>			
Danone	20,000	814,354	1.02
		<b>814,354</b>	<b>1.02</b>
<b>Germany – (March 2011: 1.20%, Sept 2010: not held)</b>			
Fresenius Medical Care	23,000	961,277	1.20
		<b>961,277</b>	<b>1.20</b>
<b>Hong Kong – (March 2011: 1.10%, Sept 2010: not held)</b>			
AIA Group Ltd	460,000	877,905	1.10
		<b>877,905</b>	<b>1.10</b>
<b>Switzerland – (March 2011: 6.06%, Sept 2010: 1.98%)</b>			
ABB	116,000	1,747,567	2.19
Novartis	48,504	1,648,002	2.06
Roche Holdings	16,142	1,442,425	1.81
		<b>4,837,994</b>	<b>6.06</b>

# Portfolio Statement

as at 31st March 2011

	Holding or nominal value of positions at 31st March 2011	Market Value £	Percentage of total net assets %
<b>United Kingdom – (March 2011: 36.85%, Sept 2010: 38.88%)</b>			
Aggreko	100,353	1,549,450	1.94
BG Group	160,000	2,500,800	3.13
BT Group	430,000	798,940	1.00
HSBC Holdings	283,614	1,829,594	2.29
International Power	288,221	894,350	1.12
Johnson Matthey	42,952	798,907	1.00
Legal & General Group	685,000	789,805	0.99
Lonmin	95,000	1,622,600	2.03
National Grid	167,757	998,993	1.25
Prudential	116,845	841,284	1.05
Rotork	47,574	830,166	1.04
SABMiller	76,000	1,679,600	2.11
Scottish & Southern Energy	130,291	1,646,878	2.06
Severn Trent	109,965	1,621,984	2.03
Shaftesbury	379,198	1,792,848	2.25
Smith & Nephew	125,223	876,561	1.10
Smiths Group	95,183	1,238,331	1.55
Standard Chartered Bank	50,279	820,051	1.03
Unilever	86,000	1,636,580	2.05
Victrex	107,165	1,459,587	1.83
Vodafone Group	900,000	1,602,900	2.01
WPP	205,000	1,588,750	1.99
		<b>29,418,959</b>	<b>36.85</b>
<b>United States – (March 2011: 28.55%, Sept 2010: 37.66%)</b>			
Amazon.com Inc	13,700	1,527,453	1.91
Apple Inc	13,500	2,925,077	3.66
CSX Corp	20,000	963,927	1.21
Ecolab Inc	26,000	812,354	1.02
Google Inc	5,750	2,078,933	2.60
Hewlett-Packard Co	60,000	1,539,848	1.93
International Business Machines	15,600	1,586,125	1.99
Johnson & Johnson	58,000	2,138,350	2.68

# Portfolio Statement

as at 31st March 2011

	Holding or nominal value of positions at 31st March 2011	Market Value £	Percentage of total net assets %
Microsoft Corp	140,000	2,225,385	2.79
Republic Services	85,000	1,590,399	1.99
Walmart Stores Inc	38,000	1,236,166	1.55
Wells Fargo & Co	126,000	2,498,468	3.13
Zimmer Holdings Inc	44,000	1,666,491	2.09
		<b>22,788,976</b>	<b>28.55</b>
<b>Portfolio of Investments</b>		<b>76,535,595</b>	<b>95.87</b>
<b>Net current assets</b>		<b>3,296,306</b>	<b>4.13</b>
<b>Net assets attributable to unitholders</b>		<b>79,831,901</b>	<b>100.00</b>

All holdings are ordinary shares unless otherwise stated

# Portfolio Statement Credit Split

as at 31st March 2011

	Market Value £	Percentage of total net assets %
Investments of investment grade	15,569,075	19.50
Investments below investment grade*	–	–
UK Listed Equities	29,418,959	36.85
Overseas Listed Equities	31,547,561	39.52
<b>Portfolio of Investments</b>	<b>76,535,595</b>	<b>95.87</b>
<b>Net current assets</b>	<b>3,296,306</b>	<b>4.13</b>
<b>Net assets attributable to unitholders</b>	<b>79,831,901</b>	<b>100.00</b>

Source: The Co-operative Asset Management.

\* The Trust is not permitted to purchase bonds rated below investment grade.

# Summary of Material Portfolio Changes

for the six month period ended 31st March 2011

Purchases	Cost £000	Sales	Proceeds £000
UK Treasury 4.75% 2015	4,614	eBay Inc	2,728
BG Group	2,505	UK Treasury 4.75% 2015	2,692
Wells Fargo & Co	2,326	Donaldson Co Inc	2,444
DNB Nordea Bank 6.0116% Fm 2017	1,942	Cisco Sysytems	2,166
Abbey National Treasury Services 5.75% 2026	1,744	Intel Corp	1,927
ABB	1,671	Genzyme Corp	1,903
WPP	1,646	UK Treasury 5% 2018	1,558
SABMiller	1,640	Standard Chartered Bank 7.75% 2018	1,530
Zimmer Holdings Inc	1,636	Royal & Sun Alliance Group 8.5% Perp	1,526
Nationwide Building Society 5.625% Nts 2026	1,634	UK Treasury 4.5% 2013	1,521
Vodafone Group	1,607	UK Treasury 4.25% 2055	1,519
Lonmin	1,604	Johnson Matthey	1,504
International Business Machines	1,578	Lloyds Banking Group	1,496
UK Treasury 5% 2018	1,578	UK Treasury 5% 2014	1,487
Svenska Handelsbanken 5.375% Perp	1,523	BBVA Sub Capital Unipersonsal 5.75% 2018	1,485
UK Treasury 4.5% 2013	1,520	National Westminster Bank 7.875% 2015	1,420
UK Treasury 4.25% 2055	1,504	GlaxoSmithKline	1,330
UK Treasury 5% 2014	1,497	Smiths Group	1,200
Unilever	856	Prudential	999
Novartis	849	Walmart Stores Inc	993
<b>Total cost of purchases, including the above, for the period</b>	<b><u>45,172</u></b>	<b>Total proceeds from sales, including the above, for the period</b>	<b><u>46,134</u></b>

# Performance Record

## Unit prices

Units, which are exclusively income units, were initially offered to the public at £1.00.

	<b>Highest buying price (p)</b>	<b>Lowest selling price (p)</b>	<b>Distribution (pence per unit)</b>
21st Sept 2009 to 31st Dec 2009	105.7	92.94	0.0000
1st Jan 2010 to 31st Dec 2010	116.8	96.02	1.4689
1st Jan 2011 to 31st March 2011	117.1	105.5	0.5961

## Trust details

	<b>Total net asset value (£)</b>	<b>Total units in issue</b>	<b>Net asset value per unit (p)</b>
30th September 2010	77,149,823	73,731,000	104.6
31st March 2011	79,831,901	73,731,000	108.3

It should be remembered that past performance is not a reliable indicator of future performance and that the value of units, and the income derived from them, can vary.

## Total Expense Ratio (TER)

30th Sept 2010	1.54%
31st March 2011	1.54%

The TER is the ratio of the Trust's total operating costs to its average net assets during the period.

# Statement of Total Return

for the six month period ended 31st March 2011

	March 2011		March 2010	
	£	£	£	£
Income:				
Net capital gains		2,682,032		7,147,012
Revenue	1,102,208		1,193,002	
Expenses	(616,020)		(588,032)	
Net revenue before taxation	486,188		604,970	
Taxation	(46,632)		(43,633)	
Net revenue after taxation		439,556		561,337
<b>Total return before distributions</b>		<b>3,121,588</b>		<b>7,708,350</b>
Finance costs: Distributions		(439,510)		(552,983)
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>2,682,078</b>		<b>7,155,367</b>

# Statement of Change in Net Assets Attributable to Unitholders

for the six month period ended 31st March 2011

	March 2011	March 2010
	£	£
Opening net assets attributable to unitholders	77,149,823	–
Amounts receivable on issue of units	–	70,221,400
Change in net assets attributable to unitholders from investment activities	2,682,078	7,155,367
<b>Closing net assets attributable to unitholders</b>	<b>79,831,901</b>	<b>77,376,767</b>

# Balance Sheet

as at 31st March 2011

	March 2011		September 2010	
	£	£	£	£
<b>Assets</b>				
Investment assets		76,535,595		75,055,333
Debtors	1,198,687		624,100	
Cash and bank balances	<u>4,264,625</u>		<u>2,109,901</u>	
Total other assets		<u>5,463,312</u>		<u>2,734,001</u>
Total assets		<u>81,998,907</u>		<u>77,789,334</u>
<b>Liabilities</b>				
Creditors	(1,727,496)		(109,459)	
Distribution payable	<u>(439,510)</u>		<u>(530,052)</u>	
Total other liabilities		(2,167,006)		(639,511)
<b>Net assets attributable to unitholders</b>		<u><b>79,831,901</b></u>		<u><b>77,149,823</b></u>
The financial statements were approved on 16th May 2011 and signed on behalf of the Board of the Manager by:				
<b>M. A. Summerfield</b> (Chairman)				<b>A. Russell</b> (Director)

# Notes to the Financial Statements

as at 31st March 2011

## 1 Accounting policies

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010. The accounting policies applied are consistent with those of the annual financial statements for the year ended 30th September 2010 and are described in those annual financial statements.

# Distribution Table

for the six month period ended 31st March 2011

## Interim Distribution

Group 1 – Units purchased prior to 1st October 2010

Group 2 – Units purchased on or after 1st October 2010

	<b>Net Income 2011 pence per unit</b>	<b>Equalisation 2011 pence per unit</b>	<b>Interim Distribution payable 2011 pence per unit</b>	<b>Interim Distribution payable 2010 pence per unit</b>
<b>Income units</b>				
Group 1	0.5961	0.0000	0.5961	0.7500
Group 2	0.2625	0.3336	0.5961	0.7500

## Prices

The price of the Trust is calculated using the dual pricing method, which means that two dealing prices are quoted. The buying price is the price at which you can buy units, and the selling price is the price at which you can sell the units back to the Manager.

## Prospectus

Copies of the most recent Prospectus may be obtained, free of charge, from: CIS Unit Managers Limited, PO Box 105, Manchester M4 8BB.

You should bear in mind that a unit trust is a different sort of investment from a bank or building society account. Whilst the capital in such an account is secure, a unit trust is an equity investment and its value may fluctuate. Neither the value of the investment nor the income from it is guaranteed.

**Please call 08457 46 46 46 if you would like to receive this information in an alternative format such as large print, audio or Braille.**

**The Co-operative Asset Management Limited is authorised and regulated by the Financial Services Authority.**

**Registered Office: Miller Street, Manchester M60 0AL. Registered in England and Wales, number 2369965.**

**The Co-operative Asset Management Limited provides asset management services to CIS Unit Managers Limited which is the authorised Manager of the CIS Sustainable World Trust.**

This report is issued by The Co-operative Asset Management on behalf of CIS Unit Managers Limited. Any advice from Co-operative Financial Advisers will relate only to a range of the products and services available from members of the CFS Marketing Group and a limited number of other companies.