

# The **co-operative** asset management

## CIS US Growth Trust Manager's Report



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**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 US 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.

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**Annual Report**

31st December 2009

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

## CIS Unit Managers

### Trustee Status

The Trustee is State Street Trustees Limited which holds the title to the Trust's investments on behalf of unitholders. The CIS US Growth Trust is a "wider-range" investment under the Trustee Investments Act 1961. It is an authorised unit trust scheme under Chapter III of the Financial Services and Markets Act 2000 and is categorised as a UCITS Scheme under the Financial Services Authority Collective Investment Schemes Sourcebook. Copies of the Trust Deed may be inspected at the offices of the Manager: CIS Building, Miller Street, Manchester.

### Manager

CIS Unit Managers Limited  
P.O. Box 105  
Manchester M4 8BB  
Authorised and regulated by the Financial Services Authority, and a member of the Investment Management Association.

### Directors of the Manager

M.A. Summerfield (Chairman)  
M.D. Fairbairn  
R.T. Goddard (resigned 31st July 2009)  
P. Sharman  
R. Bulmer (appointed 1st August 2009)

### Trustee

State Street Trustees Limited  
525 Ferry Road  
Edinburgh EH5 2AW  
Authorised and regulated by the Financial Services Authority.

### Registrar

CIS Unit Managers Limited  
P.O. Box 105  
Manchester M4 8BB

### Auditors

KPMG LLP  
Chartered Accountants  
1 The Embankment  
Neville Street  
Leeds LS1 4DW

### Investment Management

The Co-operative Asset Management Limited  
Miller Street  
Manchester M60 0AL  
Authorised and regulated by Financial Services Authority

## The Co-operative Asset Management

The CIS US Growth 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 scheme. It is however important to note that there are no actual changes to the unit trust manager or the way in which the unit trust is managed.

The Co-operative Asset Management is the fund management arm of The Co-operative Financial Services (CFS) and is independently authorised by the Financial Services Authority (FSA) 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 and environmental, social and governance issues throughout the investment process when selecting companies for investment and we also vote at every AGM of companies in respect of equities we hold.

## Investment Objective and Policy

The CIS US Growth Trust aims to provide above-average capital growth over the medium to long term from a diverse portfolio of US Securities in any economic sector.

The Manager's current policy is to invest in a diverse portfolio of securities, the majority of which will be represented within the Standard & Poor's (S&P) Composite 500 Index.

The Manager may also acquire investment vehicles in non-US markets, providing their purpose is to invest in US companies. It is intended that securities will be held for the medium to long term.

## Cumulative performance (% change to 31/12/09)

	6 months	1 year	3 years	5 years
<b>Fund</b>	26.22	21.15	-5.28	9.05
<b>S&amp;P 500</b>	25.02	12.60	1.87	21.40
<b>Sector average</b>	24.45	19.11	1.46	18.63
<b>Quartile Ranking</b>	1	2	4	4

Percentage change in value at bid price, to 31/12/09. Net income reinvested.

Source: Lipper. Measured against IMA North America Sector

## Fund Manager's Comments

During the six-month period ending 31st December 2009, the price of the units rose by 26.2% compared with a 25.0% rise in the S&P 500 TR Index (in Sterling terms) and over the year as a whole the unit price rose by 21.2% against the 12.6% move in the S&P 500 TR Index, resulting in second quartile performance versus the peer group. Over the last three years the value of the units has declined by 5.3% in sterling terms compared with a 1.9% increase in the S&P 500 TR Index.

We adopt a consistent approach to the selection of companies suitable for the Trust. We look to identify well-managed, well financed companies with strong franchises and invest in them for the long-term, as we believe this is the best way to grow investors' capital. This approach gives us confidence that we can maintain the good performance momentum that has been achieved over the past year, delivering strong relative performance compared to both the US stock market and the peer group.

The year 2009 witnessed extreme levels of stress as the economy and markets were seemingly poised on the edge of a precipice at the beginning of March. Unprecedented action by Governments and Central Banks to provide liquidity to stabilise markets led to an aggressive recovery in the price of risk assets, particularly equities which rose by nearly 50% in sterling terms off the lows of March to the end of December 2009. The index was dominated by the very strong performance of technology, materials and consumer discretionary offset by consumer staples and energy which lagged. The relative performance was strong over the period, with stock selection gains being partially mitigated by sector allocation. Exxon Mobil Corp (not owned until later in the year), Morgan Stanley, Seagate Technology, Marvell Technology and Apple Inc. were the main

stock contributors. AFLAC, Exelon Corp., Genzyme Corp., SunTrust Banks and Comcast Corp detracted. Financials, Materials and Technology Hardware also detracted.

Covidien, FedEx Corp, General Dynamics, Comcast and Illinois Tool Works are currently the largest active overweight positions in the Trust. Covidien, a healthcare equipment and products company, remains the Fund's top overweight position. Covidien split from Tyco International in 2007 and has significantly improved its business mix and potential profitability since becoming a standalone company with a more disciplined focus on capital allocation.

FedEx Corp has remained a consistent leader in the global shipping business over the past decade and we have the conviction that management will keep them ahead of their competitors. General Dynamics is a relative newcomer to the portfolio. This defense company has an attractive portfolio of businesses that it has managed effectively and we feel revenue will grow faster than that of their competitors. We expect Comcast to experience strong revenue growth as a result of increased penetration of digital video, data and telephone services, products that it is bundling together as a package. Comcast's hybrid fiber coax network enables these products to be delivered over single network architecture and should provide meaningful operating leverage. Illinois Tool Works has good leverage to the global economic recovery and the management is well positioned to execute the company's strategy of buying other companies and scaling into their portfolio of businesses.

## Economic report

US GDP was up 2.2% (annualised) in the third quarter, the first increase in a year. An increase in consumer spending was the main driver of growth but residential investment and government spending also contributed. Restocking meant that inventories added marginally to growth, but a larger boost from inventories still looks likely. Increased spending on imports meant that net exports detracted from growth even as exports rose. The manufacturing ISM (Institute for Supply Management) improved in December but the non-manufacturing index fell back to contraction levels in November. The unemployment rate declined to 10% following further improvements in the initial and continuing claims numbers. Nonfarm payrolls showed the smallest decline since the start of last year and retail sales growth has been positive more recently. The industrial sector is also showing the first signs

### Outlook

It has been over a year since the collapse of Lehman Brothers, and while all is not entirely right in the financial world, a stabilisation process has set in. Credit spreads, which skyrocketed during the crisis and remained high early this year, have narrowed.

The US consumer has begun to emerge from its hibernation that began in the fourth quarter of 2008. Financials, which were considered a "binary bet" at the beginning of the year have strengthened their balance sheets, and have begun to move away from the government assistance that was necessary a year ago.

But problems remain. The real estate market, both commercial and residential, continues to move forward at a very sluggish pace. Foreclosures are still high as are mortgage delinquencies. The economy is not firing on all cylinders, and is

of revival, with industrial production and durable goods orders up in November. Capacity utilisation is increasing and inventory to sales ratios are shrinking. Housing data has improved but is still down on the year. The credit market continues to normalise as the financial stress diminishes. The Senior Loan Officer surveys point to a slowdown in credit tightening, but net consumer credit is still shrinking. The US trade deficit seems to have stabilized at a lower level and the dollar rallied slightly in real terms in the fourth quarter following earlier weakness. Year-on-year inflation spiked to 1.8% in November, but core inflation remains stable. The Federal Reserve kept rates on hold between 0 and 0.25% and the market expects the first increases to come in the third quarter of this year.

burdened by the costs of the financial bailout. We do however believe that the economic recovery is sufficiently entrenched and that the risk of a return to negative growth is low for the foreseeable future. A premature rise in interest rates would be a negative event given its stifling effect on the recovery process. At the present time we see this as a low probability outcome, given that the US Federal Reserve has never raised rates in the first year of a post-recession recovery apart from during 1981 when inflation was exceptionally high. The market expects interest rates to be kept on hold between 0 and 0.25% for some time and for the first increase to come towards the end of this year. It is important to remember that the economy and the market are not the same. In fact, they are very different. One of the factors that caused many to miss the early phase of this market recovery was

## Fund Manager's Comments (continued.)

the focus on economic conditions at the time, and a misunderstanding of the price/value opportunity that existed. While there has been an extreme focus on the US consumer and the US GDP, the US equity market (Russell 1000 Index) has exhibited a higher correlation with global GDP than US GDP over the last 15 years. Also, some of the drivers of the US equity market – global demand, business spending, a weak dollar and higher oil prices – are very different than what drives US GDP.

For investors that missed the beginning of the 2009 recovery, they may find solace in the fact that the current price/value opportunity is still attractive. In a typical market recovery, only about half of the price recovery occurs within the first six months. We still find the market attractively priced, and are specifically finding excellent bottom-up opportunities. While the greatest opportunities earlier in 2009 were in the allocation across sectors, we believe the greatest opportunities now lie in how a strategy allocates within sectors. Within the auto sector, auto parts manufacturers appear attractive relative to autos. Within the financial sector, large diversified financials appear to be better positioned to gain market share and weather the increased regulatory burden and current economic conditions relative to regional banks. Within the healthcare industry, the medical products companies provide the greatest price/intrinsic value opportunities although a few

of the large cap pharmaceutical names now look attractive after resolving impaired drug pipelines through acquisition. In the technology space, we prefer semiconductor equipment over software & services. Another area we are finding excellent opportunities is transportation. We emphasise our sector positioning is driven by the bottom-up opportunities we have identified as attractively priced in the current environment.

Linda Desforges  
The Co-operative Asset Management Limited  
January 2010

## Portfolio Statement

as at 31st December 2009

	Holding or nominal value of positions at 31st Dec 2009	Market Value £	Percentage of total net assets %
<b>Energy Equipment &amp; Services (Dec 2009: 3.18%, Dec 2008: 3.09%)</b>			
Baker Hughes Inc	64,200	1,619,320	1.35
First Energy Corp	45,100	1,321,073	1.10
Noble Corp	34,800	880,556	0.73
		<b>3,820,949</b>	<b>3.18</b>
<b>Oil, Gas &amp; Consumable Fuels (Dec 2009: 8.32%, Dec 2008: 8.60%)</b>			
Chevron Corp	53,400	2,558,637	2.13
EOG Resources Inc	15,700	957,191	0.80
Exxon Mobil	50,500	2,143,416	1.79
Marathon Oil Corp	68,200	1,324,374	1.10
Peabody Energy Corp	43,900	1,246,890	1.04
Ultra Petroleum	55,700	1,755,725	1.46
		<b>9,986,233</b>	<b>8.32</b>
<b>Chemicals (Dec 2009: 1.17%, Dec 2008: 0.48%)</b>			
Monsanto Company	27,800	1,416,477	1.17
		<b>1,416,477</b>	<b>1.17</b>
<b>Building Products (Dec 2009: 0.98%, Dec 2008: 0.63%)</b>			
Lowes Companies	81,100	1,176,778	0.98
		<b>1,176,778</b>	<b>0.98</b>
<b>Containers &amp; Packaging (Dec 2009: 0.52%, Dec 2008: Not Held)</b>			
Ball Corporation	19,300	620,751	0.52
		<b>620,751</b>	<b>0.52</b>
<b>Machinery (Dec 2009: 4.48%, Dec 2008: 4.92%)</b>			
Illinois Tool Works Inc	74,200	2,226,160	1.86
Paccar Inc	85,100	1,928,418	1.61
Pall Corp	53,400	1,209,747	1.01
		<b>5,364,325</b>	<b>4.48</b>
<b>Air Freight &amp; Logistics (Dec 2009: 2.36%, Dec 2008: 2.38%)</b>			
Fedex Corp	53,900	2,833,199	2.36
		<b>2,833,199</b>	<b>2.36</b>

## Portfolio Statement

as at 31st December 2009

	Holding or nominal value of positions at 31st Dec 2009	Market Value £	Percentage of total net assets %
<b>Airlines (Dec 2009: 0.84%, Dec 2008: Not Held )</b>			
Southwest Airlines	143,800	1,009,543	0.84
		<b>1,009,543</b>	<b>0.84</b>
<b>Aerospace &amp; Defence (Dec 2009: 2.11%, Dec 2008: Not Held )</b>			
General Dynamics Corp	59,600	2,525,976	2.11
		<b>2,525,976</b>	<b>2.11</b>
<b>Road &amp; Rail (Dec 2009: 1.77%, Dec 2008: 1.75%)</b>			
Ryder System Inc	40,000	1,042,018	0.87
Seagate Technology	95,200	1,083,348	0.90
		<b>2,125,366</b>	<b>1.77</b>
<b>Auto Components (Dec 2009: 1.83%, Dec 2008: 2.49%)</b>			
BorgWarner Inc	58,200	1,216,071	1.01
KLA Tencor	43,000	977,593	0.82
		<b>2,193,664</b>	<b>1.83</b>
<b>Household Durables (Dec 2009: 1.43%, Dec 2008: 1.03%)</b>			
Fortune Brands Inc	63,700	1,702,679	1.43
		<b>1,702,679</b>	<b>1.43</b>
<b>Household Products (Dec 2009: 2.36%, Dec 2008: Not Held)</b>			
Procter & Gamble	74,500	2,820,747	2.36
		<b>2,820,747</b>	<b>2.36</b>
<b>Hotels, Restaurants &amp; Leisure (Dec 2009: 1.82%, Dec 2008: 3.29%)</b>			
Carnival Corp	80,700	1,598,503	1.33
Intersil Holding Co	62,700	584,975	0.49
		<b>2,183,478</b>	<b>1.82</b>
<b>Media (Dec 2009: 9.55%, Dec 2008: 5.95%)</b>			
Amerada Hess Corp	39,100	1,471,244	1.23
Apple Inc	23,100	3,017,955	2.52
Comcast Corp	257,600	2,711,914	2.26
Dynegy Inc	226,500	255,932	0.21
Interpublic Group	256,400	1,152,537	0.96
Omnicom Group Inc	58,100	1,428,509	1.19
Viacom Inc	76,900	1,419,722	1.18
		<b>11,457,813</b>	<b>9.55</b>

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## Portfolio Statement

as at 31st December 2009

	Holding or nominal value of positions at 31st Dec 2009	Market Value £	Percentage of total net assets %
<b>Multiline Retail (Dec 2009: 1.60%, Dec 2008: 1.00%)</b>			
Walmart Stores Inc	57,000	1,911,086	1.60
		<b>1,911,086</b>	<b>1.60</b>
<b>Food &amp; Staples Retailing (Dec 2009: 0.69%, Dec 2008: 1.49%)</b>			
Sysco Corp	47,100	822,443	0.69
		<b>822,443</b>	<b>0.69</b>
<b>Personal Products (Dec 2009: 1.99%, Dec 2008: Not Held)</b>			
Avon Products	63,600	1,248,006	1.04
Estee Lauder	37,600	1,141,082	0.95
		<b>2,389,088</b>	<b>1.99</b>
<b>Beverages (Dec 2009: 1.98%, Dec 2008: 3.05%)</b>			
Pepsico Inc	62,700	2,371,648	1.98
		<b>2,371,648</b>	<b>1.98</b>
<b>Health Care Equipment &amp; Supplies (Dec 2009: 2.02%, Dec 2008: 3.12%)</b>			
Medtronic Inc	88,000	2,416,869	2.02
		<b>2,416,869</b>	<b>2.02</b>
<b>Health Care Providers &amp; Services (Dec 2009: 6.63%, Dec 2008: 2.18%)</b>			
Covidien	110,300	3,292,212	2.76
Medcohealth Solutions	22,100	883,836	0.75
UnitedHealth Group	104,100	1,991,948	1.66
Williams Cos Inc	132,800	1,745,739	1.46
		<b>7,913,735</b>	<b>6.63</b>
<b>Biotechnology (Dec 2009: 0.71%, Dec 2008: 4.68%)</b>			
Genzyme Corp	27,700	850,558	0.71
		<b>850,558</b>	<b>0.71</b>
<b>Pharmaceuticals (Dec 2009: 6.77%, Dec 2008: 3.70%)</b>			
Allergan Inc	47,700	1,868,180	1.56
Amgen Inc	38,900	1,381,574	1.15
Merck & Co. Inc	81,200	1,856,086	1.55
Pfizer Inc	263,300	3,004,405	2.51
		<b>8,110,245</b>	<b>6.77</b>

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## Portfolio Statement

as at 31st December 2009

	Holding or nominal value of positions at 31st Dec 2009	Market Value £	Percentage of total net assets %
<b>Life Sciences Tools &amp; Services (Dec 2009: 1.98%, Dec 2008: 1.52%)</b>			
Marvell Technology Group	88,700	1,140,824	0.95
Millipore Inc	15,200	683,345	0.57
National Semiconductor Corp	58,200	556,288	0.46
		<b>2,380,457</b>	<b>1.98</b>
<b>Commercial Banks (Dec 2009: 6.51%, Dec 2008: 5.36%)</b>			
Bank of America	154,200	1,433,887	1.19
City National Corp	20,600	584,974	0.48
JP Morgan Chase & Company	118,200	3,030,994	2.52
Wells Fargo & Co	169,100	2,799,278	2.32
		<b>7,849,133</b>	<b>6.51</b>
<b>Consumer Finance (Dec 2009: 1.00%, Dec 2008: 1.29%)</b>			
Discover Financial Services	131,500	1,201,692	1.00
		<b>1,201,692</b>	<b>1.00</b>
<b>Capital Markets (Dec 2009: 2.24%, Dec 2008: 3.05%)</b>			
Bank of New York Mellon Corp	83,400	1,442,912	1.20
Morgan Stanley	68,800	1,252,338	1.04
		<b>2,695,250</b>	<b>2.24</b>
<b>Insurance (Dec 2009: 5.09%, Dec 2008: 5.78%)</b>			
Ace Limited	31,600	984,555	0.82
Aflac Inc	61,800	1,786,974	1.49
AT&T Inc	102,100	1,784,094	1.49
Principal Financial Group	103,100	1,549,476	1.29
		<b>6,105,099</b>	<b>5.09</b>
<b>Software (Dec 2009: 6.21%, Dec 2008: 5.28%)</b>			
Autodesk	90,200	1,420,209	1.18
Intuit Inc	40,000	766,880	0.64
Microsoft Corp	185,800	3,548,389	2.99
VMWare Inc	63,400	1,677,435	1.40
		<b>7,412,913</b>	<b>6.21</b>

## Portfolio Statement

as at 31st December 2009

	Holding or nominal value of positions at 31st Dec 2009	Market Value £	Percentage of total net assets %
<b>Computers &amp; Peripherals (Dec 2009: 3.18%, Dec 2008: Not Held)</b>			
Hewlett Packard	79,000	2,580,896	3.18
		<b>2,580,896</b>	<b>3.18</b>
<b>Semiconductors &amp; Semiconductor Equipment (Dec 2009: 1.17%, Dec 2008: 5.77%)</b>			
Broadcom Corp	71,300	1,401,742	1.17
		<b>1,401,742</b>	<b>1.17</b>
<b>Electric Utilities (Dec 2009: 5.30%, Dec 2008: 4.07%)</b>			
American Electric Power Company Inc	89,000	1,937,662	1.62
Exelon Corp	72,500	2,210,969	1.84
PEPCO Holdings	38,600	412,086	0.34
Qualcomm Inc	62,300	1,802,587	1.50
		<b>6,363,304</b>	<b>5.30</b>
<b>Portfolio of investments</b>		<b>116,014,136</b>	<b>96.76</b>
<b>Net current assets</b>		<b>3,887,884</b>	<b>3.24</b>
<b>Net assets</b>		<b>119,902,020</b>	<b>100.00</b>
<b>Sectors held at 31st December 2008 not held at 31st December 2009</b>			
Independent Power Producers & Energy Traders Dec 2008: 0.19%			
Industrial Conglomerates Dec 2008: 3.06%			
Textiles, Apparel & Luxury Goods Dec 2008: 0.58%			
Internet & Catalog Retail Dec 2008: 0.93%			
Diversified Financial Services Dec 2008: 2.04%			
Computers & Peripherals Dec 2008: 2.52%			
Wireless Telecommunication Services Dec 2008: 0.65%			
Communications Equipment Dec 2008: 0.68%			
MultiUtilities Dec 2008: 1.64%			

## Summary of Material Portfolio Changes

for the year ended 31st December 2009

Significant Purchases	Cost £000	Significant Sales	Proceeds £000
Pfizer Inc	2,562	Intel Corp	3,309
Procter & Gamble	2,400	General Electric Co	2,922
JP Morgan Chase & Company	2,395	Wyeth	2,274
Exxon Mobil	2,264	Anadarko Petroleum	2,274
Johnson & Johnson	2,125	Halliburton	2,254
General Dynamics Corp	2,032	Johnson & Johnson	2,114
Hewlett-Packard Co	1,828	Analog Devices	1,603
Walmart Stores Inc	1,799	Johnson Controls Inc	1,558
UnitedHealth Group	1,661	Starbucks Corp	1,517
Qualcomm Inc	1,584	Sempra Energy	1,483
Merck & Co. Inc	1,571	Burlington Northern Santa Fe Corp	1,436
Bank of America	1,559	Penney J C	1,286
Wells Fargo & Co	1,529	Genzyme Corp	1,256
Monsanto Company	1,395	Macy's Inc	1,211
Covidien	1,370	Morgan Stanley	1,111
Williams Cos Inc	1,329	Apple Inc	1,049
Autodesk	1,326	Dr Pepper Snapple	969
First Energy Corp	1,239	Medcohealth Solutions	902
Lowes Companies	1,196	Broadcom Corp	894
Fortune Brands Inc	1,099	Peabody Energy Corp	872
<b>Total cost of purchases, including the above, for the year (see note 13)</b>	<b>53,280</b>	<b>Total proceeds from sales, including the above, for the year (see note 13)</b>	<b>52,130</b>

## Statement of Manager's Responsibilities in Relation to the Report and Financial Statements of the Trust

Financial statements for the year ended 31st December 2009, and this Manager's Report, have been prepared in accordance with the rules of the Collective Investment Schemes Sourcebook, published by the Financial Services Authority ("the COLL rules"). These require the Manager to prepare financial statements for each accounting period which give a true and fair view of the financial affairs of the Trust and of its net revenue and net capital gains/losses on the property of the Trust for the period. In preparing the financial statements the Manager is required to:

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the scheme will continue in operation
- select suitable accounting policies and then apply them consistently

- make judgements and estimates that are reasonable and prudent
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds
- follow generally accepted accounting principles and applicable accounting standards
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

The Manager is responsible for the management of the Trust in accordance with its Trust Deed, Prospectus and the COLL rules. The Manager has general responsibility for taking such steps as are reasonably open to it to prevent and detect fraud and other irregularities.

## Statement of the Trustee's Responsibilities in Relation to the Financial Statements of the Trust

The Trustee is under a duty to take into its custody or under its control all of the property of the Scheme and to hold it in trust for the holders of units. Under the rules in the Financial Services Authority's Collective Investment Schemes Sourcebook relating to Reports, it is also the duty of the Trustee to

enquire into the conduct of the Manager in the management of the Scheme in each accounting period and to report thereon to unitholders in a report which shall contain the matters prescribed by the rules. A copy of the Trustee's report is included in this Report.

## Independent Auditor's Report to the Unitholders of CIS US Growth Trust ('the Trust')

We have audited the financial statements of the Trust for the year ended 31st December 2009 which comprise the Statement of Total Return, the Statement of Change in Unitholders' Net Assets, the Balance Sheet together with the related notes and the Distribution Table. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trust's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes Sourcebook issued by the Financial Services Authority under section 247 of the Financial Services and Markets Act 2000.

### Respective responsibilities of the Manager (CIS Unit Managers Limited) and auditors

As described in the Statement of Manager's Responsibilities on page 13, the Manager is responsible for preparing the Annual Report and the financial statements in accordance with applicable law, UK financial services rules and regulations and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds and the rules in the Collective Investment Schemes Sourcebook published by the Financial Services Authority. In addition, we report to you whether the information given in the Manager's Report is consistent with the financial statements.

Our audit work has been undertaken so that we might state to the Trust's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

We also report to you if, in our opinion, proper accounting records for the Trust have not been kept or if the financial statements are not in agreement with those records. We also state whether we have received all the information and explanations necessary for the purposes of our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

### Opinion

#### In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial position of the Trust as at 31st December 2009 and of the net revenue and net capital gains on the property of the Trust for the year then ended
- the financial statements have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds and the rules in the Collective Investment Schemes Sourcebook published by the Financial Services Authority and

### Trustee's Report

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that the Manager has, in all material respects, managed the Scheme during the period in accordance with the investment and borrowing powers and restrictions applicable

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

- the information given in the Manager's Report is consistent with the financial statements.

We have received all the information and explanations which we consider necessary for the purposes of the audit.

Karen T Orr  
for and on behalf of KPMG LLP  
(Statutory Auditor)  
Chartered Accountants  
1 The Embankment, Neville Street, Leeds

20th April 2010

to the Scheme, and otherwise in accordance with the provisions of the Trust Deed and the rules in the Financial Services Authority's Collective Investment Schemes Sourcebook.

State Street Trustees Limited,  
Trustee of CIS US Growth Trust,  
525 Ferry Road, Edinburgh  
20th April 2010

## Performance Record

Unit prices			
	Highest buying price during the year	Lowest selling price during the year	Distribution paid during the year (pence per unit)
1st Jan 2005 to 31st Dec 2005	89.42p	69.48p	nil
1st Jan 2006 to 31st Dec 2006	91.75p	76.29p	nil
1st Jan 2007 to 31st Dec 2007	95.10p	77.20p	nil
1st Jan 2008 to 31st Dec 2008	87.42p	52.92p	0.3325
1st Jan 2009 to 31st Dec 2009	85.04p	51.84p	nil

Price information			
	Selling price (pence per unit)	Buying price (pence per unit)	Estimated net yield
31st December 2007	82.48	86.82	0.00%
31st December 2008	65.64	69.09	0.00%
31st December 2009	79.13	83.29	0.40%

Trust details			
	Total net asset value	Total units in issue	Net asset value per unit
31st December 2007	£111,477,107	135,048,000	82.55p
31st December 2008	£95,568,233	146,536,000	65.22p
31st December 2009	£119,902,020	151,372,000	79.21p

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.

Total Expense Ratio (TER)	
31st December 2008	1.56%
31st December 2009	1.55%

The TER is the ratio of the scheme's total operating costs to its average net assets, and is based on the period.

Portfolio Turnover Rate (PTR)	
31st December 2008	107.32%
31st December 2009	101.95%

The PTR is the measure of how frequently assets within the Fund are bought and sold by the Manager.

## Statement of Total Return

for the year ended 31st December 2009

	Notes	2009		2008	
		£	£	£	£
<b>Income</b>					
Net capital gains/(losses)	2		21,053,640		(23,758,232)
Revenue	3	1,852,249		2,343,947	
Expenses	4	(1,571,230)		(1,606,589)	
Finance costs: Interest	6	—		(73)	
Net revenue before taxation		281,019		737,285	
Taxation	5	(263,987)		(324,903)	
Net revenue after taxation			17,032		412,382
Total return before distributions			21,070,672		(23,345,850)
Finance costs: Distributions	6		2,285		(472,454)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>21,072,957</b>		<b>(23,818,304)</b>

## Statement of Change in Unitholders' Net Assets

for the year ended 31st December 2009

	2009		2008	
	£	£	£	£
<b>Opening net assets attributable to unitholders</b>		95,568,233		111,477,107
Amounts receivable on issue of units	3,259,721		8,692,103	
Amounts payable on cancellation of units	—		(782,673)	
		3,259,721		7,909,430
Change in net assets attributable to unitholders from investment activities		21,072,957		(23,818,304)
Unclaimed distributions		1,109		—
<b>Closing net assets attributable to unitholders</b>		<b>119,902,020</b>		<b>95,568,233</b>

## Balance Sheet

as at 31st December 2009

	Notes	2009		2008	
		£	£	£	£
<b>Assets:</b>					
Investment assets			116,014,136		93,884,811
Debtors	7	122,648		259,196	
Cash and bank balances	8	3,973,310		2,077,129	
Total current assets			4,095,958		2,336,325
Total assets			120,110,094		96,221,136
<b>Liabilities:</b>					
Creditors	9	(208,074)		(165,671)	
Distribution payable	6	—		(487,232)	
Total current liabilities			(208,074)		(652,903)
<b>Net assets attributable to unitholders</b>			<b>119,902,020</b>		<b>95,568,233</b>
<b>M. A. Summerfield</b> (Chairman)		<b>P. Sharman</b> (Director)			
20th April 2010					
Approved by the board of CIS Unit Managers Limited and signed on its behalf by M. A. Summerfield and P. Sharman.					

## Notes to the Financial Statements

as at 31st December 2009

### 1 Accounting policies

#### Basis of preparation

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in November 2008.

Previously the requirements of the Statement of Recommended Practice for Authorised Funds issued by the IMA in December 2005 have been applied. As a result of the reanalysis in the Statement of Total Return as set out on page 17, the comparative figures have been restated. The reanalysis did not change either the total return or net assets attributable to Unitholders in either the current or preceding year.

In addition, adopting the Statement of Recommended Practice for Financial Statements of Authorised Funds, issued by the IMA in November 2008, has resulted in certain changes to presentation which include:

- Returns from capital property are now disclosed as net capital gains/(losses) and income from income property is disclosed as revenue.
  - Portfolio Turnover Ratios are now included in the Performance Record, which has had no impact on these financial statements.
- Other gains
- Currency gains were previously included as a separate line in the Statement of Total Return but have now been included in net capital gains/(losses). The effect of this change has been to reduce other gains in the comparative period by £21,690 and reduce net capital losses by the same amount.

#### Basis of valuation of investments

Listed investments are valued at closing bid prices, at the last valuation point of the year.

#### Exchange rates

Assets and liabilities in currencies other than sterling are translated into sterling at the rates of exchange

ruling at Balance sheet date. Revenue and expenditure transactions are translated at the rates of exchange ruling at the date of transaction.

#### Recognition of revenue

Dividends on equities are recognised when the security is quoted ex-dividend. Other revenue is accounted for on an accruals basis.

#### Treatment of expenses

CIS Unit Managers Limited makes an annual management charge of 1.5% of the value of the Trust. All expenses, except those relating to the purchase and sale of investments and stamp duty reserve tax, are charged against revenue.

#### Treatment of stock and special dividends

The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Trust and it forms part of the distribution.

#### Taxation

Corporation tax is provided at 20% on taxable revenue, after deduction of allowable expenses. Where overseas tax has been deducted from overseas revenue, then that tax can, in some instances, be set off against the corporation tax payable, by way of double tax relief.

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only to the extent they are regarded as recoverable.

Stamp duty reserve tax suffered on the surrender of units is charged against unitholders net assets in the statement of change in net assets attributable to unitholders

#### Distribution policy

The excess of revenue over expenses, as disclosed in the financial statements, is distributable to unitholders. Any revenue deficit is deducted from capital. Interim distributions are paid to unitholders half yearly.

## Notes to the Financial Statements

as at 31st December 2009

### 2 Net capital gains/(losses) on investments

	2009 £	2008 £
The net capital gains/(losses) on investments during the year comprise:		
Non-derivative securities	20,982,293	(23,779,922)
Proceeds from Class actions	10,891	3,211
Breach compensation	-	531
Currency gains	60,456	17,948
<b>Net capital gains/(losses)</b>	<b>21,053,640</b>	<b>(23,758,232)</b>

### 3 Revenue

	2009 £	2008 £
Overseas dividends	1,842,979	2,263,162
Bank interest	9,270	80,785
<b>Total income</b>	<b>1,852,249</b>	<b>2,343,947</b>

### 4 Expenses

	2009 £	2008 £
<b>Payable to the Manager, associates of the Manager and their agents:</b>		
Manager's periodic charge	1,505,957	1,530,690
<b>Payable to the Trustee, associates of the Trustee and their agents:</b>		
Trustee's fee	22,332	22,903
Safe custody charges	14,039	17,026
Activity charges	22,540	29,760
	58,911	69,689
<b>Other expenses</b>		
Audit fee	6,362	6,210
	6,362	6,210
<b>Total expenses</b>	<b>1,571,230</b>	<b>1,606,589</b>

## Notes to the Financial Statements

as at 31st December 2009

### 5 Taxation

#### a) Analysis of charge for the year

	2009 £	2008 £
*Corporation tax	-	134,264
Double tax relief	-	(134,264)
Overseas tax	282,050	314,704
Total current tax charge	282,050	314,704
Total deferred tax	(18,063)	10,199
<b>Total taxation</b>	<b>263,987</b>	<b>324,903</b>

\*Corporation tax has been provided at a rate of 20% (2008:20%).

#### b) Factors affecting the current tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for a unit trust company (20%). The differences are explained below:

	2009 £	2008 £
Net income before tax	281,019	737,285
Corporation tax @ 20%	56,204	147,457
<i>Effects of:</i>		
*Income not subject to tax	(175,656)	-
Irrecoverable overseas tax	282,050	180,440
Other short-term timing differences	22,874	(13,193)
Unutilised excess management expenses	96,578	-
<b>Current tax charge for the year (note 6a)</b>	<b>282,050</b>	<b>314,704</b>

\*Changes in UK legislation in the Finance Act 2009 meant that overseas dividends received from 1st July 2009 were no longer liable to corporation tax in the Trust. Accordingly the overseas dividends income received from 1st July 2009 is not subject to tax.

## Notes to the Financial Statements

for the year ended 31st December 2009

### c) Deferred withholding tax position

	2009	2008
	£	£
Opening balance	32,110	21,911
Movement charged for the year (note 6a)	(18,063)	10,199
<b>Closing balance</b>	<b>14,047</b>	<b>32,110</b>
Deferred withholding taxation provided comprises:		
Withholding tax payable on accrued overseas dividends	14,047	32,110

As a result of changes in the Finance Act 2009, eligible unrelieved foreign tax (EUFT) was abolished from 1 July 2009 and as such no recognised deferred tax asset in relation to EUFT exists at the year end.

As at 31 December 2008 after offset against accrued revenue taxable on receipt, there was an unrecognised deferred tax asset of £1,122,729 in relation to EUFT. No deferred tax asset was recognised in the prior year as it was considered unlikely that the Trust would generate sufficient profits in the future to utilise these amounts.

## 6 Finance costs

### Distributions

The distributions take account of income received on the creation of units and income deducted on the cancellation of units and comprise:

	2009	2008
	£	£
Final	–	487,232
	–	487,232
Deduct: Income received on creation of units	(2,285)	(15,791)
Add: Income deducted on liquidation of units	–	1,013
Net distribution for the year	<b>(2,285)</b>	<b>472,454</b>
Interest	–	73
<b>Total finance costs</b>	<b>(2,285)</b>	<b>472,527</b>

## Notes to the Financial Statements

as at 31st December 2009

### 7 Debtors

	2009	2008
	£	£
Sales awaiting settlement	22,074	42,531
Accrued income	99,697	214,066
Bank interest	877	2,599
	<b>122,648</b>	<b>259,196</b>

### 8 Cash and bank balances

	2009	2008
	£	£
Cash and bank balances	<b>3,973,310</b>	<b>2,077,129</b>

### 9 Creditors

	2009	2008
	£	£
Purchases awaiting settlement	35,460	–
Manager's periodic charge	150,138	125,561
Trustee's fee	2,075	1,790
Audit fee	6,354	6,210
Overseas tax payable	14,047	32,110
	<b>208,074</b>	<b>165,671</b>

### 10 Capital commitments

At 31st December 2009 there were no outstanding capital commitments (December 2008: Nil) in respect of nil and partly paid securities held by the Trust.

### 11 Related Parties

The Manager and Trustee are related to the Fund as defined by Financial Reporting Standard 8 'Related Party Disclosures' and are named on page 2.

Fees received by the Manager and the Trustee are disclosed in note 4 of the financial statements.

By virtue of the regulations governing authorised unit trusts, the Manager is party to every transaction in respect of units of the Fund, which are summarised in the Statement of Movement in Unitholders' Funds.

Any amounts due to or from the Manager and Trustee at the end of the accounting period are disclosed in notes 7 (Debtors) and 9 (Creditors).

## Notes to the Financial Statements

as at 31st December 2009

### 12 Derivatives and other Financial Instruments

In pursuing the Fund's investment objectives set out on page 3, the Fund holds a number of financial instruments which include:

- Equity shares held in accordance with the Fund's investment objectives and policies.
- Cash, liquid resources and short-term debtors and creditors that arise directly from its operations.

The main risks arising from the Fund's financial instruments are market price and foreign currency risks. The Manager reviews each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the period to which these financial statements relate.

#### Market Price Risk

Market risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The asset allocation of the portfolio is reviewed in order to manage the risk associated with particular industry sectors whilst continuing to follow

the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with an overall asset allocation parameter and seeks to ensure that the Fund invests in a diversified fashion, to reduce the risk of exposure to a significant event affecting a single security, or industry, subject to the obligation under the Fund's objective to invest in securities which share certain characteristics.

#### Foreign Currency Risk

The income and capital of the Fund's investments can be significantly affected by currency translation movements, as a portion of the Fund's assets and income are denominated in currencies other than Sterling, which is the Fund's base currency.

The Fund does not reduce currency exposure on the capital value of investments at the time of purchase or sale through forward foreign exchange contracts pertaining through the transaction settlement period. Foreign exchange transactions relate only to the equities the Fund trades in.

The Fund's currency exposure is analysed as follows:

	2009	2008
	£	£
Sterling	3,788,187	1,332,251
US Dollar	116,113,833	94,235,982
	<b>119,902,020</b>	<b>95,568,233</b>

## Notes to the Financial Statements

as at 31st December 2009

The profile of the currency is as follows:

Currency	Investments 2009 (£)	Other Net Assets 2009 (£)	Total 2009 (£)
Sterling	–	3,788,187	3,788,187
US Dollar	116,014,136	99,697	116,113,833
Total	<b>116,014,136</b>	<b>3,887,884</b>	<b>119,902,020</b>
Currency	Investments 2008 (£)	Other Net Assets 2008 (£)	Total 2008 (£)
Sterling	–	1,332,251	1,332,251
US Dollar	93,884,811	351,171	94,235,982
Total	<b>93,884,811</b>	<b>1,683,422</b>	<b>95,568,233</b>

#### Liquidity Risk

The Fund's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if and when necessary. The main liability of the fund is the redemption of any units that investors wish to sell.

### 13 Portfolio Transaction Costs

	2009		2008	
Analysis of total purchase costs	£	£	£	£
Purchases in period before transaction costs		53,219,254		62,936,265
Commissions	61,017		74,967	
Total purchase costs		61,017		74,967
Gross purchases total		<b>53,280,271</b>		<b>63,011,232</b>

	2009		2008	
Analysis of total sale costs	£	£	£	£
Gross sales before transaction costs		52,218,321		55,938,142
Commissions	(87,135)		(61,114)	
Security & Exchange Commission Fee	(1,030)		(439)	
Total sale costs		(88,165)		(61,553)
Total sales net of transaction costs		<b>52,130,156</b>		<b>55,876,589</b>

## Distribution Table

### Interim Distribution

for the period ended 30th June 2009

Group 1 – Units purchased prior to 1st January 2009

Group 2 – Units purchased on or after 1st January 2009

	<b>Net income 2009 pence per unit</b>	<b>Equalisation 2009 pence per unit</b>	<b>Distribution payable 2009 pence per unit</b>	<b>Distribution payable 2008 pence per unit</b>
<b>Income units</b>				
Group 1	nil	nil	nil	nil
Group 2	nil	nil	nil	nil

### Final Distribution

for the year ended 31st December 2009

Group 1 – Units purchased prior to 1st July 2009

Group 2 – Units purchased on or after 1st July 2009

	<b>Net income 2009 pence per unit</b>	<b>Equalisation 2009 pence per unit</b>	<b>Distribution payable 2009 pence per unit</b>	<b>Distribution payable 2008 pence per unit</b>
<b>Income units</b>				
Group 1	nil	nil	nil	0.3325
Group 2	nil	nil	nil	0.3325

### Prices

The price of the CIS US Growth 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 the units, and the selling price is the price at which you can sell the units back to the Manager.

The difference between the buying and selling prices, currently 5%, is known as the spread. This includes the initial management charge to cover the expense of selling the units and administration.

Full details of how the Trust is priced are contained in the Prospectus.

### Prospectus

Copies of the most recent Prospectus may be obtained, free of charge, from CIS Unit Managers Limited, PO Box 105, Manchester M4 8BB.