

### Investment Objective

To achieve long-term capital and income growth.

### Investment Policy

To attain the objective by investing in a combination of Japanese equities and convertible bonds as well as cash, deposits and money market instruments. The Manager may enter into derivative transactions on behalf of the Fund to the extent that these are for the purpose of efficient management of the portfolio, as permitted under paragraph 9 of the Scheme Particulars. The Manager will only enter into derivative transactions for the purposes of hedging and tactical asset allocation, and not for speculative purposes.

### Performance Record

#### Percentage change and sector ranking from launch to 31 July 2013

	1 year	3 years	5 years	Since launch*
Jupiter Japan Income Fund	24.1	24.6	42.7	44.0
Japan sector position	54/60	42/57	22/47	6/37

Source: FE, Retail Units, bid to bid, net income reinvested.

\*Launch date 15 September 2005.

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in a unit trust and the income from it can fall as well as rise and it may be affected by exchange rate variations. You may get back less than you invested.

### Risk Profile

The Fund has little exposure to liquidity, credit or cash flow risk. The risks it faces from its financial instruments are market price, foreign currency, interest rate and counterparty risk. The Manager reviews policies for managing these risks in pursuance of the Investment Objective and Policy. Investors should be aware that the Fund invests in a particular geographical region and may therefore be more volatile than funds with a broader range of investments.

**Warning to Unitholders** Customers of financial institutions can be prone to attempts by fraudsters to obtain personal information or money. There are many ways they can initiate contact, such as emails, letters and cold calls, but methods are constantly evolving so it is important that you are aware of the types of scams so that you are better able to protect yourself. Please visit our website [www.jupiteronline.com](http://www.jupiteronline.com) or call 0844 620 7600 for further information.

### Unit Classes

The Fund introduced I-H Class income units on 28 June 2010. The purpose of these units is to reduce the effect of fluctuations in the rate of exchange between the currency of the unit class and the currency in which all or part of the underlying assets are denominated or valued. The intention is that holders of units in a hedged currency unit class shall receive a return in sterling substantially in line with the true performance of the assets of the Fund by reference to the value of that property in the currency in which the assets are denominated and shall not be affected (whether positively or negatively) by fluctuations in the rate of exchange between the currency of the class of units (sterling) and the relevant currency or currencies in which the assets are denominated. The Fund also offers I-Class units in addition to the I-H Class. These units are available to investors who invest at least £5,000,000. Further details are available from the Manager on request. Please note that in order to distinguish between the unit classes within the Fund they are defined in these accounts as either Retail Units (non I-Class or I-H Class) or I-Class and I-H Class Units. The unit types associated with each unit class are disclosed in the Comparative Tables on page 2.

### Risk and reward indicator

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.

←		Typically lower rewards, lower risk		Typically higher rewards, higher risk		→	
<b>Retail Units</b>							
1	2	3	4	5	6	7	
<b>I-Class Units</b>							
1	2	3	4	5	6	7	
<b>I-H Class Units</b>							
1	2	3	4	5	6	7	

- The lowest category does not mean 'no risk'. Some risk will still be present in funds with a risk and reward rating of 1.
- The Fund is in this category as it invests in a wide range of company shares, which carry a degree of risk.

## Charges

The charges you pay are used to pay the costs of running the Fund, including the costs of marketing and distributing it. These charges reduce the potential growth of your investment.

Charges taken from the Fund over the year to:	31.07.13	31.07.12
Ongoing charges for Retail Units	1.75%	1.75%
Ongoing charges for I-H Class Units	1.15%	1.14%
Ongoing charges for I-Class Units	1.00%	n/a

## Portfolio Turnover Rate (PTR)

Year to 31.07.13	Year to 31.07.12
103.47%	90.48%

The PTR provides an indication of the rate the Manager has bought and sold the underlying assets of the Fund during the period as indicated above. In general, the higher the PTR of a fund, the greater level of portfolio transaction costs will be incurred.

## Comparative Tables

### Net Asset Values

Date	Net Asset Value of Fund	Net Asset Value per unit					Number of units in issue				
		Retail Income	Retail Accumulation	I-H Class Income*	I-Class Income**	I-Class Accumulation**	Retail Income	Retail Accumulation	I-H Class Income*	I-Class Income**	I-Class Accumulation**
31.07.12	£485,135,057	47.75p	54.69p	43.06p	n/a	n/a	474,224,044	343,503,557	164,482,754	n/a	n/a
31.07.13	£630,770,839	58.01p	67.87p	62.52p	58.26p	68.25p	328,022,194	344,340,274	230,099,335	76,279,677	27,057,712

### Unit Price Performance

Calendar Year	Highest offer					Lowest bid				
	Retail Income	Retail Accumulation	I-H Class Income*	I-Class Income**	I-Class Accumulation**	Retail Income	Retail Accumulation	I-H Class Income*	I-Class Income**	I-Class Accumulation**
2008	55.48p	58.00p	n/a	n/a	n/a	37.98p	39.73p	n/a	n/a	n/a
2009	54.84p	57.38p	n/a	n/a	n/a	39.82p	42.14p	n/a	n/a	n/a
2010	60.58p	66.23p	53.62p	n/a	n/a	47.31p	50.73p	46.76p	n/a	n/a
2011	60.58p	66.23p	56.45p	n/a	n/a	46.62p	52.05p	41.75p	n/a	n/a
2012	54.71p	61.82p	50.27p	48.88p	56.06p	45.06p	51.68p	41.58p	45.07p	51.70p
to 31.07.13	67.06p	77.72p	72.25p	64.02p	74.21p	48.75p	55.92p	50.37p	48.87p	56.03p

### Income/Accumulation Record

Calendar Year	Pence per unit				
	Retail Income	Retail Accumulation	I-H Class Income*	I-Class Income**	I-Class Accumulation**
2008	0.9100p	0.9461p	n/a	n/a	n/a
2009	1.1600p	1.2208p	n/a	n/a	n/a
2010	1.0700p	1.1573p	0.6200p	n/a	n/a
2011	1.1370p	1.2474p	1.1002p	n/a	n/a
2012	1.2993p	1.4643p	1.2000p	n/a	n/a
to 30.09.13	1.2029p	1.3880p	1.2106p	1.1932p	1.3725p

\*I-H Class income units were introduced on 28 June 2010.

\*\*I-Class income units and I-Class accumulation units were introduced on 17 September 2012.

All the Fund's expenses are charged to capital. This has had the effect of increasing the distributions paid on an annualised basis on Retail Units by up to 1.75% of the class' average Net Asset Value during the period under review (I-H Class Units 1.15% and I-Class Units 1.00%) and constraining the class' capital performance to an equivalent extent.

## Distributions/Accumulations

	Interim Distributions/Accumulations for the six months to 31.01.13	Final Distributions/Accumulations for the six months to 31.07.13
	Pence per unit	
Retail Income units	0.5628	0.6401
Retail Accumulation units	0.6458	0.7422
I-H Class Income units	0.5275	0.6831
I-Class Income units	0.5505	0.6427
I-Class Accumulation units	0.6281	0.7444

## Fund Facts

Fund accounting dates		Fund payment/accumulation dates	
31 January	31 July	31 March	30 September

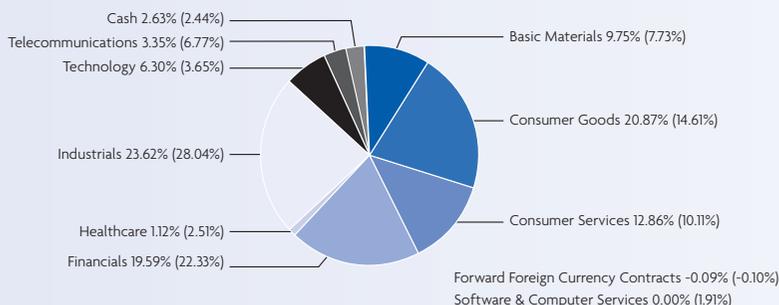
## Major Holdings

The top ten holdings at the end of the current year and at the end of the previous year are shown below.

Holding	% of Fund as at 31.07.13	Holding	% of Fund as at 31.07.12
Toyota Motor	4.98	Sumitomo Mitsui Financial	4.60
Sumitomo Mitsui Trust	4.59	NTT DoCoMo	4.41
Sumitomo Mitsui Financial	4.55	Tokio Marine	3.81
Canon	4.04	Mitsui Sumitomo	3.80
Mitsubishi UFJ	3.85	Canon	3.65
Bridgestone	3.72	Nissan Motor	3.63
Tokio Marine	3.62	Sumitomo	3.25
NTT DoCoMo	3.35	Bridgestone	2.99
Nissan Motor	3.07	Nissan Chemical Industries	2.92
Nissan Chemical Industries	3.05	LIXIL	2.90

## Portfolio Information

### Classification of investments as at 31 July 2013



The figures in brackets show allocations as at 31 July 2012.

The sectors are based on the Industry Classification Benchmark (see page 4).

## Investment Review

### Performance Review

For the year ended 31 July 2013 the total return on income units was 24.1%\* compared to 29.0%\* for the Japanese Topix in sterling terms and 30.5%\* for the average fund in the IMA Japan sector. Over five years the total return on the Fund was 42.7%\* compared to 38.6%\* for its benchmark index and 42.5%\* for the average fund in the sector. Since launch in September 2005, the Fund has returned 44.0%\* compared to 31.6%\* for its benchmark index and 23.9%\* for the average fund in the sector. The Fund was ranked 54th out of 60 funds over the year, 22nd out of 47 funds over five years and 6th out of 37 funds since launch in the Japan sector. In respect of the I-H Class income units the total return on the units for the year was 48.3%\*.

A final distribution of 0.6401 pence per unit will be paid to holders of Retail income units on 30 September 2013 (Retail accumulation units 0.7422 pence per unit), bringing the total paid in respect of the period under review to 1.2029 pence per unit for Retail income units (Retail accumulation units 1.3880 pence per unit) compared to 1.2993 pence per unit for Retail

income units (Retail accumulation units 1.4643 pence per unit) paid in respect of the same period last year. Also, a final distribution of 0.6831 pence per unit will be paid to holders of I-H Class income units, bringing the total paid for the period to 1.2106 pence per unit. For holders of I-Class income units a final distribution of 0.6427 pence per unit (I-Class accumulation units 0.7444 pence per unit) will be paid on 30 September 2013.

\*Source: FE, Retail Units, bid to bid, net income reinvested.

The performance statistics disclosed above relate to Retail Units unless otherwise stated.

### Market Review

The year under review was characterised by a dramatic rebound in Japanese equities, with the Topix rising 57.2% in yen terms and 29.0% in sterling terms over the period. This was largely due to so-called 'Abenomics', a series of measures introduced by the country's new Prime Minister Shinzo Abe to lift the Japanese economy out of stagnation and chronic deflation. The market's recovery began in November 2012 when a general election was called and Abe, then opposition leader, began his campaign

with pro-growth and pro-inflation pledges. Helped by his strong reflationary rhetoric, the yen weakened progressively.

Following a landslide victory for his party, Abe has acted quickly to take steps towards attaining his goals. He announced his ¥10.3 trillion stimulus measures in January, while prompting the Bank of Japan to adopt a 2% inflation target. Later, new pro-government Bank of Japan Governor Haruhiko Kuroda was appointed and in early April announced a massive bond buying programme.

In addition to these fiscal and monetary measures, Abe announced the outline of reform measures in June to complete his famous 'three arrow' economic plans. However, this proved disappointing for the market and, together with concerns about the US Federal Reserve reducing its liquidity policy and a slowdown in China, caused Japanese equities to become more volatile. The yen also showed signs of strengthening towards the end of the period, adding volatility to the equity market.

### Policy Review

The Fund returned 24.1% in sterling terms over the year under review. Japanese exporters gained support from the weakness of the yen and our holding in Makita, a winner in the global power tool market, made a strong contribution to performance. We locked in profits in the stock following a strong run. Electronic components maker Murata Manufacturing also rallied and we locked in profits. Our holding in tyre maker Bridgestone performed strongly benefiting from solid global auto demand.

Among our domestically-oriented holdings, financials made strong positive contributions to performance, helped by reflationary expectations and rising equities. Our holdings in banks Sumitomo Mitsui Trust and Sumitomo Mitsui Financial, and insurer Tokio Marine added significant value.

On the negative side, our holding in office equipment maker Canon detracted from performance as concerns for its compact camera business outweighed the appeal of its yen sensitivity and high dividend yield. Some of our holdings in domestically-oriented companies were also detrimental for performance as investors switched into exporters and financials. These included internet retailer Start Today, computer services provider Net One Systems and educational services company Benesse. We sold out of the former two.

During the year, we initiated a holding in construction company Maeda as it should benefit from property reflation and a construction boom ahead of the consumption tax rise. We

participated in the initial public offering of Suntory Beverage & Food, Japan's second largest soft drinks maker. Among exporters, we acquired new holdings in industry laggards such as factory automation company Fanuc and trading house Mitsui & Company.

### Investment Outlook

We expect reaction to Abe's policies to continue to dominate the Japanese market. The July 21 Upper House election results gave the Abe administration sufficient power to pass reform measures but not enough to change the constitution, as the market anticipated. With this majority in the Upper House, any delay in the implementation of Abe's economic reforms will now be seen as a sign of weakness or dissent within his party.

One specific concern for the market is the timing of the increase in consumption tax which is officially scheduled to rise by 3% to 8% in April 2014. However, this is dependent on the performance of the domestic economy. We expect this debate to become increasingly important in the next couple of months. The market could interpret a decision to delay the tax increase as a sign of a weak economic recovery. However, as 'Abenomics' is primarily focused on domestic consumer-led growth, we should not be too surprised if the government does delay the tax increase for fear of choking off a recovery in consumption before it has gained proper traction. Meanwhile, we think any further volatility in Japanese stocks on these concerns will present a good buying opportunity as we believe that the improving economic data so far shows that 'Abenomics' is working.

**Simon Somerville**

Fund Manager

## Responsible Stewardship

Jupiter believes that responsible stewardship is an important issue and aims to act in the best interests of all its stakeholders by engaging with the companies that it invests in, and by exercising its voting rights with care. We believe companies with high standards of corporate responsibility, governance and sustainable business practices create an appropriate culture to enhance good investment performance. **Jupiter's Corporate Governance and Voting Policy** and its compliance with the **UK Stewardship Code**, together with supporting disclosure reports are available at [www.jupiteronline.com](http://www.jupiteronline.com)

This document is a short report of the Jupiter Japan Income Fund for the year ended 31 July 2013. The full Report and Accounts of the Fund is available on our website [www.jupiteronline.com](http://www.jupiteronline.com) or upon written request to Jupiter Unit Trust Managers Limited, PO Box 10666, Chelmsford CM99 2BG.

The information in this report is designed to enable you to make an informed judgement on the activities of the Fund during the year it covers and the results of those activities at the end of the year.

This document contains information based on the Industry Classification Benchmark (ICB). The ICB is a product of FTSE International Limited (FTSE) and all intellectual property rights in and to ICB vest in FTSE. Jupiter Asset Management Limited has been licensed by FTSE to use ICB. FTSE is a trade mark of the London Stock Exchange Plc and is used by FTSE under license. FTSE and its licensors do not accept liability to any person for any loss or damage arising out of any error or omission in ICB.

Jupiter Unit Trust Managers Limited, PO Box 10666, Chelmsford CM99 2BG

Tel: **0844 620 7600** | Fax: **0844 620 7603** | [www.jupiteronline.com](http://www.jupiteronline.com)

Registered in England and Wales, No. 2009040

Registered office: 1 Grosvenor Place, London SW1X 7JJ

Authorised and regulated by the Financial Conduct Authority whose address is:

25 The North Colonnade, Canary Wharf, London E14 5HS

