

# The **co-operative** asset management

## CIS UK Income With Growth Trust

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

In the last three months the UK stock market has risen by 8.4%. The period has again been volatile, but has also been characterised by some progress on the European debt crisis given a relatively successful political summit and the provision of liquidity to the European Banking sector via the ECB's more liberal commercial lending strategy. In addition, economic data showed some improvement particularly in the US, where activity has picked up significantly following a notable slowdown in previous quarters.

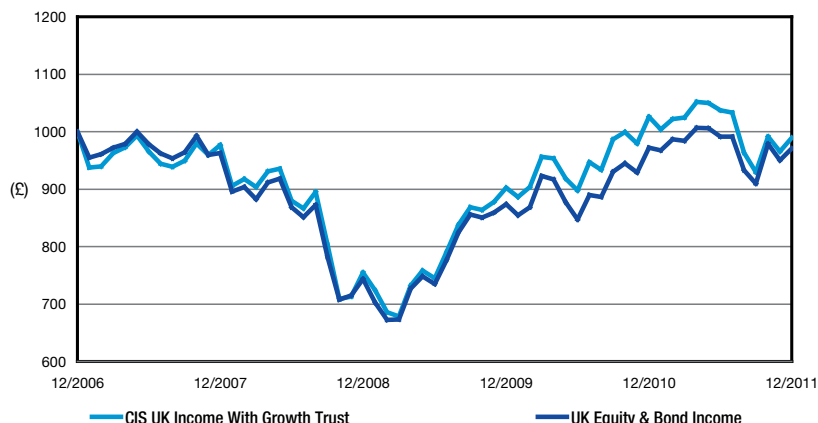
Over the last three months, the Trust outperformed the peer group median and ranked first quartile. The Trust's key assets, Equities and Corporate credit, saw their best quarterly performances of the year in the last three months with returns of 8.4% and 3.1% respectively. The main contributors to performance were the underweights in financial sectors, such as banks and Investment Trusts, which performed poorly in the period over concerns regarding the Eurozone credit crisis. At a stock level, the underweight position in HSBC and no holdings in Lloyds Banking Group were the stocks in these sectors which lifted relative performance. On the negative side, some of the overweight positions in the utility sector were the main detractors from performance. This was due largely to a pull-back from the strong performance in the previous quarter as investors sought safety in utilities at the height of the Eurozone crisis. One particular stock holding, an oil services company, Cape, fell markedly after announcing several delays in the awarding of contracts for its services and was the largest negative attribution over the period. Gilts continued to

benefit from the risk aversion in asset markets and strong demand for the bonds reduced the benchmark yield from 2.4% to 2.0% over the three-month period. The yield on gilts are at historic lows, last seen in the 1890's, and reflect the extreme conditions in the Eurozone financial system.

Over the last year, the Trust is fourth quartile against the median of the peer group (including a move to redemption basis). The Trust's asset allocation in equities and corporate bonds was positioned for higher economic growth and the Eurozone crisis resulted in significantly greater performance from gilts where the fund had a relatively smaller exposure.

Over the last three years, good stock selection in Equities has been the main driver behind the outperformance of the peer group, against which it is ranked in the second quartile.

### 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 (25/09/89)
Fund	-3.4	32.3	5.4	416.8
Sector Median	-1.0	32.0	2.7	387.0
Quartile Ranking	4	2	1	1

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	-3.4	13.9	20.2	-22.6	3.0
Sector Median	-1.0	12.4	18.6	-21.5	1.4

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

### Fund aims

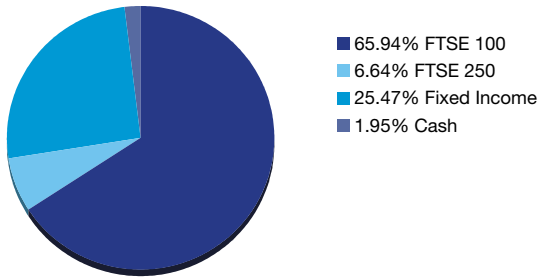
A UK fund including investment grade fixed income exposure and a focused equity portfolio comprising stocks with above average income prospects and capital growth. The investment aim of the Fund is to provide first quartile performance over a rolling three-year period measured against the UK Equity & 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.

### Key facts

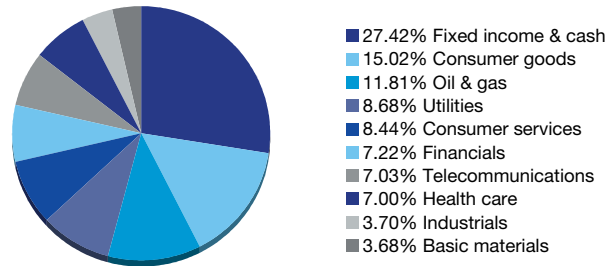
Fund Manager	Neal Foundly
Fund launch date	25/09/89
Fund size 31/12/11	GBP 417.37m
IMA sector	UK Equity & Bond Income
Sedol code	0159805
Lipper Id	60009201
Risk rating	Balanced
Base currency	GBX
Unit prices	183.10
Type of share	Distribution
Number of holdings	121
Distribution dates	Feb, May, Aug, Nov
PTR (as at 30/09/11)	135.67%
TER (as at 30/09/11)	1.53%
Historic Yield	4.0%

## Portfolio structure

### Capital split 31/12/11



### Sector allocation 31/12/11



### Top ten holdings 31/12/11

Royal Dutch Shell	5.68%
Vodafone Group	5.07%
GlaxoSmithKline	4.81%
British American Tobacco	4.77%
BP	2.71%
Imperial Tobacco Group	2.57%
National Grid	2.22%
AstraZeneca	2.19%
Unilever	2.12%
BG Group	2.03%
Total	34.17%

### Dealing information

Valuation point - 12:00  
 Initial charge - 5.00%  
 Annual management charge - 1.50%  
 Broker line - 0845 603 9986  
 Email: [tcam@cfs.coop](mailto:tcam@cfs.coop)  
 Web: [co-operativeassetmanagement.co.uk](http://co-operativeassetmanagement.co.uk)

### 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 UK Income with Growth Trust to independent financial advisers through Cofunds, Hargreaves Lansdown and Fidelity Funds Network.

### Neal Foundly - Fund Manager

Neal Foundly currently manages the UK Income with Growth Trust having previously managed our institutional portfolio responsibilities for over 20 years. During his time at the Co-operative he has also been a sector analyst covering most of the market sectors. Previous to this Neal worked as a UK Equity Analyst at Sun Alliance in London, for 3 years. Neal has a BA (Hons) in Economics from Leicester University. He is a qualified Associate Member of the Society of Investment Analysts; now CFA, UK.

