The co-operative asset management

CIS UK Growth Trust

Manager's Report in summary

Annual Short Report

1st August 2008-31st July 2009

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

The Co-operative Asset Management

The fund management activities of Co-operative Financial Services (part of The Co-operative Group) are undertaken by The Co-operative Asset Management. We specialise in UK equities and are one of the UK's leading socially responsible fund managers with a long and successful history of managing our customers' money.

The Co-operative Group was voted the UK's most ethical brand in 2007 and 2008 in the GFK NOP Ethics Brands Survey. As a co-operative, we are owned by our members and we have a tradition of upholding co-operative values which include fairness, honesty and social responsibility. The Co-operative Asset Management offers a distinctive responsible investment approach which fully integrates consideration of financial and ESG (environmental, social and governance) issues throughout the investment process. We manage a range of unit trust portfolios, including the UK Growth Trust and have long-standing experience that few others can match.

Cumulative performance (% change to 31/07/09)

	6 months	1 years	3 years	Since launch (25/9/89)
Fund	8.2	-15.6	-14.1	319.7
FTSE All-Share	16.2	-10.5	-12.3	303.4
Sector average	15.6	-12.8	-16.1	247.3
Quartile Ranking	4th	3rd	2nd	1st

Percentage change in value at bid price, to 31.07.09

Source: Lipper. Measured against UK All Companies Sector.

Investment Review and Outlook

Fund Manager's Comments

During the twelve-month period ending 31st July 2009, the price of the units fell by 15.6% compared to a 10.5% fall in the UK FTSE All-Share Index. In the last three years the value of the units has decreased by 14.1% compared to a fall of 12.3% in the FTSE All-Share Index, resulting in second quartile performance versus the peer group.

We continue to adopt a consistent approach to selection of companies suitable for the Trust. Our approach is to identify companies which are 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. This approach has been successful as demonstrated by our performance record since launch nearly 20 years ago. This gives us confidence that we can deliver strong relative performance compared to both the UK stockmarket and the peer group.

The past twelve months has been a difficult period for investors as equity markets have continued to decline. The speed of the slowdown in economic growth at the end of last year was unprecedented following on from the near seizure of the world's financial markets in the autumn. As a result the global economy is now enduring the worst recession in 70 years.

To counter the effects of the slowdown governments around the world have borrowed heavily and put in place stimulus packages of a size the world has never seen before. The positive effects of these packages are starting to be felt and over the next few months they will provide some much needed stability to the economic background. The longer-term impact of this stimulus remains to be seen as governments grapple with increasing levels of debt.

Over the last three years we have commented on the sharp decline which was taking place in economic growth. Reflecting this, the Trust was positioned across a range of companies in industries such as healthcare, utilities and support services with resilient business models, sound finances and attractive valuations. We believe that these companies will be able to deliver value for investors by delivering growth in both profits and dividends, despite the uncertain economic background. This strategy has been broadly correct and has resulted in the Trust being positioned in the second quartile versus the peer group over the last three years.

However, over the last six months, equity markets have become more optimistic about the prospects for the recovery in the economy. Profitability has started to stabilise as companies, reflecting the weaker demand backdrop, have slashed costs and run down their inventory positions. Credit has become easier to access, all be it at a much higher cost than the last few years. Reflecting these more positive developments, equity markets have rallied considerably since the low point in March. The initial evidence of a basing in global economies came in the form of improving business confidence in the UK and US markets. In addition the continuing strength of the Chinese economy, which has benefited itself from Government stimulus packages, has had a positive effect upon the prospects for the rest of the world.

Going forward we currently take a more cautious view than is the market consensus regarding the prospects for future growth. Economic growth will be influenced by a range of factors such as the Government's requirement to repay the significant hole in the public finances which currently exists, inevitably resulting in increasing taxation and a reduction in public expenditure. Cheap credit is no longer available as banks who are facing greater regulation seek to rebuild their balance sheets and margins. Finally the de-leveraging process is expected to be a feature for a number of years resulting in consumers remaining reluctant to take on more debt, reflecting the background of rising unemployment and a weak housing market. Reflecting all these factors, it seems clear that it is likely that the rate of economic growth going forward will revert to below trend for a number of years as we continue to work through these issues.

The portfolio positioning has been broadly maintained over the last twelve months reflecting the attractive valuations of a number of major holdings in the Trust, coupled with our more cautious view of the long-term recovery potential in the global economy. However, reflecting the short-term improvement provided by the stimulus packages, the portfolio was supplemented with a number of good quality companies whose profits and valuation are sensitive to an improvement in economic growth. Holdings were increased in a number of sectors such as general retailers, banks and mining. Despite this, the portfolio underperformed over the last twelve months, reflecting our more cautious outlook.

Outlook

We believe that the outlook for global growth will be below trend for the next few years reflecting a number of factors already discussed. Despite the difficult outlook, economies are inherently resilient and the global economy will bounce back over time.

Importantly, the current market valuation looks reasonable in the context of our economic outlook and it offers the potential for investment returns better than most other asset classes. Within the overall market we believe that the Trust is invested in the most attractive areas of the market, giving us confidence in the outlook for the Trust.

Fund Facts

Distribution qualifying dates	31st January & 31st July
Distribution pay dates	13th March & 13th September
Total Expense Ratio as at 31st July 2008	1.54%
Total Expense Ratio as at 31st July 2009	1.53%

Fund Performance

Unit Class	Net Asset Value as at 31st July 2008	Net Asset Value as at 31st July 2009	Net Asset Value % change
Income	337.1p per unit	275.7p per unit	(18.21%)

Distribution

An interim distribution of 1.9500 pence per unit was paid to unitholders on 13th March 2009.

A final distribution of 4.9103 pence per unit was paid to unitholders on 13th September 2009.

Investment Objective and Policy

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 fund faces from its investments are:

- market price
- liquidity risk.

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

Performance Record

Unit prices

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

	Highest buying price during the period	Lowest selling price during the period	Distribution paid during the period (pence per unit)
1st Jan 2004 to 31st Dec 2004	290.5p	241.9p	4.5417
1st Jan 2005 to 31st Dec 2005	344.2p	273.9p	5.0486
1st Jan 2006 to 31st Dec 2006	397.6p	317.8p	5.6818
1st Jan 2007 to 31st Dec 2007	421.0p	346.0p	4.8696
1st Jan 2008 to 31st Dec 2008	416.4p	225.7p	5.8486
1st Jan 2009 to 31st July 2009	301.3p	224.8p	4.9013

Price information

	Selling price (pence per unit)	Buying price (pence per unit)	Estimated net yield
31st July 2006	344.9	363.0	1.32%
31st July 2007	373.8	393.5	1.21%
31st July 2008	340.6	358.5	1.40%
31st July 2009	282.0	296.8	2.10%

The price of the CIS UK 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 units, and the selling price is the price at which you can sell 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 units and administration.

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

Trust details

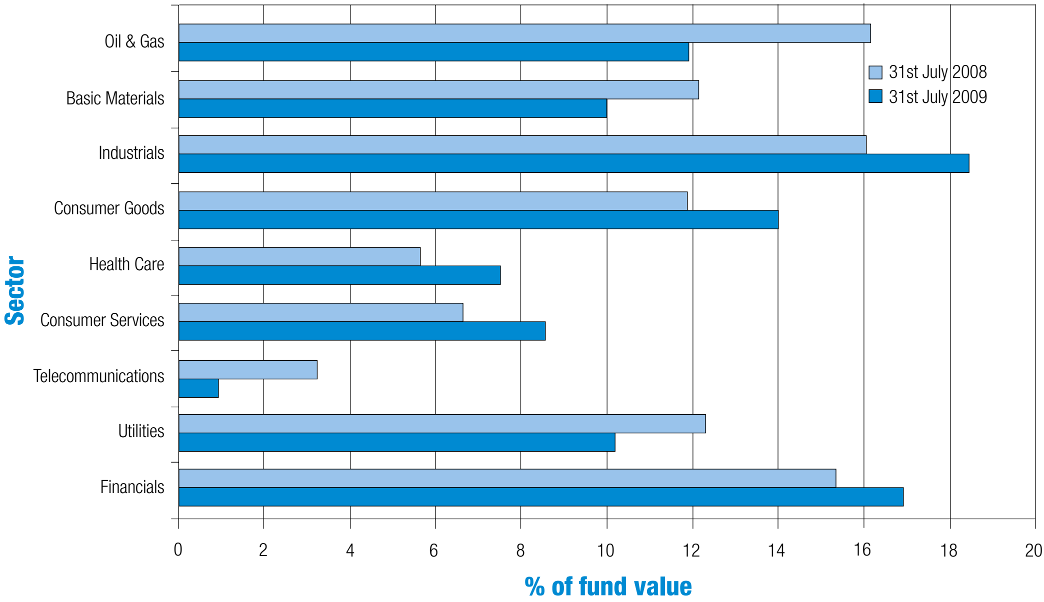
	Total net asset value	Total units in issue	Net asset value per unit
31st July 2006	£1,541,685,796	451,148,000	341.7p
31st July 2007	£1,515,158,866	408,009,000	371.4p
31st July 2008	£1,248,206,244	370,320,000	337.1p
31st July 2009	£988,850,746	358,659,000	275.7p

Remember 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.

The net asset value per unit does not include the income which has been distributed at the end of the financial year, and therefore will not match the unit price at the end of the year.

Portfolio Information

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



Major Holdings

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

Holding	% of fund value as at 31st July 2009	Holding	% of fund value as at 31st July 2008
HSBC Holdings	5.40%	Scottish & Southern Energy	5.40%
Scottish & Southern Energy	5.24%	Bg Group	5.10%
Bg Group	5.13%	HSBC Holdings	4.68%
British American Tobacco	4.60%	BP	4.13%
Smiths Group	3.74%	International Power	4.08%
Rio Tinto	3.48%	Royal Dutch Shell	3.67%
GlaxoSmithKline	3.47%	Smiths Group	3.67%
Standard Chartered	3.25%	British American Tobacco	3.61%
Tesco	3.08%	Anglo American	3.48%
Reckitt Benckiser Group	2.79%	Standard Chartered	3.30%

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.

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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