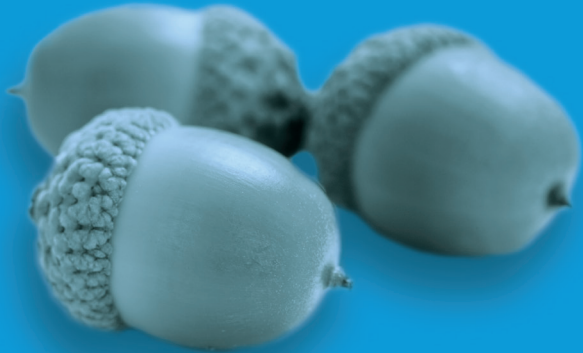


The **co-operative**
asset management

CIS Corporate Bond Income Trust

Manager's Report in summary



Annual Short Report

31st August 2011

The Co-operative Asset Management

The CIS Corporate Bond Income 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 scheme.

The Co-operative Asset Management is the fund management arm of The Co-operative Group 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 31/08/11)

	6 months	1 year	3 years	5 years
Trust	2.01	0.95	13.00	8.49
iBoxx Corporate Bond	2.27	0.39	18.17	17.44
Sector Median	2.52	0.51	17.11	13.26
Quartile Ranking	3	2	4	3

Percentage change in value at bid price, to 31/08/11.
Net income reinvested.

Source: Lipper. Measured against IMA £ Corporate Bond.

Investment Review and Outlook

Fund Manager's Comments

During the year ended 31st August 2011, the total return on this Trust, including income distributed, was 0.95%, compared with the peer group median of 0.51%.

Much like last year, the current year under review can best be described as "a game of two halves". Autumn and winter saw UK government bond (gilt) yields rising as investors took fright at the spectre of rising inflationary pressures and the prospect of higher interest rates in the UK, while the ongoing sovereign debt crisis in Europe formed part of a somewhat uncertain international environment.

Throughout this phase, the combination of the additional yield received on corporate bonds and a modest narrowing of credit spreads offset some of the capital losses from the rise in underlying gilt yields. Against this backdrop, the Trust's relative returns were favourable, enhanced by a shorter-than-average duration position and a lack of exposure to the European periphery.

As winter progressed, markets began to exhibit an increasing degree of risk aversion as the ongoing machinations in Europe combined with the unfurling of the Arab Spring across the Middle East and North

Investment Review and Outlook

Africa. On March 11th such events were pushed off the front pages by the tragic events in north-eastern Japan, where a massive earthquake and subsequent tsunami cost the lives of thousands and led to fears of an impending nuclear disaster at the Fukushima Power Station. The initial flight to safety proved to be short-lived, but resumed apace in mid-April, as signs of a global economic slowdown began to emerge.

After reaching 3.80% in April Ten-year gilt yields have been on an almost exclusively downward path in the months since, trading below 2.40% during August. The UK government's insistence on sticking rigidly to a policy of fiscal austerity in the face of mounting criticism from both its political opponents and various growth-oriented economists around the globe, has enabled the gilt market to attain a safe haven status in the face of the elevated levels of uncertainty prevalent elsewhere.

During this volatile summer period, credit markets have come under increasing pressure from the dual threat of slowing economic growth and deteriorating sovereign credit quality in certain eurozone countries. Financials have borne the brunt of the pain despite the continuing regulatory-driven efforts to strengthen their balance sheets and construct a more robust global financial system. Such weakness has undermined the performance of the Trust in recent weeks, resulting in some of the strong relative performance from earlier in the year being unwound.

As an income-orientated Trust, with the objective of capital stability at the heart of our investment process, we tend to position the Trust towards the shorter end of the bond maturity spectrum. This enables the Trust to take advantage of the

attractive yield pick-up available from corporate (i.e. non-government) bonds, whilst not exposing unit holders' capital to the volatility engendered by holding an excess of longer-dated bonds.

This means that when government bond yields fall, the Trust will lag the performance of some of its more aggressive peers. We have compounded this "natural home" positioning of the Trust this year by expressing a negative view towards UK government bonds. By underestimating the potential of UK bond yields to fall to new lows during recent months to levels we consider to offer poor value, we have forsaken some short-term performance to remain positioned in what we perceive to be the "sweet-spot" of the sterling bond market.

We take a long-term view in the investment of your savings. As you would expect with this style of investment, the individual holdings will change to conform to the income and maturity requirements of the Trust but the broad investment criteria will change only infrequently. We invest solely on the basis of the long-term ability of a company to service its debt and any change to the outlook for a company's profitability may affect that prospect. Prices of corporate bonds are influenced by a number of factors. At the macro level, they change with movements in interest rates and the absolute level of yields in the UK government bond market. At the micro level, they can be affected by changes in profitability, takeovers or mergers and acquisitions, and breaches of covenants in the relevant company Deeds.

Outlook

In recent weeks, UK gilt yields have stabilised somewhat. Ten-year borrowing costs for the UK Treasury now stand at around 2.40%, with the market now torn between the prospects for further

Investment Review and Outlook

Quantitative Easing by the Bank of England and a potential relaxing of the government's fiscal austerity programme. We believe that the Government's dogged insistence on maintaining its fiscal targets has provided the gilt market with a reputation that is disproportionate to the true state of the domestic economy. As we enter the second half of their current term in office, the demands to stimulate growth will become irresistible. At this point the gilt market will quickly begin to lose its lustre as fiscal rectitude is replaced by political expediency.

The corporate bond market has come under intense pressure from the uncertain global outlook over recent weeks. Credit spreads on financials and those issuers with significant peripheral European exposure were the most impacted. There is, however, a growing belief that many companies currently offer more security of future repayment than some of the less well regarded sovereign

issuers. We suspect that corporate bonds can post strong performance from their current oversold valuations, but are acutely aware that the recent bout of weakness could persist, given the escalated level of uncertainty pervading investor sentiment at present.

We now feel increasingly confident, given current market valuations, that through careful credit selection and timely sector rotation it will remain possible, in our opinion, to produce a relatively attractive income from investing in the asset class. With that in mind, we continue to recommend corporate bonds and the yields that they offer as an attractive asset choice over the medium-term.

Daniel Fox
The Co-operative Asset Management
September 2011

Fund Facts

Distribution qualifying dates	Last day of each month
Distribution pay dates	17th of each month
Total Expense Ratio as at 31st August 2010	1.05%
Total Expense Ratio as at 31st August 2011	1.04%

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

Fund Performance

Unit Class	Net Asset Value as at 31st August 2010	Net Asset Value as at 31st August 2011	Net Asset Value % change
Income	84.63p per unit	81.68p per unit	-3.49%

Distribution

A net distribution of 0.2800 pence per unit was paid to unitholders on 17th of each month between October 2010 and August 2011.

A net distribution of 0.4514 pence per unit was paid to unitholders on 17th September 2011.

Investment Objective

The Trust aims to produce a regular income from a portfolio of fixed interest securities. The Trust may also invest in other investments to the extent permitted by the COLL Sourcebook as applicable from time to time and explained in the Prospectus.

Risk Profile

Bonds, 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
- liquidity risk
- credit 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

Units, which are exclusively income units, were initially offered to the public at £1.

	Highest buying price (p)	Lowest selling price (p)	Distribution (pence per unit)
1st Jan 2006 to 31st Dec 2006	106.1	94.33	4.3840
1st Jan 2007 to 31st Dec 2007	99.26	88.17	4.1486
1st Jan 2008 to 31st Dec 2008	95.41	73.85	3.9996
1st Jan 2009 to 31st Dec 2009	85.81	71.79	3.8492
1st Jan 2010 to 31st Dec 2010	91.39	80.40	3.4914
1st Jan 2011 to 31st Aug 2011	90.48	81.54	2.4114

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 the units and the selling price is the price at which you can sell the units back to the Manager.

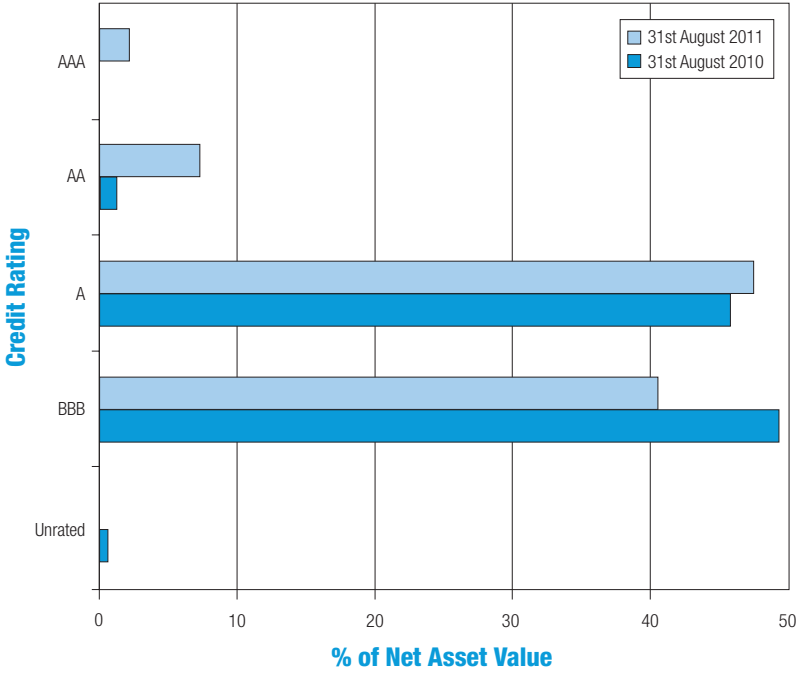
Trust details

	Total net asset value (£)	Total units in issue	Net asset value per unit (p)
31st August 2008	335,833,833	401,457,000	83.65
31st August 2009	313,711,772	400,756,000	78.28
31st August 2010	379,195,744	448,072,000	84.63
31st August 2011	393,799,973	482,144,000	81.68

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 year end, compared to the previous year end.



Source: The Co-operative Asset Management

Major Holdings

The table below shows the top 10 investments by value, held by the Trust at the year end, compared to the previous year end.

Holding	% of net asset value as at 31st August 2011	Holding	% of net asset value as at 31st August 2010
Santander UK 11.5% Sub Gtd Bds 2017	3.33%	Abbey National Sterling Capital 11.5% Sub Gtd Bds 2017	3.57%
South East Water (Finance) Ltd 5.6577% Gtd 2019 A1	3.26%	Rabobank 5.556% 2019	3.51%
Barclays Bank 10% Sub Mtn 2021	2.75%	BAE Systems 10.75% 2014	2.99%
Tesco Property Finance 4 5.8006% Bds 2040	2.56%	Barclays Bank 10% Sub Mtn 2021	2.69%
Imperial Tobacco Group 9% Mtn 2022	2.36%	Centrica 6.4% Bds 2026	2.67%
Telereal Securitisation 7.098%-Frn 2033 B2	2.18%	ASIF II 5.125% Emtn 2013	2.40%
BNP Paribas 5.945%-FRN Perp	2.01%	Australia & New Zealand Bank 6.54% 2012	2.11%
Aviva 6.625% Nts 2041	1.91%	Marks & Spencer Group 6.875% Snr Mtn 2037	2.04%
Njord Gas Infrastructure 5.241% Bds 2027	1.85%	CRH Finance 8.25% Gtd Bds 2015	1.99%
Glencore Finance Europe 6.5% Gtd Emtn 2019	1.83%	Nationwide 6.024% 2049 FRN Sub Perp 2013	1.85%

Reports and Accounts

Copies of the annual and half-yearly long-form report and accounts of this Trust 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

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

CIS Unit Managers Limited,

PO Box 105, Manchester M4 8BB
Telephone: 08457 46 46 46

Authorised and regulated by the Financial Services Authority, and a member of the Investment Management Association.

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

Trustee

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Authorised and regulated by the Financial Services Authority.

Auditors

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Chartered Accountants
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Neville Street
Leeds LS1 4DW

Investment Manager

The Co-operative Asset Management Limited
Miller Street
Manchester M60 0AL
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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.

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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 Corporate Bond Income Trust.

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