

The **co-operative** investments
good with money



Sustainable Leaders Trust newsletter





Welcome

to the July 2008 newsletter for the CIS Sustainable Leaders Trust.

This newsletter gives you an update on how your money is being invested to help improve the world we live in, whilst at the same time providing a good level of financial return. In the last 6 months a number of important developments have occurred. The credit 'crunch' and financial crisis have been compounded by rising energy and food costs. These rising costs are symptomatic of a world consuming too much and using its finite resources up too quickly. It is crucial we all begin to use the earth's resources more efficiently and the Trust invests in a number of companies that can help do this. We hope you enjoy reading about what the Trust is doing on your behalf and if you have any comments or feedback, please contact us at sustainable.leaders@cfs.coop

Energy efficiency...



The price of oil, and its main derivative petrol, has been hitting the headlines of late as prices have reached record highs. Although there has been plenty of commentary about some of the reasons why – Chinese demand, a lack of supply due to tensions in the Middle East to name two – little is said about the wasteful way in which energy is used in our society. Cars have become less efficient as beneficial trends in engine technology have been offset by the increased use of 4x4's

and Sports Utility Vehicles (SUV's). Also many houses remain un-insulated wasting energy often derived from oil and similarly expensive natural gas. One positive side effect of high oil and energy prices is that it will encourage us all to spend money on products that improve energy efficiency. A number of companies the Trust invests in, such as SIG, the UK's largest supplier of insulation materials, will benefit from this.

Food price inflation

Perhaps more worrisome has been the increase in price of basic foodstuffs such as wheat and rice. Hundreds of millions of people in developing countries still live in poverty, as defined by having less than \$1 a day to live on. These people rely on basic foods to survive and the price of these has increased dramatically. The reasons for price increases are threefold. First, rising living standards in places such as China are creating greater demand for these foods as people can afford to buy more.

Secondly, poor harvests in a number of major grain exporting countries, such as Australia, reduced global supply. Thirdly, overly generous subsidies for biofuels such as ethanol have encouraged farmers to stop growing food and start growing energy crops. Although subsidies for renewable energy development are important, they have to be given with due consideration of all potential consequences.

Although it is easy to become concerned about the trends in food and energy prices there will be some very useful and profound side effects.

Wind power

Up until recently the low price of oil and other fossil fuels such as coal and gas has not encouraged the production of more renewable forms of energy. The next time you contemplate how expensive a litre of petrol is, compare it to a litre of mineral water. Petrol has to be refined from oil, which itself has been in the ground for millions of years and has to be extracted from remote places, and then brought to your local petrol station. A litre of water, for a similar price,

only has to fall from the sky and be bottled! In reality, petrol is very cheap, indeed arguably too cheap. But this is changing with useful consequences. Up until recently wind power was not economical. Wind, for all its benefits, is an expensive and intermittent form of energy that has required Government subsidies to be built. This is now changing. The high oil price now means that wind is far more economical to build and we should see more and more electricity being generated from this renewable source. We are investing in a number of companies operating in the wind energy sector, all of which have excellent growth prospects.

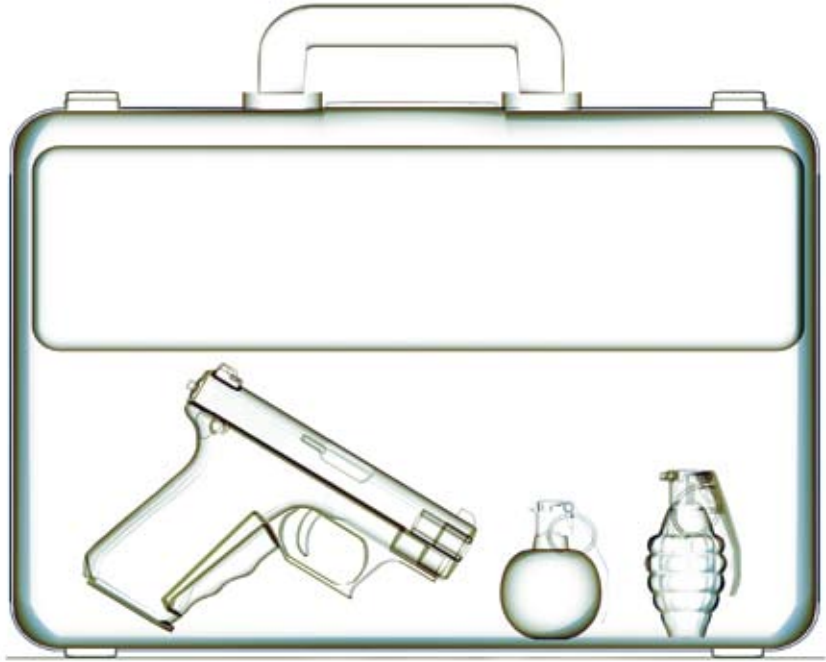


**Encourage more people
to consider using...**



Public transport

Another useful side effect of higher petrol prices is that it will encourage more people to consider using public transport, which as well as having lower carbon emissions, is now often cheaper than driving. We have recently increased the Trust's investment in National Express, one of the UK's largest bus and rail operators. In their most recent results National Express reported a 9% increase in rail ticket sales and a 6% increase in bus, very healthy rates of growth. National Express is investing heavily to improve the frequency of services to make public transport even more convenient. With both environmental and economic reasons to use public transport, this growth is likely to continue.



Smiths Group

In the last 6 months the Trust has made a significant investment in one of the UK's leading engineers, Smiths Group (Smiths). Smiths have two divisions of interest to the Trust. The first is an airport security business that designs and manufactures hi-tech baggage X-ray machines to detect explosives and weapons. A world leader in this area, Smiths is at the forefront of making air travel safer. Smiths also own a world class medical device business, manufacturing a number of devices used in operations. These two divisions have excellent growth prospects and fit well with the ethos of the Trust.



Banks and ethical funds

The recent banking crisis, the most visible component of which was the Government rescue of Northern Rock, has brought into focus the role of banks within society.

The Co-operative is the ethical bank but are all banks conscious of their environmental impact, and should a fund such as this invest in them? Banks themselves provide essential services that cannot be easily replicated. These services, if sold responsibly, can have a very beneficial impact on human welfare and countries without good banking systems often struggle economically. After all, nearly everyone who buys a home would not be able to do so without a mortgage.

That said there is clear evidence that certain banks have lent too much to too many people in an attempt to grow profits. The Trust, when considering a bank for investment, investigates lending practices in detail, ensuring that any bank we invest in acts responsibly. This approach, combined with good financial analysis, has meant that we have avoided those banks with unsustainable lending practices, such as Northern Rock.

good with money

Savings & investments

Life assurance

Car & home insurance

Retirement planning

Ethics as standard

Membership

We're working on climate change - since 2000 we've reduced our net CO₂ emissions arising from transport and energy by a whopping 56%

**To make an appointment
with a Co-operative Financial Adviser please
call 08457 46 46 46**

**We are here 8am to 8pm Monday to Friday and
8am to 5pm Saturday or visit [co-operativeinvestments.co.uk](https://www.co-operativeinvestments.co.uk)
If you have any comments or queries on the newsletter
please email: sustainable.leaders@cfs.coop**

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