

The **co-operative**  
asset management

# CIS US Growth Trust

Manager's Report



**Interim Report**

30th June 2011

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 section 243 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. Bulmer  
A. Russell

## 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 the Financial Services Authority

# The Co-operative Asset Management

The CIS US 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.

## 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

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.

will be represented within the Standard & Poor's 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.

## 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
- foreign currency 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.

## Cumulative performance (% change to 30/06/11)

	6 months	1 year	3 years	5 years
<b>Trust</b>	0.6	18.0	27.6	15.9
<b>Russell 1000 TR</b>	3.7	22.9	38.2	35.5
<b>Sector Median</b>	1.3	19.5	31.5	27.5
<b>Quartile Ranking</b>	3	3	3	4

Percentage change in value at bid price, to 30/06/11.  
Net income reinvested.

Source: Lipper. Measured against IMA North America Sector.

# Investment Review and Outlook

## Fund Manager's comments

During the six-month period ending 30th June 2011, the price of the units rose by 0.6% compared with a 3.7% rise in the Russell 1000 Index (in Sterling terms). 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.

The US equity market rose modestly over the first half of 2011. Corporate earnings reports, which were generally better than expected, supported the market through to the end of April. However, concerns related to the European debt crisis did have a negative impact on the US equity market from mid-March onwards. In May and June weaker than expected economic data weighed on

investor sentiment with lacklustre manufacturing and employment reports. In late June equity markets rallied in relief that much needed austerity measures were passed in Greece.

The index saw strong performance in healthcare and materials, offset by the financials' performance where stocks generally declined. Stock selection contributed to the relative underperformance over the period. The main detractors were Carnival Corp, Morgan Stanley, Cisco Sys Inc, General Motors Corp and Aflac Inc. The main positives were National Semiconductor, UnitedHealth, Pharmasset Inc, Bank of America Corp and Google Inc. Positioning at the sector level was beneficial to the portfolio with the overweight to healthcare a significant positive.

## Outlook

One of the drivers of strong US stock price movement over the past year has been earnings, which were in turn primarily driven by higher margins. The question now, especially given the recent correction, is whether the market will show continued strength, and if margins are sustainable. We believe they are, despite valid concerns.

In the first half of 2011, oil prices spiked well over \$100 per barrel, Japan was hit by a crippling tsunami, the US Federal Reserve signalled an end to quantitative easing, and investors remain concerned over the European debt crisis. Fortunately, oil prices have fallen and appear to be moderating and the most recent data from Japan shows a supply chain moving back to normal, which should

be constructive for global industrial activity going forward. The European debt crisis remains in the headlines. If the politicians and monetary authorities in Europe can continue to ensure the support of the weakest areas whilst their fiscal imbalances are addressed, then growth in this region will be sluggish, but confidence in the financial system will remain in place and investors will instead turn their attention to corporate earnings.

For the US market, with the exception of financials, earnings in other sectors have already reached or exceeded those at the peak of the prior cycle. The primary driver of profit margin improvement here has stemmed from lower labour costs.

# Investment Review and Outlook

With considerable slack in the labour markets and the trend in global outsourcing set to continue, margins around current levels can be sustainable even in a low growth environment.

Our strategy remains overweight to the healthcare sector, and we view biotechnology as an area of great opportunity. We have identified a collection of biotechnology stocks that feature strong science driving their pipeline. Some are experiencing short-term problems that are currently hindering performance, but this presents the opportunity. Because of the higher risk nature of these companies, our preference is to have a “basket” of stocks with similar characteristics. We believe that our analyst coverage, our relatively longer time horizon (which allows us to let an idea play out) and our strong company and industry-level research provide us with the conviction to seek opportunities in this area.

Another area where we find very attractive valuations is media. We expect the cable operators to generate revenue growth as a result of increased penetration of digital video, data and telephone services. We also expect good performance from other areas within media where companies will benefit from good secular growth and a strong focus on returns to shareholders.

We are underweight in telecoms, materials and technology software. While the economy is improving, these areas appear to be already factoring in a strong global economic environment.

Linda Desforges  
The Co-operative Asset Management  
July 2011

# Portfolio Statement

as at 30th June 2011

	<b>Holding or nominal value of positions at 30th June 2011</b>	<b>Market Value £</b>	<b>% of total net assets</b>
<b>Oil &amp; Gas Producers – (June 2011: 8.36%, Dec 2010: 8.29%)</b>			
EOG Resources Inc	31,200	2,008,923	1.51
Exxon Mobil	117,200	5,876,290	4.42
Hess Corp	28,100	1,281,462	0.96
Ultra Petroleum	68,500	1,962,033	1.47
		<b>11,128,708</b>	<b>8.36</b>
<b>Oil Equipment, Services &amp; Distribution – (June 2011: 2.91%, Dec 2010: 2.74%)</b>			
Ensco	55,200	1,837,644	1.39
Noble Corp	83,400	2,024,628	1.52
		<b>3,862,272</b>	<b>2.91</b>
<b>Chemicals – (June 2011: 1.21%, Dec 2010: 1.36%)</b>			
Celanese Corp	48,500	1,593,690	1.21
		<b>1,593,690</b>	<b>1.21</b>
<b>Construction &amp; Materials – (June 2011: 0.37%, Dec 2010: 1.76%)</b>			
Vulcan Materials	20,300	488,874	0.37
		<b>488,874</b>	<b>0.37</b>
<b>Aerospace &amp; Defence – (June 2011: 4.36%, Dec 2010: 2.71%)</b>			
Boeing Co	54,300	2,467,118	1.85
General Dynamics Corp	72,100	3,327,207	2.51
		<b>5,794,325</b>	<b>4.36</b>
<b>Industrial Engineering – (June 2011: 3.32%, Dec 2010: 4.82%)</b>			
Illinois Tool Works Inc	82,900	2,857,156	2.15
Paccar Inc	49,800	1,553,654	1.17
		<b>4,410,810</b>	<b>3.32</b>
<b>Industrial Transportation – (June 2011: 2.51%, Dec 2010: 2.33%)</b>			
Fedex Corp	30,700	1,795,300	1.30
Norfolk Southern Corp	34,700	1,608,242	1.21
		<b>3,403,542</b>	<b>2.51</b>
<b>Support Services – (June 2011: 0.30%, Dec 2010: Not Held)</b>			
Emdeon Inc	48,400	404,555	0.30
		<b>404,555</b>	<b>0.30</b>

# Portfolio Statement

as at 30th June 2011

	Holding or nominal value of positions at 30th June 2011	Market Value £	% of total net assets
<b>Automobiles &amp; Parts – (June 2011: 1.50%, Dec 2010: 2.58%)</b>			
General Motors Co	105,500	1,996,970	1.50
		<b>1,996,970</b>	<b>1.50</b>
<b>Beverages – (June 2011: 2.34%, Dec 2010: 1.87%)</b>			
Pepsico Inc	71,400	3,120,502	2.34
		<b>3,120,502</b>	<b>2.34</b>
<b>Food Producers – (June 2011: 2.19%, Dec 2010: 1.86%)</b>			
Kraft Foods Inc	133,700	2,909,118	2.19
		<b>2,909,118</b>	<b>2.19</b>
<b>Personal Goods – (June 2011: 3.30%, Dec 2010: 1.33%)</b>			
Avon Products Inc	94,100	1,631,282	1.23
Colgate-Palmolive	50,900	2,758,441	2.07
		<b>4,389,723</b>	<b>3.30</b>
<b>Health Care Equipment &amp; Services – (June 2011: 6.43%, Dec 2010: 5.96%)</b>			
Baxter International Inc	37,300	1,385,512	1.04
Bio Rad Laboratories	8,700	651,651	0.49
Covidien	43,700	1,458,896	1.10
HCA Holdings Inc	49,700	1,014,647	0.76
Medtronic Inc	72,800	1,731,373	1.30
UnitedHealth Group	72,100	2,321,433	1.74
		<b>8,563,512</b>	<b>6.43</b>
<b>Pharmaceuticals &amp; Biotechnology – (June 2011: 9.09%, Dec 2010: 7.26%)</b>			
Acorda Therapeutics Inc	39,400	797,476	0.60
Alexion Pharmaceuticals	37,300	1,090,514	0.82
Allergan Inc	30,800	1,616,435	1.21
Amgen Inc	31,900	1,151,250	0.88
Amylin Pharmaceuticals	34,700	289,609	0.22
Johnson & Johnson	83,100	3,442,362	2.59
Merck & Co. Inc	104,800	2,297,973	1.73
Pharmasset Inc	10,800	746,133	0.56
Teva Pharmaceutical Industries	21,700	645,273	0.48
		<b>12,077,025</b>	<b>9.09</b>

# Portfolio Statement

as at 30th June 2011

	Holding or nominal value of positions at 30th June 2011	Market Value £	% of total net assets
<b>Food &amp; Drug Retailers – (June 2011: 1.50%, Dec 2010: 1.41%)</b>			
Kroger Co.	129,800	1,992,307	1.50
		<b>1,992,307</b>	<b>1.50</b>
<b>General Retailers – (June 2011: 3.42%, Dec 2010: 2.88%)</b>			
Amazon.com Inc	18,000	2,295,836	1.72
Apollo Group	34,600	929,872	0.70
Gamestop	81,600	1,325,379	1.00
		<b>4,551,087</b>	<b>3.42</b>
<b>Media – (June 2011: 5.25%, Dec 2010: 4.93%)</b>			
Comcast Corp	161,300	2,514,093	1.88
Time Warner	119,600	2,697,211	2.03
Viacom Inc	56,600	1,787,015	1.34
		<b>6,998,319</b>	<b>5.25</b>
<b>Travel &amp; Leisure – (June 2011: 5.44%, Dec 2010: 3.66%)</b>			
Carnival Corp	106,900	2,497,617	1.88
Hertz Global holding	172,700	1,686,273	1.27
International Game Technology	129,900	1,416,058	1.06
Southwest Airlines	230,200	1,637,968	1.23
		<b>7,237,916</b>	<b>5.44</b>
<b>Electricity – (June 2011: 3.61%, Dec 2010: 2.60%)</b>			
American Electric Power Company Inc	62,700	1,471,976	1.11
First Energy Corp	62,200	1,707,367	1.28
Nextera Energy	45,400	1,623,140	1.22
		<b>4,802,483</b>	<b>3.61</b>
<b>Banks – (June 2011: 8.09%, Dec 2010: 7.18%)</b>			
Citigroup Inc	114,350	2,964,563	2.23
JP Morgan Chase & Co	125,900	3,182,991	2.39
US Bancorp	113,900	1,801,623	1.35
Wells Fargo & Co	160,600	2,816,206	2.12
		<b>10,765,383</b>	<b>8.09</b>

# Portfolio Statement

as at 30th June 2011

	Holding or nominal value of positions at 30th June 2011	Market Value £	% of total net assets
<b>Life Insurance – (June 2011: 2.82%, Dec 2010: 4.17%)</b>			
Aflac Inc	54,200	1,560,906	1.17
Metlife	81,000	2,200,144	1.65
		<b>3,761,050</b>	<b>2.82</b>
<b>Real Estate Investment Trusts – (June 2011: 0.95%, Dec 2010: Not Held)</b>			
Annaly Capital Management	112,600	1,263,343	0.95
		<b>1,263,343</b>	<b>0.95</b>
<b>Financial Services – (June 2011: 5.34%, Dec 2010: 4.01%)</b>			
Goldman Sachs Group	27,700	2,293,697	1.72
Morgan Stanley	125,800	1,838,177	1.38
VISA Inc	55,000	2,974,793	2.24
		<b>7,106,667</b>	<b>5.34</b>
<b>Software &amp; Computer Services – (June 2011: 3.81%, Dec 2010: 5.55%)</b>			
Adobe Systems	146,300	2,846,944	2.14
Symantec Corp	182,200	2,224,075	1.67
		<b>5,071,019</b>	<b>3.81</b>
<b>Technology Hardware &amp; Equipment – (June 2011: 9.77%, Dec 2010: 12.96%)</b>			
Apple Inc	20,100	4,194,289	3.15
Broadcom Corp	62,300	1,258,260	0.95
Cisco Sysytems	199,700	1,912,479	1.44
Hewlett-Packard Co	88,800	1,971,546	1.48
Intersil Holding Co	169,400	1,339,749	1.01
Qualcomm Inc	66,700	2,310,072	1.74
		<b>12,986,395</b>	<b>9.77</b>
<b>Portfolio of investments</b>		<b>130,679,595</b>	<b>98.19</b>
<b>Net current assets</b>		<b>2,412,715</b>	<b>1.81</b>
<b>Total net assets attributable to unitholders</b>		<b>133,092,310</b>	<b>100.00</b>
<b>Sector held in December 2010 and not held in June 2011</b>			
Fixed Line Telecommunications			2.07%
Household Goods & Home Construction			1.77%

# Summary of Material Portfolio Changes

for the six month period ended 30th June 2011

Significant Purchases	Cost £000	Significant Sales	Proceeds £000
Kraft Foods Inc	2,667	Microsoft Corp	3,665
Colgate-Palmolive	2,531	Procter & Gamble	3,159
Boeing Co	2,483	AT&T Inc	2,535
Microsoft Corp	2,170	Fortune Brands Inc	2,344
Amazon.com Inc	2,141	Dover Corp	2,124
EOG Resources Inc	2,029	Baker Hughes Inc	1,989
Citigroup Inc	1,952	Johnson Controls Inc	1,928
Ensco	1,848	National Semiconductor Corp	1,778
General Dynamics Corp	1,790	Marathon Oil	1,707
Norfolk Southern Corp	1,707	Lowes Companies	1,706
Hertz Global holding	1,582	Autodesk	1,572
Nextera Energy	1,578	Kellogg Co	1,427
Broadcom Corp	1,536	Broadcom Corp	1,394
Morgan Stanley	1,466	Pall Corp	1,353
VISA Inc	1,390	Bank of New York Mellon Corp	1,242
Annaly Capital Management	1,313	Ryder System Inc	1,178
Goldman Sachs Group	1,036	Dow Chemical Company	1,154
HCA Holdings Inc	965	General Dynamics Corp	1,144
Paccar Inc	947	Principal Financial Group	1,128
General Motors Co	857	Monsanto Company	1,090
<b>Total cost of purchases, including the above, for the period</b>	<b><u>48,361</u></b>	<b>Total proceeds from sales, including the above, for the period</b>	<b><u>48,714</u></b>

# 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	91.75	76.29	nil
1st Jan 2007 to 31st Dec 2007	95.10	77.20	nil
1st Jan 2008 to 31st Dec 2008	87.42	52.92	0.3325
1st Jan 2009 to 31st Dec 2009	85.04	51.84	nil
1st Jan 2010 to 30th Dec 2010	97.16	75.89	nil
1st Jan 2011 to 30th June 2011	98.74	87.26	nil

## Trust details

	<b>Total net asset value (£)</b>	<b>Total units in issue</b>	<b>Net asset value per unit (p)</b>
31st Dec 2008	95,568,233	146,536,000	65.22
31st Dec 2009	119,902,020	151,372,000	79.21
31st Dec 2010	132,783,101	145,130,000	91.49
30th June 2011	133,092,310	144,610,000	92.04

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)

Total Expense Ratio as at 31st December 2010	1.55%
Total Expense Ratio as at 30th June 2011	1.55%

The TER is the ratio of the trusts scheme's operating costs to its average net assets during the period.

# Statement of total return

for the six month period ended 30th June 2011

	June 2011		June 2010	
	£	£	£	£
Income:				
Net capital gains/(losses)		870,377		(1,488,558)
Revenue	1,139,326		1,045,985	
Expenses	(1,023,693)		(972,565)	
Net revenue before taxation	115,633		73,420	
Taxation	(159,227)		(150,453)	
Net expense after taxation		(43,594)		(77,033)
Total return before distributions		826,783		(1,565,591)
Finance costs: Distributions		62		1,033
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>826,845</b>		<b>(1,564,558)</b>

# Statement of Change in Net Assets Attributable to Unitholders

for the six month period ended 30th June 2011

	June 2011		June 2010	
	£	£	£	£
Opening net assets attributable to unitholders		132,783,101		119,902,020
Amounts received on creation of units	970,496		697,834	
Amounts paid on cancellation of units	(1,488,132)		(5,756,477)	
		(517,636)		(5,058,643)
Change in net assets attributable to unitholders from investment activities		826,845		(1,564,558)
Unclaimed distributions		-		5
<b>Closing net assets attributable to unitholders</b>		<b>133,092,310</b>		<b>113,278,824</b>

# Balance Sheet

as at 30th June 2011

	June 2011		December 2010	
	£	£	£	£
<b>Assets:</b>				
Investment assets		130,679,595		130,202,282
Debtors	660,646		147,856	
Cash and bank balances	<u>2,336,922</u>		<u>2,809,020</u>	
Total current assets		<u>2,997,568</u>		<u>2,956,876</u>
Total assets		133,677,163		133,159,158
<b>Liabilities:</b>				
Creditors	<u>(584,853)</u>		<u>(376,057)</u>	
Total current liabilities		(584,853)		(376,057)
<b>Net assets attributable to unitholders</b>		<b><u>133,092,310</u></b>		<b><u>132,783,101</u></b>

The financial statements were approved on 19th August 2011 and signed on behalf of the Board of the Manager by:

**M. A. Summerfield** (Chairman)

**A. Russell** (Director)

# Notes to the Financial Statements

as at 30th June 2011

## 1. Accounting policies

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2010 and are described in those annual financial statements.

# Distributions Table

for the six month period ended 30th June 2011

## Interim Distribution

Group 1 – Units purchased prior to 1st January 2011

Group 2 – Units purchased on or after 1st January 2011

	<b>Net income 2011 pence per unit</b>	<b>Equalisation 2011 pence per unit</b>	<b>Interim Distribution 2011 pence per unit</b>	<b>Interim Distribution 2010 pence per unit</b>
<b>Income units</b>				
Group 1	nil	nil	nil	nil
Group 2	nil	nil	nil	nil

## Prices

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.

## Prospectus

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

You should bear in mind that a unit trust is a different sort of investment from a bank or building society account. Whilst the capital in such an account is secure, a unit trust is an equity investment and its value may fluctuate. Neither the value of the investment nor the income from it is guaranteed.

**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 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.