

The **co-operative** asset management

CIS UK Income with Growth Trust

A high quality, total return UK fund including fixed income exposure and a focused equity portfolio, combining strong long-term themes and recovery potential.

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.

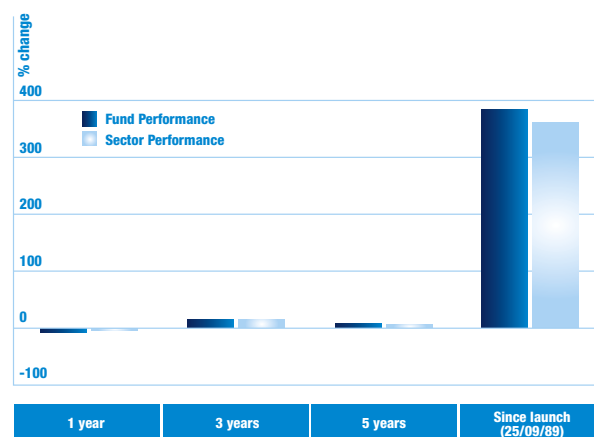


UK Income with Growth Trust

Why recommend this Fund to your clients?

- Sector has performed well relative to single and multi-asset classes for a considerable period of time.
- Fund has demonstrated an attractive total return relative to the wider equity indices throughout different market conditions.
- Dividend yield remains attractive in low interest environment with the prospect of future growth.
- Industry-leading social responsibility expertise, integrating environmental, social and governance issues into our decision making process.

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 years | 5 years | Since launch (25/09/89) |
|------------------|--------|---------|---------|-------------------------|
| Fund | -5.7 | 16.6 | 5.3 | 385.1 |
| Sector Median | -1.2 | 16.5 | 3.2 | 360.3 |
| Quartile Ranking | 4th | 2nd | 2nd | 2nd |

Percentage Growth to latest quarter end, total return, bid to bid price, Net income reinvested. Source: Lipper
Measured against UK Equity & Bond Income sector.

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

| | 30/09/2010 - 30/09/2011 | 30/09/2009 - 30/09/2010 | 30/09/2008 - 30/09/2009 | 30/09/2007 - 30/09/2008 | 30/09/2006 - 30/09/2007 |
|---------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Fund | -5.7 | 13.8 | 8.6 | -15.2 | 6.4 |
| Sector Median | -1.2 | 10.3 | 8.6 | -17.4 | 6.2 |

Percentage Growth for discrete one-year periods, total return, bid to bid price, Net income reinvested. Source: Lipper
Measured against UK Equity & Bond Income sector.

A closer look at the Fund

What is the Fund's aim?

The investment aim of the Fund is to provide first quartile performance over a rolling three-year period, measured against the UK Equity & Bond Income sector.

The Fund aims to achieve a total return comprising an equity capital return exceeding that of the FTSE All-Share Index, and a yield at least 20% greater than the FTSE All-Share Index. This will be achieved through investing in an equity portfolio and a range of fixed interest securities.

What does the Fund invest in?

The Fund invests in UK equities and UK fixed income securities. UK equities are selected from the FTSE 350 and fixed income from a broad range of corporate bonds and gilts.

Asset allocation will depend upon the relative attractions of the fixed interest and equity markets but is expected to be predominantly equity-dominated (typically 70-75% of assets).

Who it's suited to

The Fund may be suitable for investors looking for:

- a fund with a strong track record on delivering above average total return and where a large proportion of that return comprises yield
- a fund that has lower volatility in comparison to all-equity funds
- a fund that will consider social responsibility as part of its overall investment process.

Investment philosophy

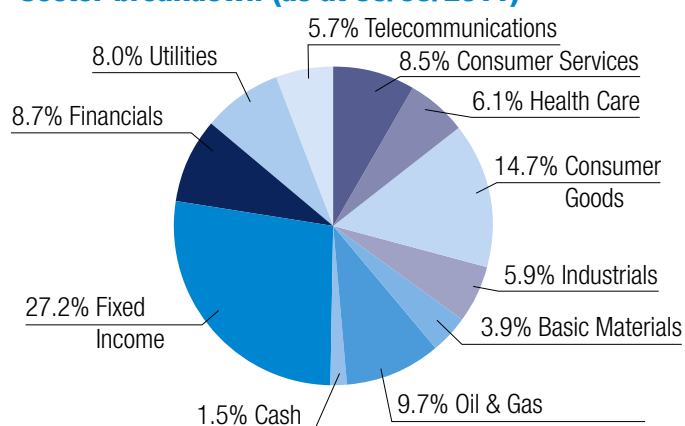
Our investment philosophy and style is best described as follows:

- **Focused** – The portfolio will typically have between 40-60 holdings and over 30% of assets in the top 10 holdings.
- **Long-term** – Investment holding periods of three to four years.
- **Stockpicking** – We construct portfolios on a bottom-up basis.
- **Responsible** – Embedded environmental, social and governance (ESG) analysis provides a broader perspective and represents the views of our customers in the investment process.

Our fixed interest approach is to combine good quality corporate bonds with a selection of gilts so as to provide for a higher level yield and some capital performance.

The overall investment philosophy is to allocate capital between equities and bonds, to maximise total return and deliver the best possible combination of dividend growth and capital performance. The Fund does not mechanically buy yield but analyses the longer-term cash flow dynamics of the relevant asset to determine the sustainability of dividend payments over time.

Sector breakdown (as at 30/09/2011)



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

| | % of fund |
|--------------------------|-----------|
| British American Tobacco | 4.4 |
| Royal Dutch Shell | 4.1 |
| GlaxoSmithKline | 3.9 |
| Vodafone Group | 3.9 |
| BP | 2.4 |
| Imperial Tobacco Group | 2.4 |
| AstraZeneca | 2.2 |
| Unilever | 2.1 |
| BG Group | 1.9 |
| BT Group | 1.9 |
| Total | 29.2 |

Stock example – Pennon Group

Pennon is a water and sewerage company that provides water utility services to customers in South West England. In addition, the company has a waste management, recycling and renewable energy division that offers waste facilities throughout the UK. The greater requirement on local authorities to provide recycling services and the growing opportunities to generate electricity from waste offers strong growth prospects going forward.

Stock example – British American Tobacco (BAT)

BAT is a global manufacturer and distributor of cigarette and tobacco products. The company has a very consistent record of cost reduction which has led to strong positive cashflows. BAT has a strict discipline in the use of this cash and shareholders receive the vast majority in the form of large and rising dividends and share buybacks.

Fund Manager strategy and outlook

Expectations for economic growth have deteriorated over recent months, reflected in a decline in the UK stockmarket of 13.5% in the last quarter. At the heart of this weakness are the concerns over the European sovereign debt crisis, the situation where a number of European countries have borrowed excessively. The risks are that the actions required to remedy this situation will curtail future European economic growth, and, given the nature of globalisation, may weaken growth in other major trading regions such as the US and Asia.

Against this background, asset markets have been understandably nervous. This volatility provides opportunities to invest in companies at attractive prices. The Trust looks for companies that have strong franchises which offer resilience in this time of economic turbulence. Two examples held in the Trust are the utilities National Grid and Pennon, which supply essential services resulting in relatively stable and predictable earnings.

In terms of asset allocation, whilst we have a preference for equities at current levels, risk aversion in asset markets has resulted in greater demand for relatively safer investments. UK government bonds (gilts) are seen as very safe and this has driven their yield down from 3.4% to 2.4% over the period. However, compared to gilts at these levels we prefer the higher yields from corporate bonds from well funded companies such as Vodafone.

The Trust's recent performance reflects the weakness in the fund's equity prices which had been positioned in expectation of higher returns. In the light of economic developments, the equity holdings have been rebalanced for a more muted outlook going forward. Over the longer term, the Trust's ability to capture performances has resulted in being ranked second quartile against the median. Looking ahead, the Trust is well placed to offer a very attractive income yield with capital growth prospects as equity markets recover.

“The combination of asset allocation and stock selection that focuses on capitalising on long-term themes gives this Fund the potential to generate above-markets return over time.”

Neal Foundly, Fund Manager

Investment process summary

Initial screening:

- the key investment universe, from which stocks are selected, is predominantly the FTSE 350
- the key investment universe is filtered for stocks which provide potentially above average total return properties principally through premium rates of yield and dividend growth
- 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, and environmental, social and governance performance
- valuations are predominantly cash-based. In particular, the analysis looks behind stock dividend yields to evaluate the underlying dividend growth potential.

Portfolio construction:

- stock positions are determined primarily by the risk/reward potential of a particular investment
- the portfolio is focussed in nature, and will typically hold between 40-60 holdings.

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)
- weekly risk and performance monitoring occurs with independent review by the Head of Equities.

Fund Manager and Investment Team

Neal Foundly, Fund Manager

| | |
|---|----|
| Years in industry | 24 |
| Years at The Co-operative Asset Management | 22 |



Neal Foundly has been managing the UK Income with Growth Trust since February 2011. Previously Neal was responsible for managing institutional portfolios for over 20 years. During his time at The Co-operative, Neal has also been a sector analyst, covering most of the market sectors.

Neal 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) research analysts dedicated to researching UK companies
- fund managers focused on stock selection and constructing diversified portfolios which balance performance with risk and volatility
- quantitative, 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 food, pharmacy, travel and other financial services such as insurance, banking and mortgages.

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 UK 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 in to 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 are undervalued and 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.

[†]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 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 premium for an "ethical guarantee" (GfK NOP Press Releases 2007 & 2008).

Fund Facts

| | |
|---|--|
| Manager name and location | Neal Foundly, Manchester |
| Fund type | Unit Trust |
| Launch date | 25th September 1989 |
| Index/benchmark | FTSE All-Share |
| Sector | UK Equity and Bond Income |
| No. of stocks (as at 30/09/2011) | 127 |
| Fund size (as at 30/09/2011) | £403 million |
| Fund yield | 3.70% |
| Distribution frequency | Quarterly |
| Distribution dates | May, August, November, February |
| Prices | co-operativeassetmanagement.co.uk or the Financial Times |
| Sedol Code | 159805 |
| Lipper Id | 60009201 |
| PTR (as at 30/09/2011) | 135.67% |
| TER (as at 30/09/2011) | 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.

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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 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 UK Income with Growth 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.