

The **co-operative**  
asset management

# **CIS UK Growth Trust**

Manager's Report in summary

**Interim Short Report**

31st January 2011

Part of The **co-operative** financial services



# The Co-operative Asset Management

The CIS UK Growth Trust is an authorised unit trust scheme, the manager of which is CIS Unit Managers Limited. The Manager has appointed The Co-operative Asset Management Limited to undertake the portfolio management for the Trust.

The Co-operative Asset Management is the fund management arm of The Co-operative Financial Services and is independently authorised by the Financial Services Authority to provide discretionary asset management services.

We have a long and successful history of managing our customers' money and our specialist fund management service is unique in the UK market, offering a distinctive approach to responsible investing across all of the funds that we manage. For example, we fully integrate consideration of financial, environmental, social and governance issues throughout the investment process when selecting companies for investment and we also vote at every AGM of companies we hold.

## Cumulative performance (% change to 31/01/11)

	6 months	1 year	3 years	5 years
<b>Fund</b>	8.3	16.0	6.9	15.2
<b>FTSE All-Share</b>	13.5	18.1	13.7	24.1
<b>Sector Median</b>	13.1	18.0	13.4	18.4
<b>Quartile Ranking</b>	4	4	4	3

Percentage change in value at bid price, to 31/01/11.  
Net income reinvested.

Source: Lipper. Measured against UK All Companies Sector.

## Investment Review and Outlook

### Fund Manager's Comments

During the six-month period ending 31st January 2011, the price of the units rose by 8.3% compared to a 13.5% rise in the UK FTSE All-Share Index. In the last three years the value of the units rose by 6.9% compared to a 13.7% rise in the FTSE All-Share Index.

We continue to adopt a consistent approach to selection of companies suitable for the Trust. Our approach is to identify companies which are conservatively financed, well managed with strong franchises and invest in these businesses for the long-term, as we believe this is the best way to grow investors' capital.

The period under review has resulted in a positive return for the Trust, however relative to the benchmark, the FTSE All-Share Index and the IMA UK All-Companies, the overall performance has been below what we think the Trust is capable of achieving.

The Trust's recent underperformance reflects its exposure to two sectors; Banks and Oil & Gas. After running significant underweight positions across the Banking sector over the last three years, we increased exposure to the sector in the first half of 2010. This reflected an improvement in the balance sheet strength of the sector post the financial crisis, attractive valuations and the sector's historic high sensitivity to an improving economic

environment. Lloyds Banking Group and Standard Chartered were the main holdings in the Trust, however both underperformed the move in the equity market over the last six months. Lloyds Banking Group suffered due to concerns regarding increased impairment charges on loans made in areas such as Ireland which are experiencing financial difficulty. Standard Chartered, whose main areas of activity is in the Far East, struggled after issuing equity to help fund future growth. Both holdings are significant and Standard Chartered in particular has been a strong performer for the Trust in the past. Going forward, there is scope for an improvement in the share prices of these two holdings, with the continual strength of the global economy coupled with their previous underperformance.

In the Oil & Gas sector, we have been underweight in Royal Dutch Shell, which is a big component of the FTSE All-Share Index and for the period of this report it has impacted performance as the shares performed well. As stockpickers we seek to identify those companies which are conservatively financed, well managed with strong franchises. Royal Dutch Shell doesn't fit into this description, due to its historically poor management and inability to deliver consistent growth in production or cash flow. We consider there to be better opportunities in the sector and we remain underweight in the company.

Over the last six months a number of the opportunities in which we invested have proved successful, notably we initiated a holding in ITV following the appointment of new management. The shares have performed well as management have started to reposition the group away from the highly cyclical advertising market towards a broader and more sustainable revenue structure. Smiths Group generated an excellent return for investors during the last six months and continues to be a large holding within the Trust. The group is one of the largest holdings within the Trust and operates across a number of markets such as oil services, medical equipment and detection equipment

at airports. After improving the operational performance over the last two years, management are now exploring means of generating further returns for shareholders through the sale of one or more of its businesses.

## Outlook

Over the past six months the global economy has continued to improve with the strength of Asian economies being supplemented by a quicker and stronger recovery in the US than was expected twelve months ago. The actions taken by Governments and Central Banks around the world have proved effective in restoring the spending power of both companies and consumers and the global economy is now expected to grow by 4% this year. Over the next twelve months there is a likelihood that interest rates will start to rise as economies start to normalise and inflation picks up, however both Governments and Central Banks will seek to manage the process to maximise the growth potential of economies and reduce the size of the current budget deficits around the world. Therefore we believe that the outlook for the global economy remains good and provides a positive environment for equities to deliver attractive returns.

Overall the valuation of equities remains attractive, especially when compared to other forms of saving such as cash, property and fixed income securities which all yield a low level of returns. We believe that despite the difficult economic background over the last two years the global economic recovery is well established and gaining strength. This should prove positive for equity markets. Overall we remain confident that the portfolio is correctly positioned and over time will deliver an attractive return for investors.

Joe Walters  
The Co-operative Asset Management  
January 2011

## Fund Facts

<b>Distribution qualifying dates</b>	31st January and 31st July
<b>Distribution pay dates</b>	31st March and 30th September
<b>Total Expense Ratio as at 31st July 2010</b>	1.53%
<b>Total Expense Ratio as at 31st January 2011</b>	1.54%

The Total Expense Ratio is the ratio of the Trust's operating costs to its average net assets during the period.

## Fund Performance

<b>Unit Class</b>	<b>Net Asset Value as at 31st July 2010</b>	<b>Net Asset Value as at 31st January 2011</b>	<b>Net Asset Value % change</b>
Income	329.8p per unit	356.4p per unit	8.1%

## Distribution

An interim distribution of 0.8061 pence per unit will be paid to unit holders on 31st March 2011.

## Investment Objective

The CIS UK Growth Trust aims to provide above-average capital growth from a diverse portfolio of UK equities in any economic sector.

## Risk Profile

Equity shares, cash and liquid resources, and short-term debtors and creditors that are a direct result of the Trust's operations, all produce risks.

The main risks that the Trust faces from its investments are:

- market price risk
- liquidity risk.

To manage these risks, the fund manager will monitor how the assets are allocated within the Trust portfolio while maintaining the investment aim.

# Performance Record

## Unit prices

The Trust units are Income Units only. They were first offered to the public at £1 each.

	<b>Highest buying price (p)</b>	<b>Lowest selling price (p)</b>	<b>Distribution (pence per unit)</b>
1st Jan 2006 to 31st Dec 2006	397.6	317.8	5.6818
1st Jan 2007 to 31st Dec 2007	421.0	346.0	4.8696
1st Jan 2008 to 31st Dec 2008	416.4	225.7	5.8486
1st Jan 2009 to 31st Dec 2009	341.9	224.8	6.8603
1st Jan 2010 to 31st Dec 2010	389.7	303.4	4.4113
1st Jan 2011 to 31st Jan 2011	392.3	356.7	0.8061

The price of the Trust is calculated using the dual pricing method, which means that two dealing prices are quoted. The buying price is the price at which you can buy units, and the selling price is the price at which you can sell units back to the Manager.

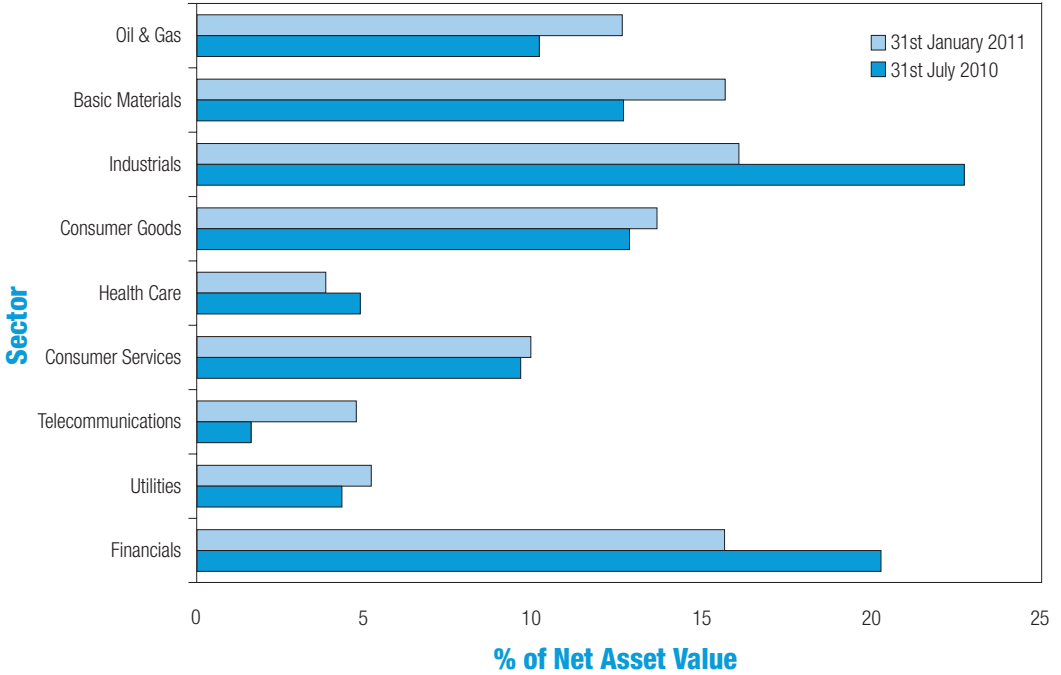
## Trust details

	<b>Total net asset value (£)</b>	<b>Total units in issue</b>	<b>Net asset value per unit (p)</b>
31st July 2008	1,248,206,244	370,320,000	337.1
31st July 2009	988,850,319	358,659,000	275.7
31st July 2010	1,128,581,946	342,204,000	329.8
31st January 2011	1,166,547,175	327,314,000	356.4

It should be remembered that past performance is not a reliable indicator of future performance, and that the value of units, and the income derived from them, can vary.

# Portfolio Information

The following graph shows where the portfolio was invested at the end of the period, compared to the previous year end.



# Major Holdings

The table below shows the top ten investments by value, held by the Trust, compared to the previous year end.

Holding	% of Net Asset Value as at 31st January 2011	Holding	% of Net Asset Value as at 31st July 2010
Rio Tinto	5.49%	Smiths Group	4.63%
BP	4.62%	Standard Chartered	4.55%
British American Tobacco	4.41%	Rio Tinto	4.43%
Smiths Group	3.97%	HSBC Holdings	3.96%
BG Group	3.84%	British American Tobacco	3.94%
Standard Chartered	3.56%	BG Group	3.84%
Lloyds Banking Group	2.94%	SABMiller	3.72%
Johnson Matthey	2.93%	BP	3.09%
HSBC Holdings	2.93%	Rolls Royce Group	2.99%
SABMiller	2.81%	Lloyds Banking Group	2.94%

## Reports and Accounts

Copies of the annual and half-yearly long-form report and accounts of this fund are available free of charge.

Please contact our Customer Contact Centre on 08457 46 46 46 for your copy of the full manager's report, or visit our web site at [co-operativeinvestments.co.uk](http://co-operativeinvestments.co.uk)

This report is issued by The Co-operative Asset Management on behalf of:

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**CIS Unit Managers Limited is Registered in England and Wales, 2369965.**

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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.**

**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 2369965.**

**The Co-operative Asset Management Limited provides asset management services to CIS Unit Managers Limited which is the authorised Manager of the CIS UK Growth Trust.**

This report is issued by The Co-operative Asset Management on behalf of CIS Unit Managers Limited. Any advice from Co-operative Financial Advisers will relate only to a range of the products and services available from members of the CFS Marketing Group and a limited number of other companies.