

# The **co-operative** asset management

## **CIS Sustainable World Trust**

A diversified international fund generating long-term capital growth from a blend of the best sustainable companies around the world.

**Product profile as at 30/06/11**



This document is intended for investment professionals and professional clients. It is not intended for retail clients, who should not rely upon its contents when making investment decisions.

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

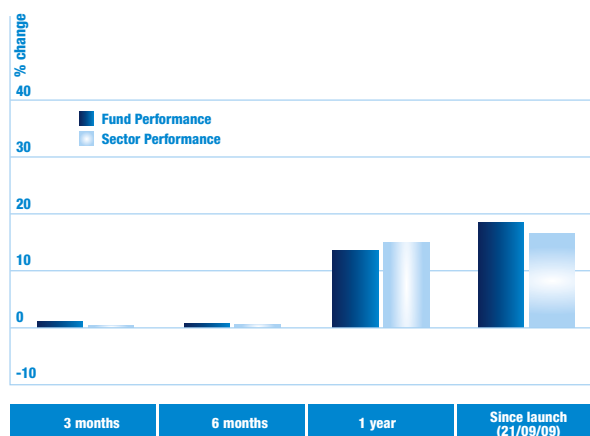


## CIS Sustainable World Trust

### Why recommend this Fund to your clients?

- The Fund concentrates on companies making a positive impact on society.
- Sustainable companies typically have better growth prospects due to demand for their products and services.
- The Fund has a strong overseas element giving exposure to global leaders in sustainability.
- The multi-asset approach allows the Fund Manager significant flexibility to respond to changing market and economic conditions.

### Performance (to 30/06/11)



Percentage Growth to latest quarter end, total return, bid to bid price, Net income reinvested. Source: Lipper

### Cumulative performance (% change to 30/06/11)

	3 months	6 months	1 year	Since launch (21/09/09)
Fund	1.8	0.8	13.9	18.6
Sector Median	0.2	0.5	15.0	16.7
Quartile Ranking	1st	2nd	3rd	1st

Percentage Growth to latest quarter end, total return, bid to bid price, Net income reinvested. Source: Lipper. Measured against IMA Balanced Managed sector

### Discrete performance (% change to 30/06/11)

	30/06/2006 to 30/06/2007	30/06/2007 to 30/06/2008	30/06/2008 to 30/06/2009	30/06/2009 to 30/06/2010	30/06/2010 to 30/06/2011
CIS Sustainable World Trust	-	-	-	-	13.9
Sector Median	-	-	-	-	15.0

Percentage Growth to latest quarter end, total return, bid to bid price, Net income reinvested. Source: Lipper. Measured against IMA Balanced Managed sector

## A closer look at the Fund

### What is the Fund's aim?

The aim of the Trust is to take the principle of sustainability and apply it across different geographies and asset classes. We define sustainable investing as investing in companies that have a net positive benefit to society either through the products and services they offer or in the way they conduct their business. In doing this we support the tackling of major issues such as infrastructure, healthcare and climate change.

Financially the aim is to provide a hurdle rate of return in the region of 6-8% per annum over the medium term. Given the nature of the underlying assets in the Fund this will not be a smoothed return.

### What does the Fund invest in?

The Fund invests in themes associated with sustainable investing. These evolve over time and currently include healthcare, technology, infrastructure, the social and economic development of emerging markets, urban regeneration and climate change. Within these themes the Trust will primarily invest in the equity of relevant companies but will also take some exposure to their debt. The decision on equity or debt will be driven by the potential for total return although the Trust will likely retain an equity bias. Within the fixed interest we will invest in corporate and sovereign debt, again, dependent on total return potential.

### Who it's suited to

The Fund may be suitable for:

- investors wanting their money to be invested in a fund that seeks to improve society
- those investors willing to take a medium to long-term investment horizon
- those investors who wish to gain overseas exposure whilst retaining a degree of investment in the UK.

## Investment philosophy

Our investment philosophy and style is best described as follows:

**Focused** – We will allocate capital to our best ideas as opposed to taking an index orientated approach.

**Long-term** – Our portfolio turnover levels will be significantly lower than the industry average.

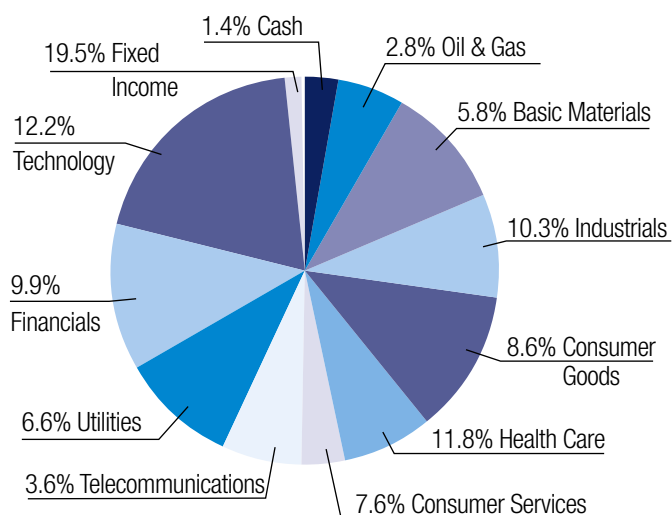
**Valuation driven** – We think a business is worth its future cash flows discounted back at an appropriate rate.

**Responsible** – We integrate Environmental, Social and Governance (ESG) issues into all our investment decisions.

At the security level, our investment approach is structured to consider companies at three levels to identify mis-priced opportunities.

- **Investment themes** – the increasingly short-term nature of the investment industry, evidenced by declining stock-holding periods, results in long-term opportunities being overlooked. We have therefore adopted a long-term investment philosophy and evaluate the effect of long-term investment themes. Examples include emerging market growth opportunities, demographic influences over supply and demand factors, and the environmental impact of human activity.
- **Industry trends** – The increasingly narrow focus of most investors has resulted in us broadening the scope of inputs beyond traditional investment research to identify wider industry trends or linkages between industries.
- **Company specific** – We believe that the market inefficiently discounts company specific events such as management change. Therefore we devote a large amount of analytical resource to changing company situations.

## Sector breakdown (as at 30/06/11)



## Top 10 holdings (as at 30/06/11)

	% of fund
Apple Inc	3.5
Johnson & Johnson	3.0
BG Group	2.8
Microsoft Corp	2.8
Wells Fargo & Co	2.7
Australia & New Zealand Bank 6.54% Uts £ Perp Nts & 1 Liq Prf 2012	2.6
Yorkshire Building Society 4.75% Nts 2018	2.5
DNB Nordea Bank 6.0116% Frn 2017	2.4
Aggreko	2.4
ABB	2.3

## Credit rating breakdown (as at 30/06/11)

Credit rating	% of fund
FTSE 100	31.1
FTSE 250	5
Overseas Equities	43
UK Corporate Bonds	10.6
Overseas Corp Bonds	8.9
Cash	1.4

## Holdings examples

### Johnson and Johnson

Johnson and Johnson is a world leading healthcare company which develops products involved in the treatment of a wide range of medical conditions. As demographic trends in Western economies are towards an ageing population, demand for healthcare products is likely to rise considerably.

### Wells Fargo

Wells Fargo is a leading US retail and commercial bank. The responsible provision of financial services, such as mortgages and savings products, has a significant social benefit. Wells Fargo avoided many controversies during the financial crisis due to better lending practices and a more responsible approach.

### Apple

Apple is a developer of new and innovative technologies such as the iPad and the iPhone. These technologies are fundamentally changing the way we communicate and share information and knowledge. For example, iPads are increasingly being used in classrooms as they create a richer educational experience.

## Fund Manager strategy and outlook

Over the last three months global equity markets have continued to rise. Some of the recent macroeconomic data is indicating a slightly weaker period of demand growth in the short term. Nevertheless, we expect corporate spending to remain robust and strong growth from emerging markets to be resilient which will support corporate profitability. This, when aligned with attractive market multiples, suggests equity markets are likely to exhibit further upside especially relative to fixed interest investments.

During the last three months the Trust outperformed the median of the peer group and was ranked in the first quartile. Positive attribution came from the Healthcare sector with both Johnson & Johnson and Novartis performing well. Positive attribution was also seen from an underweight position in UK banks, which underperformed due to concerns over the health of the UK economy and continued regulatory intervention.

Since launch the Trust has outperformed the peer group and is ranked in the first quartile. The Trust has benefited from an overweight position in equities and good stock selection.

## Investment process summary

### Initial screening:

- the investment universe is filtered for companies that fit the criteria of providing a net social benefit
- detailed research and analysis is then undertaken on the investments identified.

### Security selection:

- investments are assessed against a number of key criteria such as valuation, management quality, environmental, social and governance performance
- valuations are predominantly cash-based.

### Portfolio construction:

- stock position size is determined primarily by the risk/reward potential of a particular investment
- the portfolio is focused in nature, with 50-60 investments typically.

### Risk management:

- risk is assessed prior to investment in the research process by considering the potential for loss of capital
- risk is then assessed across the portfolio by considering sector and factor risk (for example, interest rate sensitivity).

## Fund Manager and investment team

### Mike Fox, Fund Manager

Years in industry 11

Years at  
The Co-operative Asset Management 11



Mike Fox has been managing the Sustainable World Trust since launch and the Sustainable Leaders Trust since November 2003; he won Citywire's UK Growth Fund Manager of the Year in 2007. Mike was a member of the team managing the CIS Pension Fund prior to 2003 and previously trained as a chartered accountant after obtaining a Master's Degree in Mathematics from the University of Leeds.

Mike draws on the expertise of over 50 investment professionals at The Co-operative Asset Management, all based in Manchester, including:

- equities, fixed income and ESG research analysts dedicated to researching UK companies
- fund managers focused on stock selection and constructing diversified portfolios, which balance performance with risk and volatility
- operations and other experts supporting the investment process
- risk analysts, responsible for ensuring appropriate risk is taken within the portfolio.

## Why choose The Co-operative Asset Management?

The fund management activities of The Co-operative Financial Services (part of The Co-operative Group) are undertaken by The Co-operative Asset Management. The Co-operative is a household name in the UK offering a wide range of services to consumers including financial services such as insurance, banking and mortgages plus food, pharmacy and travel.

The Co-operative Group has over 12 million customers, of whom over 290,000 are investors in our unit trust range, amounting to over £2 billion of assets under management.

Our distinctive approach is reflected in a number of unique investment credentials. We are the only fund manager to:

- apply a common core approach to responsible investment across all the funds we manage
- apply active engagement across all the funds we manage
- feed valuable business insights gained from our engagement process back into company analysis performed for investment purposes.

The Co-operative Asset Management was also the first UK investor to publish its Company AGM voting record on its website in 2002<sup>†</sup>, a practice now increasingly adopted by fund management groups offering SRI.

In advocating The Co-operative Asset Management to clients, advisers can be assured that they are recommending:

- Britain's most ethical brand, The Co-operative Group\*
- a responsible investment approach which fully integrates financial and ESG criteria in investment selection
- an investment process characterised by clear and informed views on why companies offer good long-term prospects
- an investment resource comprising experienced and committed individuals working to deliver out-performance while effecting positive change in the companies they invest in.

## Fund Facts

<b>Manager name &amp; location</b>	Mike Fox, Manchester
<b>Fund type</b>	Unit Trust
<b>Launch date</b>	21/09/09
<b>Index/benchmark</b>	IMA Balanced Managed
<b>Sector</b>	Balanced Managed
<b>No. holdings (as at 30/06/11)</b>	55
<b>Fund size (as at 30/06/11)</b>	£81 million
<b>Distribution dates</b>	May, November
<b>Prices</b>	co-operativeassetmanagement.co.uk or the Financial Times
<b>Sedol Code</b>	B3PXJX0
<b>Lipper Id</b>	GB00B3PXJX09

<sup>†</sup>The Co-operative Asset Management has been independently authorised and regulated since August 2009 and was previously part of Co-operative Insurance Society Limited and its subsidiary companies.

\*An independent consumer survey carried out in 2007 and 2008 found that The Co-operative Group was the most ethical brand in Britain for both years. The Co-operative Group was ranked number one for 2007 and 2008 with The Body Shop and Marks & Spencer ranking second and third respectively. The GFK NOP Ethics Brand Survey was conducted in the US, UK, France, Germany and Spain amongst 5,000 individuals in total. The study found that consumers are increasingly choosing to buy brands which they believe to be ethical, with many willing to pay a premium for an "ethical guarantee". (GFK NOP Press Releases 2007 & 2008).

**Contact broker services**  
**0845 603 9986**  
**co-operativeassetmanagement.co.uk**  
tcam@cfs.coop

**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.**

**This document is intended for investment professionals and professional clients. It is not intended for retail clients, who should not rely upon its contents when making investment decisions.**

Past performance is not a reliable indicator of future results. As a result of market fluctuations, investments and income from them may fall as well as rise and investors may not get back the original amount they invested.

**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 03858994.**

**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.**

If you require any further information about our unit trusts (including a Simplified Prospectus or the full Prospectus), or information about any other products and services we offer, please contact us.

Co-operative Financial Services Limited. Registered Office: New Century House, Manchester M60 4ES. Registered Number IP29379R.