Jupiter **Corporate Bond Fund**

Short Annual Report – for the year ended 28 February 2014

JUPITER

Investment Objective

To achieve high income and the opportunity for capital growth.

Investment Policy

To invest primarily in fixed interest securities, as well as convertibles and preference shares, with potential for international exposure.

The Manager has the power to use derivatives but it is intended that these will only be used for efficient portfolio management and not for investment purposes.

Performance Record

Percentage change and sector ranking from launch to 28 February 2014

	1 year	3 years	5 years	10 years	Since launch*
Jupiter Corporate Bond Fund	2.0	18.6	46.0	53.9	108.4
Sterling Corporate Bond sector position	71/90	70/84	61/75	25/56	7/25

Source: FE, Retail Units, bid to bid, net income reinvested.
**Launch date 25 May 1998.*

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 or cash flow risk. The risks it faces from its financial instruments are market price, credit, interest rate, foreign currency and counterparty risks. The Manager reviews policies for managing risks in pursuance of the Investment Objective and Policy. The Manager has the power to invest up to 20% of the portfolio in bonds which are not rated by a credit rating agency. These may include emerging market bonds and bonds below investment grade. There is a higher credit risk associated with such investments and it is the Fund's current policy to limit the maximum total proportion held in these investments to approximately 15% of the portfolio.

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.

As at 28.02.14

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

Retail Units

1	2	**3**	4	5	6	7

I-Class Units

1	2	**3**	4	5	6	7

As at 28.02.13

Typically lower rewards, lower risk ← → Typically higher rewards, higher risk

Retail Units

1	2	3	**4**	5	6	7

I-Class Units

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 bonds issued by governments and companies, which carry a degree of risk.

Unit Classes

In addition to the basic class of units which are available to all types of investors, the Fund also offers I-Class units which are available to investors who invest a minimum of £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-Class Units. The unit types associated with each unit class are disclosed in the Comparative Tables on page 2. Previously, the Fund offered I-Class Accumulation Units which were introduced on 15 June 2009 and then cancelled on 17 August 2011 and re-introduced on 3 June 2013.

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 or call 0844 620 7600 for further information.

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:	28.02.14	28.02.13
Ongoing charges for Retail Units	1.27%	1.27%
Ongoing charges for I-Class Units	0.67%	0.67%

Portfolio Turnover Rate (PTR)

Year to 28.02.14	Year to 28.02.13
119.33%	50.35%

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.

Distributions/Accumulations

	Retail Income units	I-Class Income units	I-Class Accumulation units
	Pence per unit		
Quarter to 31.05.13	0.3600	0.4262	n/a
Quarter to 31.08.13	0.3400	0.4106	0.4060
Quarter to 30.11.13	0.3600	0.4203	0.4222
Quarter to 28.02.14	0.3500	0.4164	0.4213

Fund Facts

Fund accounting dates		Fund payment/ accumulation dates	
28 February	31 August	30 April	31 October

Additionally, two further payments will be made on 31 July and 31 January each year to unitholders on the register as at 31 May and 30 November respectively.

Comparative Tables

Net Asset Values

Date	Net Asset Value of Fund	Net Asset Value per unit			Number of units in issue		
		Retail Income	I-Class Accumulation*	I-Class Income**	Retail Income	I-Class Accumulation*	I-Class Income**
28.02.13	£240,910,557	53.19p	n/a	53.27p	424,787,578	n/a	28,082,362
28.02.14	£191,431,234	52.79p	54.18p	53.14p	315,466,424	37,292	46,807,275

Unit Price Performance

Calendar Year	Highest offer			Lowest bid		
	Retail Income	I-Class Accumulation*	I-Class Income**	Retail Income	I-Class Accumulation*	I-Class Income**
2009	51.07p	49.76p	n/a	42.04p	42.90p	n/a
2010	54.17p	54.78p	n/a	47.36p	48.46p	n/a
2011	53.73p	56.31p	n/a	48.46p	51.83p	n/a
2012	56.20p	n/a	54.05p	49.48p	n/a	52.18p
2013	57.39p	54.19p	55.29p	51.59p	52.06p	51.67p
to 28.02.14	55.68p	54.48p	53.64p	52.02p	52.95p	52.12p

Income/Accumulation Record

Calendar Year	Pence per unit		
	Retail Income	I-Class Accumulation*	I-Class Income**
2009	1.8100p	0.4767p	n/a
2010	1.8300p	2.2155p	n/a
2011	1.8400p	1.7125p	n/a
2012	1.6900p	n/a	n/a
2013	1.4000p	0.4060p	1.5732p
to 30.04.14	0.7100p	0.8435p	0.8367p

*I-Class accumulation units were introduced on 15 June 2009. These were all cancelled by 17 August 2011 and re-introduced on 3 June 2013.

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

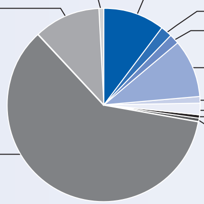
Major Holdings

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 28.02.14	Holding	% of Fund as at 28.02.13
KFW 5.5% 18/06/2025	3.21	KFW 2.125% 17/01/2023	3.26
Nordic Investment Bank 5% 19/04/2022	2.86	John Lewis 8.375% 08/04/2019	2.97
Lloyds (Society) 6.875% 17/11/2025	2.34	Pearson 6% 15/12/2015	2.32
BUPA Finance 6.125% VRN Perpetual	2.32	Asian Development Bank 1% 15/12/2015	2.10
Go-Ahead Group 5.375% 29/09/2017	2.28	US Treasury 4.5% 15/02/2036	2.09
Pearson Funding Five 3.25% 08/05/2023	2.19	HSBC Holdings 6.75% 11/09/2028	1.98
Porterbrook Rail Finance 6.5% 20/10/2020	2.15	Reed Elsevier 5.625% 20/10/2016	1.95
John Lewis 8.375% 08/04/2019	2.12	London Stock Exchange 6.125% 07/07/2016	1.91
Australian Government 3.25% 21/04/2029	2.07	Lloyds (Society) 6.875% 17/11/2025	1.86
Australian Government 4.75% 21/04/2027	2.06	Land Securities 5.391% 27/02/2026	1.84

Portfolio Information

Geographical spread of investments per country of issuer as at 28 February 2014



The figures in brackets show allocations as at 28 February 2013.
As at 28 February 2014, 90% of the Fund's assets were sterling denominated.

Investment Review

Performance Review

On a bid to bid basis, including re-invested net income, the Fund has produced a total return of 2.0%* over the 12-month period to the end of February 2014. This compares with the return of 3.3%* produced by the iBoxx £ Corporate Overall Index. The Fund was ranked 71st out of 90 funds over 1 year, 70th out of 84 funds over 3 years and 7th out of 25 funds since launch in the IMA UK Corporate Bond Sector**.

* Source: FE/Jupiter, Basic Rate Tax, Net Income Reinvested.
** Source: FE, Retail Units, Bid-Bid, Basic Rate Tax, Net Income Reinvested.

Market Review

Credit spreads rallied during the period under review, led by financials. This was briefly challenged in June, when the US Federal Reserve (Fed) made it clear that it would soon start tapering its bond purchases. As the markets tried to determine whether or not this heralded an abrupt end to the era of easy money, government bond yields rose and credit spreads widened. It took a few weeks before spreads resumed their tightening, which remained the dominant theme in credit markets for the rest of the year.

UK government bond yields drifted upwards, with particularly sharp rises for 10-year gilt yields in June and August. The 'belly' of the yield curve underperformed, with declines in the value of 10-year and 15-year bonds both exceeding 2.5%. Positive gilt returns were confined to 1-year and 2-year instruments, but 30-year bonds nevertheless strongly outperformed most other maturities.

It was not until December that the Fed announced that it would actually start tapering its monthly asset purchases. The initial reduction in stimulus was from $85bn per month to $75bn per month in January, followed by a subsequent reduction to $65bn per month in February. This, in combination with concerns over slowing economic growth in the developing world led to a sharp decline in the value of emerging market currencies. Investors who had previously sought high yield in emerging markets prepared for a normalisation of monetary policy in the developed world by retreating to developed world markets. Markets were also unsettled by signs of Chinese economic growth slowing.

At the end of the period under review, Bank of England Governor Mark Carney confirmed that the Bank of England would move from forward guidance based on a simple unemployment threshold to a broader set of indicators.

Policy Review

We have increased our exposure to US dollar-denominated corporate bonds for holdings like Pearson, Reed, Pentair and Deere, in some cases switching out of their sterling-denominated bonds. These offer more attractive credit spreads and we see better prospects for the US yield curve than we do for the UK curve.

We have increased liquidity in the portfolio by increasing our weighting to AAA-rated sovereign bonds. In particular, we have increased our Australian government bond position. We believe that prospects for this position are improving as the market seems now to be recognising the implications of poor Chinese economic data for mining companies and the Australian economy. We continue to believe that this growth headwind coupled with other negative structural characteristics of the Australian economy, such as excessive private sector debt, should put downward pressure on yields.

We continued to decrease our bank holdings. Valuations continue to tighten in this sector and we are selling into this strength. We see significant risks to undercapitalised banks as regulators gradually catch up with the 'too big to fail' paradigm.

We have increased the Fund's average duration to 6.3 from 5.4 in response to the rapid upward shift in yields that took place over the course of the year. We are still reluctant to take on an overweight position relative to the benchmark, given the lack of productivity growth in the UK economy.

Investment Outlook

In the UK and the developed world more broadly, a low, albeit gradually improving growth backdrop is supportive of credit fundamentals. We have seen some deterioration in balance sheets, mainly in the US, as management teams have sought to buy back shares with cash or increase dividend payouts. European company earnings are still weak, impeding the ability of companies in the region to reduce debt burdens.

Our main concerns revolve around valuations. Sub-investment grade bond yields are at long-term lows and so is the difference in spreads between high yield and investment grade bonds. This comes at a time when market liquidity is still very weak. There are now very few opportunities to identify bonds that have the potential to outperform because most bonds with similar ratings have converged. This means that credit selection is now more about trying to avoid the losers than finding star performers.

Banks have up until now had strong technical support, as bank issuance has been limited over the last couple of years. We are now, however, starting to see a lot of issuance of a new form of deeply subordinated bank debt. These are very low quality instruments for which valuations, in our view, simply do not reflect the risks. Instead we prefer the subordinated bonds of general insurers where we see more supportive longer term fundamentals.

While economic fundamentals are improving, they are doing so from very fragile levels with a still highly accommodative policy backdrop. Monetary policy attenuation at the Fed and Bank of England could result in a tightening of monetary policy despite issues in emerging markets feeding through to softer developed market growth, creating a difficult environment for asset markets. We continue to hold a bias to more liquid, higher credit quality bonds within the portfolio, seeking to add value through yield curve positioning.

Rhys Petheram
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

This document is a short report of the Jupiter Corporate Bond Fund for the year ended 28 February 2014. The full Report and Accounts of the Fund is available on our website **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.

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