

# The **co-operative** asset management

## CIS Corporate Bond Income Trust

### Fund review and outlook as at 31 December 2011

Yields on 10-year government bonds in the US, the UK and Germany had all fallen to below 2% by the end of 2011. These markets have converged to such an extent in recent months that yields at most points of the maturity spectrum now stand within a quarter of a percentage point of each other. The exception to this is in the very long-end of the yield curve, where the money printing policies of the US Federal Reserve and the Bank of England have caused bond yields in those countries to remain somewhat higher than their German counterparts.

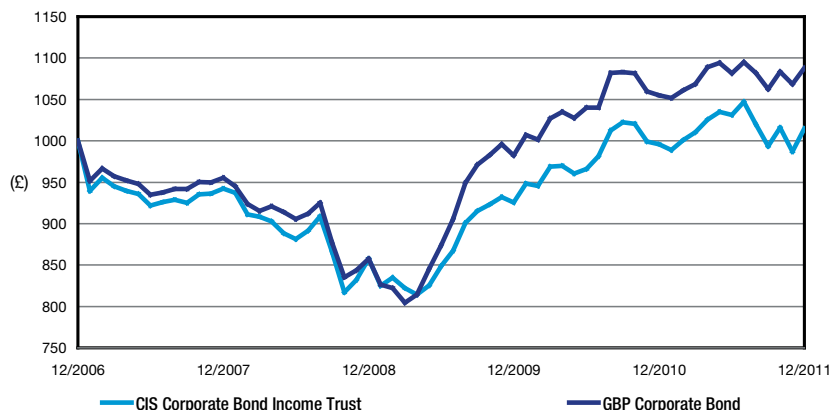
As we begin this year with 10-year yields around historically low levels we continue to regard the Gilt market as vulnerable to a correction. We suspect that current valuations have so far been supported by flows out of Europe, which are liable to gradually unwind in the absence of any further escalation of the Eurozone Crisis. Moreover, any further significant deterioration in the UK's own economic performance is likely to call into question the government's commitment to the ongoing austerity programme and hence the perceived safe-haven status of sterling denominated bonds.

After a tumultuous few months, the corporate bond market closed the year in somewhat better spirits as investors took comfort from the measures announced by the ECB to provide extended credit to the banking system during the period of balance sheet adjustment that is required to meet the reformed regulatory regime. Developments in Europe remain the key driver for the performance of corporate bonds and we feel that we

may have passed the point of maximum pain in this area. We are particularly encouraged by the markets' more measured response to some significant recent steps taken by the authorities in contrast to the short-lived excitement generated by previous, less substantive announcements.

We retain a high conviction that over the medium-term the asset class as a whole can post strong performance from current valuations, but are acutely aware that the volatility of recent months has led to a fragility in investor confidence that is unlikely to be removed in the short-term.

### Performance of £1000 invested over 5 years



Value to latest month end, total return, bid to bid price, Net income re-invested.  
Past performance is not a guide to future performance and the value of this investment can go down as well as up. This is not a guaranteed investment and you may get back less than you have put in.

### Cumulative performance (% change)

	1 year	3 years	5 years	Since Launch (29/09/03)
Fund	2.1	19.2	8.1	23.6
Sector Median	4.2	28.4	13.0	28.7
Quartile Ranking	4	4	4	4

Percentage Growth to latest month end, total return, bid to bid price, Net income re-invested.

### Single year performance (% change)

	31/12/10 - 31/12/11	31/12/09 - 31/12/10	31/12/08 - 31/12/09	31/12/07 - 31/12/08	31/12/06 - 31/12/07
Fund	2.1	7.8	8.2	-8.8	-0.6
Sector Median	4.2	7.6	15.0	-10.3	-0.5

Percentage Growth for discrete 1 year periods, bid to bid price, Net income re-invested.

### Fund aims

The investment aim of the fund is to produce an attractive and consistent monthly income commensurate with long term capital stability.

### Key facts

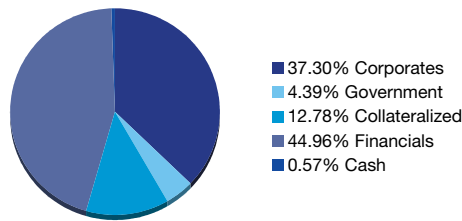
Fund Manager	Danny Fox
Fund launch date	29/09/03
Fund size 31/12/11	GBP 392.03m
IMA sector	GBP Corporate Bond
Sedol code	3358342
Lipper Id	60088476
Risk rating	Defensive
Base currency	GBX
Unit prices	81.71
Type of share	Distribution
Number of holdings	86
Distribution dates	Monthly, 17th
PTR (as at 30/09/11)	362.52%
TER (as at 30/09/11)	1.04%
Distribution yield	5.1%
Underlying yield	4.7%

## Portfolio structure

### Credit breakdown 31/12/11

Credit rating	% of fund
AAA	6.59%
AA	5.68%
A	30.01%
BBB	57.16%
Cash	0.56%

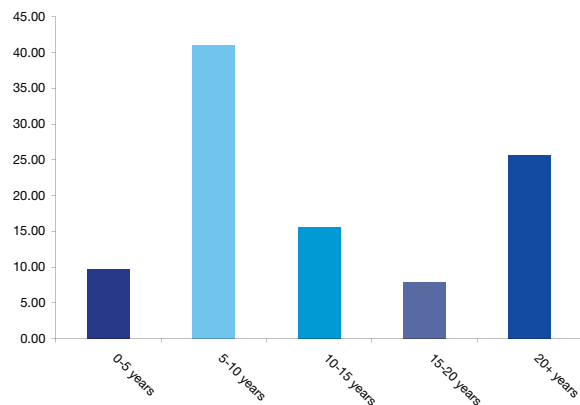
### Sector allocation 31/12/11



### Top ten holdings 31/12/11

Santander UK Plc (11.50%, 04/01/2017)	3.50%
Eastbourne Water Co (5.658%, 30/09/2019)	3.40%
Imperial Tobacco Finance Plc (9.0%, 17/02/2022)	2.80%
Tesco Plc (5.801%, 13/10/2040)	2.80%
United Kingdom (4.75%, 07/03/2020)	2.60%
Telereal Securitisation Plc B2 (Var, 10/12/2033)	2.30%
Njord Gas Infrastructure As (5.241%, 30/09/2027)	2.00%
Barclays Bank Plc (6.75%, 16/01/2023)	1.90%
Glencore International AG (6.5%, 27/02/2019)	1.90%
United Kingdom (3.75%, 07/09/2021)	1.90%
Total	25.10%

### Portfolio maturity distribution 31/12/11



## Dealing information

Valuation point - 12:00

Initial charge - 5.00%

Annual management charge - 1.00%

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## Company profile

The Co-operative Asset Management is the fund management arm of The Co-operative Group, responsible for managing over £19 billion of funds, including over £2 billion from retail unit trusts. The Co-operative Asset Management specialises in active UK equities and bonds and gains further insight into alternatives and overseas equities via strategic partnerships. We offer a distinctive responsible investment approach which fully integrates consideration of financial and ESG (environmental, social and governance) issues throughout the investment process.

We offer our Corporate Bond Income Trust to independent financial advisers through Cofunds, Hargreaves Lansdown and Fidelity Funds Network.

## Danny Fox - Fund Manager

Danny took over management of the Corporate Bond Income Trust in 2009, having previously managed corporate bond portfolios and a range of retail and income funds for Insight Investment. He has been in the industry since 1993.

