

The **co-operative** asset management

CIS UK Income With Growth Trust

Fund review and outlook as at 28 February 2011

Over the last three months the UK equity market has risen by 9.1% reflecting a combination of positive economic data and supportive earnings growth. The UK equity market remains underpinned by attractive valuation and a strong macroeconomic backdrop. Nevertheless, it has rallied hard from its previous low and is likely to confront a number of more demanding obstacles as the cycle matures. This will invariably lead to a possible change in the type of Equity that can support continued stock market recovery.

In the last three months, the Trust has underperformed the median of the peer group due mainly to the weak share price performances of stocks significantly exposed to emerging markets, such as Standard Chartered.

At the sector level, positive performance came predominately from the underweight position in Investment Trusts and Food Retailers. A concern over the inability of supermarket chains to pass on the rise in food prices has led to underperformance of the sector. The negative attribution from sectors was largely due to the weak performance of the fund's holdings in the Banks sector because of the continued regulatory uncertainty and rising costs in relative to income.

At the individual stock level, a key positive contributor was the holding in BG Group which has found additional reserves in offshore Brazil that have raised the company's growth potential. The weakness in Tesco and Reckitt Benckiser, where the Trust has no holdings,

were also positive stock contributors over the period. The main negatives have been the overweight positions in Standard Chartered and the underweight position in Barclays and Royal Dutch Shell. Shell's performance has picked up recently in response to higher oil prices.

Oil price and food price rises have raised inflationary expectations in recent weeks and 10 year gilt yields have risen. Currently, the Trust holds no gilts based upon valuation concerns. Overall, fixed interest exposure remains in credit which performed better than government debt during the month.

In terms of asset allocation, our preference has been for equities over bonds where prices have been weak with gilt yields rising from 3.36% to 3.69% in the last three months. The fund is ranked third quartile over the last 12 months and second quartile over three years, particularly benefiting from the relatively high equity allocation.

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	13.3	12.4	19.5	433.1
Sector Median	13.3	9.7	11.0	392.0
Quartile Ranking	3	1	1	1

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

Single year performance (% change)

	28/02/10 - 28/02/11	28/02/09 - 28/02/10	29/02/08 - 28/02/09	28/02/07 - 29/02/08	28/02/06 - 28/02/07
Fund	13.3	32.6	-25.2	-2.1	8.6
Sector Median	13.3	30.7	-25.1	-5.1	8.7

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

Fund aims

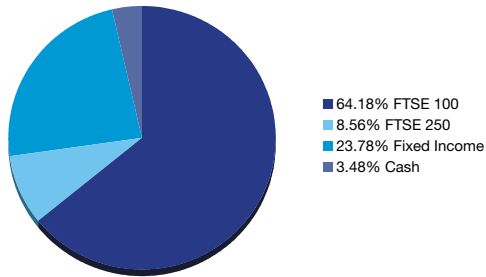
A UK fund including investment grade fixed income exposure and a focused equity portfolio comprising stocks with above average income prospects and capital growth. The investment aim of the Fund is to provide first quartile performance over a rolling three-year period measured against the UK Equity &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

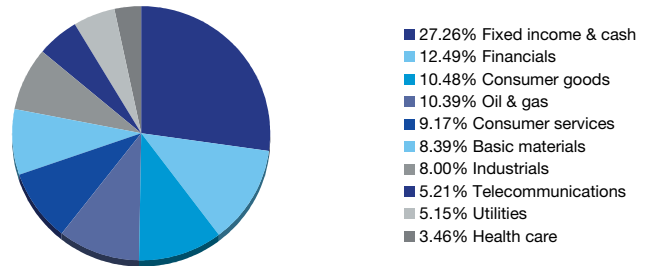
Fund Manager	Neal Foundly
Fund launch date	25/09/89
Fund size 28/02/11	GBP 432.14m
IMA sector	UK Equity & Bond Income
Sedol code	0159805
Lipper Id	60009201
Risk rating	Balanced
Base currency	GBX
Unit prices	195.10
Type of share	Distribution
Number of holdings	103
Distribution dates	Feb, May, Aug, Nov
PTR (as at 31/03/10)	59.50%
TER (as at 31/03/10)	1.53%
Historic Yield	3.8%

Portfolio structure

Capital split 28/02/11



Sector allocation 28/02/11



Top ten holdings 28/02/11

British American Tobacco	3.75%
BP	3.65%
Rio Tinto	3.50%
Standard Chartered Bank	2.98%
BG Group	2.87%
Royal Dutch Shell	2.77%
Vodafone Group	2.64%
HSBC Holdings	2.28%
Unilever	2.21%
AstraZeneca	2.13%
Total	28.78%

Dealing information

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

Company profile

The Co-operative Asset Management is the fund management arm of The Co-operative Financial Services which is part 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.

