

Teachers Balanced Investment Fund

Annual Short Report for the year ended 31 August 2013

Fund Investment Objective and Policy

The objective of the Fund is to obtain a balance between capital growth and income. The Manager's policy to achieve this objective is to invest directly, or indirectly through investment in a range of collective investment schemes, so as to gain exposure to a diverse selection of UK and overseas equities, bonds and at times cash, to produce consistent income and capital growth.

Risk Profile and Attitude to Risk

You are willing to take a moderate amount of risk. You accept that there will be fluctuations in the value of your investment and that you need to remain flexible about when to cash in your plan. You understand that you could lose money on a Medium Risk investment.

The Teachers Balanced Investment Fund is classified as Medium Risk. You understand that Teachers Assurance will categorise its own investment funds as Medium Risk where the fund typically invests: Between 60-75% in equity markets (company shares) and property with the remainder in a combination of Gilts, Corporate Bonds and Cash.

Manager

Sovereign Unit Trust Managers Limited

Registered Office: Tringham House, Deansleigh Road, Bournemouth, BH7 7DT.

Authorised and regulated by the Financial Conduct Authority.

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

Launch Date: 10th February 2006

Accounting and Distribution Dates

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

Performance Record

Percentage change to 31 August 2013				
1 Year	3 Years	5 Years	10 Years	Since Launch
31.08.12 to 31.08.13	31.08.10 to 31.08.13	31.08.08 to 31.08.13	31.08.03 to 31.08.13	10.02.06 to 31.08.13
10.62%	27.33%	34.49%	n/a	33.63%

Figures are on a single pricing 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.

Total Expense Ratio

	12 months to 31 August	
Expense Type	2013	2012
Manager's Charge	1.25%	1.25%
Other Expenses	0.19%	0.20%
Total Expense Ratio	1.44%	1.45%

The total expense ratio is the ratio of the Fund's total operating costs, excluding custody transaction costs, to its average net assets.

The initial charge of the price of units purchased is 3%.

Price Record

Year	Highest single price per unit p	Lowest single price per unit p
2008 (from 01.09.08)	47.81	36.85
2009	48.29	34.69
2010	52.86	46.49
2011	54.02	47.62
2012	54.78	50.85
2013 (to 31.08.13)	61.27	54.98

Distribution Record

Year	Net income per unit distributed		Net distribution per £1,000 invested on 01.09.08	
	interim p	final p	interim £	final £
2009	0.5956	0.6179	12.52	12.99
2010	0.5246	0.4985	11.03	10.48
2011	0.4358	0.5300	9.16	11.14
2012	0.5632	0.6224	11.84	13.09
2013	0.2457	0.0000	5.17	0.00

Net Asset Values

Date	Total net assets £	Units in issue	Net asset value per unit p
31.08.11	85,071,319	171,774,273	49.53
31.08.12	98,415,359	185,500,734	53.05
31.08.13	103,509,291	176,908,391	58.51

Distribution Table for the period ended 31 August 2013

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

Group 1 Units purchased prior to 1 March 2013

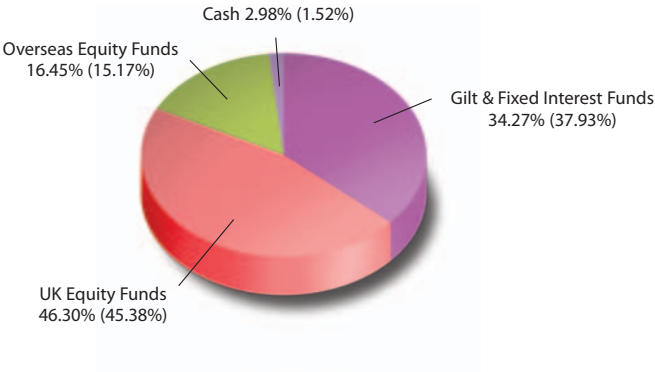
Group 2 Units purchased from 1 March 2013 to 31 August 2013

	Net income	Equalisation	Dividend distribution payable	
			31.10.13	30.04.13
Group 1	0.0000	0.0000	0.0000	0.2457
Group 2	0.0000	0.0000	0.0000	0.2457

Major Holdings

	%
BlackRock UK Equity Tracker Fund	30.97
BlackRock Corporate Bond Tracker Fund	16.89
BlackRock Overseas Corporate Bond Tracker Fund	15.67
BlackRock 100 UK Equity Tracker Fund	15.33
BlackRock US Equity Tracker Fund	9.86
BlackRock Continental European Equity Tracker Fund	4.26
BlackRock Institutional Sterling Liquidity Fund	2.74
BlackRock Japan Equity Tracker Fund	2.33
BlackRock UK Gilts All Stocks Tracker Fund	1.71

Portfolio Information



Figures in brackets are percentage holdings as at 31 August 2012.

Fund Manager's Comments

Market and Economic Review

The Teachers Balanced Investment Fund objective is to obtain a balance between capital growth and income by investing in a series of UK and overseas equity and bond funds.

The broad based rally in most risk asset classes continued into the second half of the current year, albeit at a more moderate pace. However, there was significant dispersion between developed and emerging equity markets over this period. For example, US equities rose by 7% in GBP terms, whereas emerging market equities suffered, falling by 12% in GBP terms.

In fixed income, nominal yields rose, with the 10-year UK rate increasing from 2.0% to 2.8%. This followed the announcement made by the Federal Reserve (Fed) in May indicating that it was likely that they would taper asset purchases later this year before ceasing altogether in 2014, which impacted global bond yields. Spreads over government bonds, including investment grade credit and high yield also increased mildly. Overall, UK gilts declined by 2.3% while UK corporates were flat over the six month period. In currency markets, the main theme was the weakness in emerging currencies such as the Brazilian Real and Indian Rupee which fell over 15% against developed currencies. Sterling was stronger against the US dollar, rising by 2%.

A key influence on asset prices in this period was the policy background. The Fed announced that the downside risks to the economy had declined, and that it was likely that they would taper asset purchases later in the year before ceasing altogether in 2014. However, the first rate increase is still not expected to be implemented by the Fed until 2015. In Europe, the bias in monetary policy in the UK and the Euro area is still towards additional easing as is the case to a much stronger extent in Japan. This low level of central bank rates has continued to anchor bond yields at historically low yields despite the more recent increase, and hence has supported an ongoing shift into higher yielding fixed income assets and to some extent also into equities.

The global macro background has started to improve as we enter the second half of the year. Global economic growth remains subdued, but more recently around the same underlying trend. There was a slight slowdown in growth towards the end of the first quarter, which continued into the second quarter, which is now showing signs of meaningfully reversing but the amplitude of these fluctuations remains moderate - particularly in relation to the more dramatic shifts in 2008 - 2010. On a regional basis, the Euro area has moved out of recession and the UK, in particular has rebounded significantly. US economic activity held up despite the material tightening in fiscal policy and the Japanese economy remained robust despite growing at a slightly slower rate than what we saw at the start of the year. Emerging economies were the exception, as a weakening growth outlook across some key countries such as Brazil and China, as well as idiosyncratic issues, weighed on the region.

Fund Activity

During the year ended 31 August 2013 the allocation to UK and overseas equities and cash increased whereas the allocation to gilt, fixed interest securities decreased.

Outlook

The market environment has so far remained consistent with BlackRock's economic roadmap. BlackRock expect global economic growth to remain subdued in the face of private sector deleveraging and restrictive fiscal policy. However, inflationary pressures remain subdued and therefore they expect monetary policy to remain loose, providing support for risk assets. Credit spreads are in general appropriately priced, and equity valuations have normalised, representing fair value. The general theme is that risk premia on growth assets have declined on the market rally since the middle of 2012.

Information for Investors

This document is an annual short report of the Teachers Balanced Investment Fund for the year ended 31 August 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.

Teachers Assurance is a trading name of Teachers Provident Society Limited (TPS), an incorporated friendly society No. 372F. Authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority.

Sovereign Unit Trust Managers Limited is a wholly owned subsidiary of TPS, authorised and regulated by the Financial Conduct Authority entered on the Financial Services register no. 121998. Registered in England and Wales.

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