The **co-operative** asset management

CIS Sustainable Diversified Trust

To provide capital growth from a diverse range of asset classes including equities, fixed income, property-related investments and cash, mainly in the UK.

Product profile as at 30/09/2011

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.

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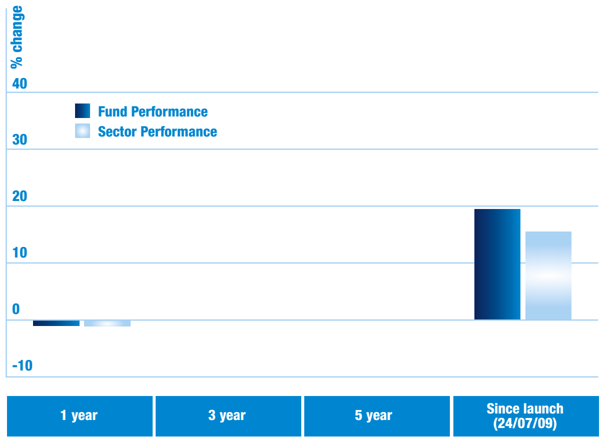
CIS Sustainable Diversified Trust

Why recommend this Fund to your clients?

- Diversified – The Fund will take advantage of investment opportunities across a range of asset classes.
- Sector: IMA Cautious Managed – The Fund is a relatively low-risk vehicle with an emphasis on downside protection.
- Benchmark Unconstrained – The Fund will be active in its asset allocation and stock selection seeking out investments that are attractive on a total return basis.
- Invests in the core themes of the environment, human welfare and sustainability, thereby making a positive contribution to society.

Performance (to 30/09/2011)



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

Cumulative performance (% change to 30/09/2011)

	1 Year	3 Year	5 year	Since launch (24/07/09)
Fund	-1.9	-	-	19.5
Sector Median	-1.9	-	-	15.9
Quartile Ranking	3rd	-	-	1st

Percentage Growth to latest quarter end, total return, bid to bid price, Net income reinvested.
Source: Lipper. Past performance is not a reliable indicator of future results.

Discrete performance (% change to 30/09/2011)

	30/09/2006 to 30/09/2007	30/09/2007 to 30/09/2008	30/09/2008 to 30/09/2009	30/09/2009 to 30/09/2010	30/09/2010 to 30/09/2011
CIS Sustainable Diversified Trust	-	-	-	10.9	-1.9
IMA Cautious Managed Median	-	-	-	8.7	-1.9

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 Fund invests in companies with products or services that benefit the core themes of environment, human welfare and sustainability. Companies leading their industries in environmental, social and governance (ESG) performance, as assessed by our ESG analysts, are also included in the investable universe, thereby creating a portfolio of investments that make a positive contribution to society.

The Fund aims to provide first-quartile performance over a rolling three-year period measured against the IMA Cautious Managed sector. Over any one-year period the Trust performance should not be below median.

The Fund is able to shift its asset allocation according to market conditions in order to seek out attractive return opportunities and limit downside risks.

What does the Fund invest in?

Cautious Managed Funds can invest in a range of assets with the maximum equity exposure restricted to 60% of the fund and with at least 30% invested in fixed interest and cash. There is no specific requirement to hold a minimum percentage of non-UK equity within the equity limits. Assets must be at least 50% in Sterling/Euro and equities are deemed to include convertibles.

The Fund can invest in:

Equities

- Equity exposure is restricted to between 20% to 60% of the Fund.
- Within this equity limit, property can make up 0-15%.
- Of the overall equity exposure up to 50% may be invested in overseas equities.
- Equity markets the Fund may invest in are the UK FTSE All-Share Index/AIM and overseas market equities, predominantly US & Europe.

Fixed Interest

- Minimum fixed income exposure is 40%, with up to 80% allowable.
- This is comprised of government sovereign bonds and investment grade corporate bonds primarily from the iBOXX Gilt and Non-Gilt all maturities index.
- Non-Sterling denominated bonds can make up to 15% of the bond component.

Alternatives

- Alternative investments should be in the range of 0-20% of the Fund.
- Alternative investments include commodity-related funds, infrastructure funds, hedge funds, private equity, currency funds and absolute-return funds.
- Alternative investments provide additional diversification from the traditional asset classes of equity and bonds.

Cash

- Exposure can be in the range 0-30% of the Fund and will be limited to cash instruments under 12 months to maturity.

The Fund invests predominantly in Sterling-denominated equities and bonds. Given the Fund's aims, sectors such as utilities, healthcare and support services are prominent. The Fund excludes tobacco and armament manufacturers, nuclear power generators and companies conducting animal testing for the purpose of developing cosmetic and household goods. Companies not making strenuous efforts to reduce their environmental impact are also excluded.

Who it's suited to

The Fund may be suitable for investors looking for:

- an active asset allocation product with total-return approach looking to limit downside risk
- a fund with long-term capital growth objective achieved through a diversified fund with a mix of asset classes across Global markets
- the opportunity to ensure that their money helps to make a positive contribution to society through improving human welfare and the environment.

Asset allocation

The Fund's asset allocation will be positioned to take best advantage of market conditions. When the outlook for corporate profitability is deteriorating the Fund will seek the security of lower risk assets such as cash and government securities. When we expect profitability and risk appetite to improve or remain strong the Fund will have a natural bias towards equalities and corporate bonds. The Fund will seek diversification by investing across a broad range of industries, but industry allocation will be driven by the bottom-up selection process. Asset allocation will be subject to the constraints imposed in the investment mandate, see page 3 'What does the Fund invest in?' for details.

Investment philosophy

Our investment philosophy and style is best described as follows:

Focused – The portfolio will typically have between 70-100 holdings.

Long-term – Investment holding periods of three to four years.

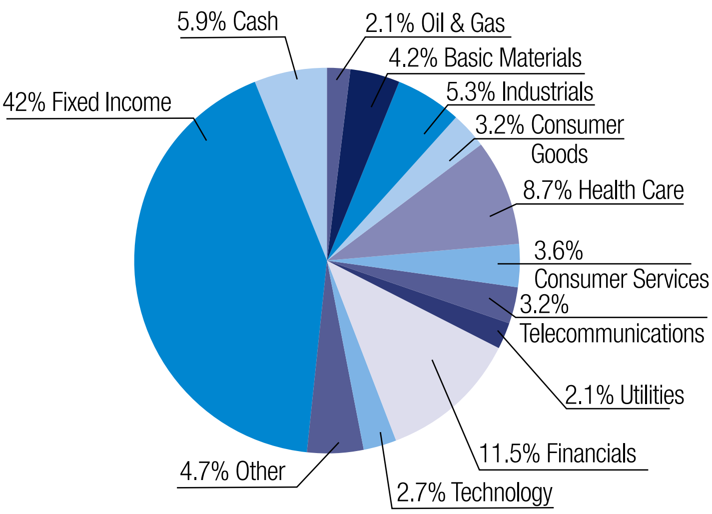
Stockpicking – Securities are selected that offer attractive total return prospects.

Responsible – Embedded environmental, social and governance (ESG) analysis provides a broader perspective and represents the views of our customers in the investment process.

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 can inefficiently discount company specific events such as management change. Therefore we devote a large amount of analytical resource to changing company situations.

Sector breakdown (as at 30/09/2011)



Top 10 holdings (as at 30/09/2011)

	% of fund
Novartis	2.1
BG Group	2.1
First State Investments	1.9
Vodafone Group	1.7
Standard Chartered Bank 7.755 Sub Nts 2018	1.7
Zimmer Holdings Inc	1.7
Standard Chartered Bank	1.6
Prudential	1.6
BT Group	1.5
Australia & New Zealand Bank	1.5

Credit rating breakdown (as at 30/09/2011)

Credit rating	% of fund
FTSE 100	22.1
FTSE 250	9.6
SMALLCAP	1.1
Overseas Equities	18.4
UK Corporate Bonds	30.2
Overseas Corp Bonds	11.3
Gilts	1.4
Cash	5.9

Stock example – Zimmer Holdings

Zimmer Holdings designs, develops, manufactures and markets orthopaedic and dental reconstructive implants, spinal implants, trauma products and related surgical products. The company markets its products in the United States and other countries around the world.

Stock example – Impax Environmental Markets

Impax Environmental Markets is an investment trust which is included in the Alternatives section of the portfolio. The Fund will invest in technology based systems, products or services in environmental markets, particularly those of alternative energy and energy efficiency, water treatment and pollution control and waste technology and resource management.

Strategy and outlook

Over the last three months, UK equities and corporate bonds returned -13.6% and -1.5% respectively. Similar to the second quarter overseas equities lagged with a total return of -15.9% with Europe and Emerging Markets leading the decline. Economic news across the globe remained generally lacklustre through the quarter. In early August markets sold off sharply as renewed fears emerged over sovereign defaults in the peripheral European regions. UK long-dated gilts delivered the leading performance over three months with a total return of +8.9% for the benchmark index.

Over the quarter the portfolio was hindered by a lack of exposure to gilts compared with its peer group. Stock picking within equities was positive for the Trust. The US technology names Google and Apple rebounded strongly on the back of stellar earnings reports. These names had performed poorly during the second quarter where we took the opportunity to increase positions.

Within the equity portion of the Trust we have increased the over-weight exposure to Asia and Emerging Markets as the pullback here presented opportunities. Whilst the correction in the Chinese property market is likely to continue and is indeed welcome, we believe that a hard economic landing will be avoided as other areas of the economy remain robust. Exposure to Europe remains below the average of our peer group even though equities here appear inexpensive. The downward risk to earnings is greater in Europe due to the current recessionary conditions. At the sector level we have an over-weight to healthcare and industrials. In the latter we have a particular focus on companies that improve energy efficiency such as Johnson Controls in the US and Spirax Sarco in the UK. The fixed income element of the portfolio was hindered by its exposure to corporate credit, where spreads against gilts widened and from a short duration position as longer-dated gilts out-performed.

The recent policy agreement by European politicians to write down Greek debt, recapitalise European banks and provide funding support by the EFSF for distressed Sovereign debt, should reduce the immediate risk of a banking crisis and a collapse of the Euro. However, many of the problems are structural and will take a long time to work through, depressing European growth and employment in the region. We are more encouraged by the recent economic releases stemming from the US and believe global growth will be supported by activity here, along with that in Asia and the Emerging Market regions.

Within the fixed income element of the Trust we remain cautious on Gilts as we see little long term value and prefer Corporate Bonds where spreads have widened and yields are attractive. We have an over-weight to the financials sector here, contrasting with an under-weight in the equity portion of the Trust, as we believe that bondholders will benefit from measures to improve capital ratios.

Investment process summary

Initial screening:

- the investment universe is filtered for companies that look attractive from a theme/industry/company perspective
- detailed research and analysis is then undertaken on the stocks identified.

Security selection:

- stocks 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 positions are determined primarily by the risk/reward potential of a particular investment
- asset allocation can be manipulated to best suit market conditions.

Risk management:

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

Fund Manager and investment team

Linda Desforges, Fund Manager

Years in industry	22
Years at The Co-operative Asset Management	22

Linda is Head of External Funds and is a key member of the asset allocation team; Linda has had portfolio management responsibilities since 1993 and in 2003 was appointed Head of North American Equities. In 2006 Linda expanded her experience to cover a broad range of asset classes including UK and overseas equity, bonds, property and alternatives. She has had responsibility for The Co-operative Asset Management's multi-manager funds since their launch in April 2006.

Linda joined The Co-operative Asset Management in 1989 as a research analyst for the fixed income team before moving to the overseas equity team in 1991. She has a B.A. (Hons) in Economics from Manchester University and is an Associate member of CFA UK.

Linda 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 (environmental, social and governance) analysts dedicated to researching 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 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†, 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 stock 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

Manager name and location	Linda Desforges, Manchester
Fund type	Unit Trust
Launch date	24/07/09
Index/benchmark	IMA Cautious Managed
Sector	Cautious Managed
Number of stocks (as at 30/09/2011)	111
Fund size (as at 30/09/2011)	£193 million
Distribution frequency	Quarterly
Distribution dates	March, June, September, December
Prices	co-operativeassetmanagement.co.uk or the Financial Times
Sedol Code	B3PXJV8
Lipper	68018127
PTR (as at 30/09/11)	100.54%
TER (as at 30/09/11)	1.53%

The Co-operative Asset Management has signed up to the internationally recognised UN Principles for Responsible Investment. They reflect the increasing relevance of environmental, social and corporate governance issues to investment practices and in signing the Principles, the organisation publicly commits to adopting and implementing them.

†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 and 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 premiums for an "ethical guarantee". (GFK NOP Press Releases 2007 & 2008).

Contact broker services

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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 provides asset management services to CIS Unit Managers Limited which is the authorised Manager of the CIS Sustainable Diversified Trust.

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

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