

Sovereign Ethical Fund

Annual Short Report for the year ended 28 February 2013

Fund Investment Objective and Policy

The objective of the Scheme is to achieve primarily capital growth. Investments are held with the aim of tracking the combined performance of 75% UK FTSE4Good Index and 25% FTSE Environmental Opportunities UK Index.

To be included in the UK FTSE4Good Index, companies need to demonstrate that they are working towards environmental management, climate change mitigation and adaptation, countering bribery, upholding human and labour rights, supply chain labour standards and that they are not tobacco producers, involved in manufacturing either whole, strategic parts, or platforms for nuclear weapon systems or that they manufacture whole weapons systems.

To be included in the FTSE Environmental Opportunities UK Index companies must have significant (at least 20% of their business) involvement in environmental markets including renewable & alternative energy, energy efficiency, water infrastructure & technologies, pollution control, waste management & technologies or environmental support services.

Risk Profile and Attitude to Risk

You are willing to take a higher level of risk. You accept that fluctuations in the value of your investment will be commonplace and that you need to remain flexible about when to cash in your plan. You understand that you have a greater chance of losing money than with a Low Risk or Medium Risk investment.

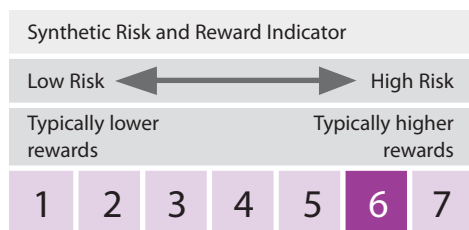
The Sovereign Ethical Fund is classified as Higher Risk. Teachers Assurance will categorise its own investment funds as Higher Risk where the fund typically invests: Between 90-100% in equity markets (company shares) and property with the remainder in Cash.

You understand that our Higher Risk funds may carry specialist investment risk.

You understand that our Higher Risk funds may carry significant currency risk.

Synthetic Risk and Reward Indicator

- This indicator shows major risks associated with the Fund and is based on historical data of the preceding 5 years. It may not be a reliable indication to the future risk profile of the Fund.
- The risk category shown is not guaranteed and may change over time.
- The lowest category does not mean a risk free investment.



- The risk indicator for this Fund is set a 6 because the Fund is categorised with the risk of high volatility.
- Please note that this new rating does not change where the fund appears in our own Risk & Reward scale.

Manager

Sovereign Unit Trust Managers Limited
Registered Office: Tringham House, Deansleigh Road, Bournemouth, BH7 7DT.
Authorised and regulated by the Financial Conduct Authority and a member of the Association of Financial Mutuals.
Entered on the Financial Services register, registration number 121998.
Registered in England and Wales number 2072297
Telephone 01202 435000

Investment Adviser

BlackRock Fund Managers Limited
12 Throgmorton Avenue, London, EC2N 2DL
Authorised and regulated by the Financial Conduct Authority

Fund Facts

Authorised date: 17th April 1989.

Accounting and Distribution Dates

	Fund accounting dates	Payment dates
Annual	28/29 February	30 April
Interim	31 August	31 October

Performance Record

Percentage change to 28 February 2013			
1 Year	3 Years	5 Years	10Years
29.02.12 to 28.02.13	28.02.10 to 28.02.13	29.02.08 to 28.02.13	28.02.03 to 28.02.13
15.50%	46.57%	13.52%	79.90%

Figures are on a bid basis with net income reinvested or accumulated (Source: Teachers Assurance).
Past performance is not a guide to future performance. The value of units and the income generated can go down as well as up.

Fund Charges

	28.02.13	29.02.12
Ongoing Charges	1.79%	1.87%

The Ongoing Charges figure, which has replaced the Total Expense Ratio, is based on expenses for the period ended on the dates shown. This figure may vary from year to year. It excludes:

- Portfolio transaction costs, except in the case of an entry/exit charge paid by the UCITS when buying or selling units in another collective investment undertaking.

- Stamp Duty Reserve Tax of up to 0.5% payable on the purchase of UK equity assets and the transfer of units between investors.

The entry charge included in the price of units sold is 3%. This charge is reflected in the difference between the buying and selling price of units in the Fund.

Price Record

Year	Highest offer price per unit p	Lowest bid price per unit p
2008 (from 01.03.08)	124.20	64.32
2009	96.79	62.28
2010	112.60	88.31
2011	117.50	91.40
2012	121.10	100.90
2013 (to 28.02.13)	131.20	118.10

Distribution Record

Year	Net income per unit distributed		Net distribution per £1,000 invested on 03.03.08	
	final p	interim p	final £	interim £
2008	-	1.5144	-	12.39
2009	0.3998	0.7490	3.27	6.13
2010	0.1662	1.1320	1.36	9.26
2011	0.4834	1.2393	3.96	10.14
2012	0.7325	1.6565	5.99	13.56
2013	0.5443	-	4.45	-

The distribution for the period ended 28 February 2013 is 0.5443p per unit net which will be automatically reinvested at the ruling offer price on 16 April 2013. A reinvestment statement and tax voucher are enclosed unless you are an Individual Savings Account (ISA) investor. ISA investors receive half-yearly statements in March and September which display all transactions effected during the period.

Net Asset Values

Date	Total net assets £	Units in issue	Net asset value per unit p
28.02.11	23,190,228	21,360,954	108.56
29.02.12	22,193,577	20,236,240	109.67
28.02.13	24,079,120	19,186,880	125.50

Distribution Table for the period ended 28 February 2013

The distribution is made up as follows in pence per unit:

Group 1 Units purchased prior to 1 September 2012

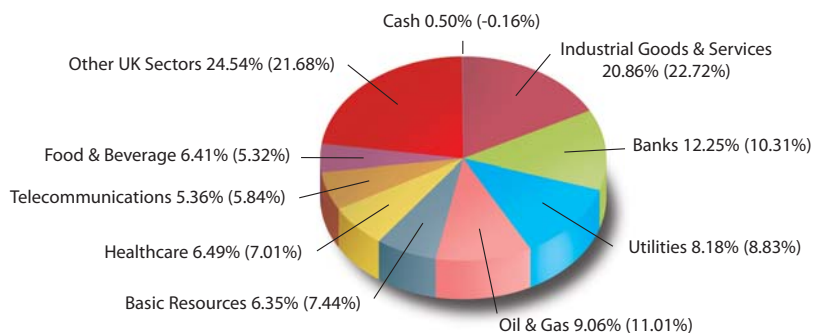
Group 2 Units purchased from 1 September 2012 to 28 February 2013

	Net revenue	Equalisation	Dividend distribution payable	
			30.04.13	31.10.12
Group 1	0.5443	0.0000	0.5443	1.6565
Group 2	0.3216	0.2227	0.5443	1.6565

Top Ten Holdings

	%
HSBC Holdings	6.78
Vodafone Group	4.10
Royal Dutch Shell A	4.04
GlaxoSmithKline	3.60
Royal Dutch Shell B	2.95
Rio Tinto	2.52
Diageo	2.51
Johnson Matthey	2.40
Intertek Group	2.23
BHP Billiton	2.22

Portfolio Information



All sectors are represented by UK companies.

The figures in brackets are the percentage holdings at 29 February 2012.

Fund Manager's Comments

Market Review

Equity returns were universally strong over this period. Headlines from the eurozone once again remained the key driver of asset class moves as European leaders outlined a series of 'next steps' that were received as an encouraging move towards a resolution of the European debt crisis, while economic readings were more supportive. In the US, the Federal Reserve announced QE3, an open-ended quantitative easing programme designed to stimulate the labour market and reduce unemployment, while in Europe, the European Central Bank (ECB) also announced more stimulus measures, with a conditional bond-buying programme and stability mechanism designed to support distressed European debt. The perceived reduction in immediate downside risk led to a sharp rally in risk assets, despite relatively muted improvement in economic fundamentals, particularly in the peripheral European nations.

In the last quarter of 2012, investors were particularly encouraged after repeated reassurances by the ECB that it would continue to support the euro. Following the re-election of President Obama in November, US markets quickly turned their attention to the 'fiscal cliff'. Political negotiations aimed at averting spending cuts and tax increases totalling over US\$600 billion caused some nervousness in the markets but the partial resolution in January resulted in another risk rally at the start of the year, which has run through to the end of February. In UK news, Moody's downgraded Britain's sovereign by one notch from Aaa to Aa1. The downgrade, which had largely been priced in by the markets, had a broadly muted effect on the equity market. Elsewhere, retail sales in January grew at their fastest pace for 13 months. According to Halifax, house prices rose by 1.9% over the last three months of 2012 - the largest quarterly increase in three years. House prices in 2012 were also 1.3% higher than 2011, marking the first annual increase in two and a quarter years.

Portfolio Activity and Performance

The Sovereign Ethical Fund has returned 0.05% less than the return for the benchmark. During the period under review, the Fund tracked its respective benchmarks closely. The FTSE index review occurred on the close of business 21 December 2012. The rebalance was minimal in the FTSE 4 Good Fund. The impact of the rebalance in the FTSE Environmental Opps Fund was approximately 15.5%, which was driven by the three additions: Torotrak PLC, XP Power, and Melrose Industries.

Outlook

The market environment has so far remained consistent with BlackRock's economic roadmap. BlackRock recognise that whilst market volatility may arise from European political uncertainty and ongoing discussions over the US debt ceiling, significant progress has been made. In addition, equity valuations remain at attractive levels in many sectors especially compared with expensive core government bonds.

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Information for Investors

This document is an annual short report of the Sovereign Ethical Fund for the year ended 28 February 2013.

The Trustee (National Westminster Bank Plc) and Auditor (Mazars LLP Chartered Accountants) have completed their annual report to unitholders, which is contained in the Long Report. Copies of the Long Report and Accounts are available free of charge from the Manager on request.

The full Prospectus for each of the Sovereign and Teachers Funds and copies of the most recent Manager's Reports are available free of charge from the Manager on request.

