

# Jupiter China Fund

## Annual Report

for the year ended 31 August 2013





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### Investment Objective

To achieve long-term capital growth.

### Investment Policy

To invest principally in companies operating in China (including Hong Kong) but may also invest in companies operating in other countries which, in the Manager's opinion, conduct a material proportion of their business in China (including Hong Kong) or derive a material proportion of their earnings from activities in China. The Manager will only enter into derivative transactions for the purpose of efficient management of the portfolio and not for investment.

### Status

The Fund operates under the Collective Investment Schemes Sourcebook (COLL) of the Financial Conduct Authority. The Fund is an authorised unit trust scheme under Section 237 of the Financial Services and Markets Act 2000 and is a UCITS scheme as defined in the COLL rules. It is in the 'China/Greater China' Investment Management Association sector.

The Fund is a qualifying fund for inclusion within a stocks and shares Individual Savings Account (ISA). It is the Manager's intention to continue to manage the affairs of the Fund in order to meet the qualifying requirements as outlined in current legislation.

### 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 4.

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

	1 year	3 years	5 years	Since launch*
Percentage Growth	27.5	-1.9	43.1	80.3
Sector position	7/37	27/32	10/22	10/15
Quartile ranking	1st	4th	2nd	3rd

Source: FE, Retail Units, bid to bid, net income reinvested. \*Launch date 20 October 2006.

**WARNING:** Jupiter Unit Trust Managers Limited is authorised and regulated by the Financial Conduct Authority and its registered address is 1 Grosvenor Place, London SW1X 7JJ. The value of an investment in a unit trust and the income from it can go down as well as up, it may be affected by exchange rate variations and you may not get back the amount invested. **It should be noted that this Fund will be investing in a single developing geographic area and there is a greater risk of volatility due to potential political and economic change. It should also be noted that brokerage transaction and custody costs are generally higher in China and other emerging markets in the area than in Western security markets.** Initial charges are likely to have a greater proportionate effect on returns if investments are liquidated in the shorter term. Quoted yields are not guaranteed. Current tax levels and reliefs will depend on your individual circumstances and further information is available from HM Revenue & Customs or by speaking with a tax professional. Past performance should not be seen as a guide to future performance. For your security we will record and randomly monitor all telephone calls. If you are unsure of the suitability of this investment please contact your Financial Adviser. No material in this report should be interpreted as investment advice.

## Performance Review

Although the trajectory of China's economy remains fitful, the improving trend highlighted at the half-year remains intact. This has been reflected in a continuation of the Fund's strong relative performance as its holdings of mid and smaller capitalised stocks have performed well, driven by improving earnings and a pick up in merger and acquisition activity. Of particular note has also been the contribution made by those companies associated with sectors declared to be emerging strategic areas by the Chinese government at the time of the 12th Five Year Plan. In the Fund's context this has been reflected by strong performance across its positions in e-commerce, pollution control, energy, and consumer services companies.

Over the year to the end of August the Fund's unit price has risen by 27.5%\* in sterling terms as compared with a 17.9%\* rise in its benchmark, the MSCI Zhong Hua Index. As a consequence the Jupiter China Fund's ranking relative to its peer group has moved into the top quartile within the IMA China/Greater China sector after a protracted period in the doldrums.

*\*Source: FE, Retail Units, bid to bid, net income reinvested.  
The performance statistics disclosed above relate to Retail Units unless otherwise stated.*

## Market Review

Over the last few months China has proved to be a relative safe-haven within emerging markets, which have found themselves tested as investors reacted to fears that credit conditions would continue to tighten in the United States. Whilst capital controls have bolstered the local currency, China's low external debt, high domestic savings and significant foreign exchange reserves have set it apart from some of the more internationally exposed and geared economies in the asset class. More specifically, earnings growth across Chinese corporates rose by almost 15 per cent during the first half of the calendar year when compared with the year earlier period.

Significantly, with recent trade data evidencing a pick-up in activity as the G3 economies demonstrate further signs of recovery, there is reason to believe that a more positive external outlook that is independent of China's recent inventory re-stocking will result in a more sustainable recovery than commentators currently envisage. This encouraging backdrop is further coloured by clear signs that the strategic reform process heralded by the new administration of Xi Jinping (President) and Li Keqiang (Prime Minister) is gathering pace. Alongside the

traditional rhetoric associated with the country's leadership, they have overseen specific measures including the first important steps in the deregulation of gas prices, announced clear environmental targets and sanctions, and have begun a crack-down on corruption that has seen ministers and senior managers involved with State Owned Enterprises called to account.

More remains to be done. Importantly, as we approach November's Third Plenum of the 18th Party Congress there is a growing belief that this event will be used as a platform to announce further initiatives. Reform of the Hukou, or household registration system, is likely to be the most important announcement, and over the mid to long term will have a big impact on consumption, manufacturing productivity and social stability. There is also expected to be a move to reform the tax system aimed at boosting the private sector (Small and Medium Enterprises) and the services sector. In a similar vein there is also expected to be a move to change the basis of revenue collection so as to force greater accountability on provincial governments.

## Policy Review

The Fund is exposed to industries that are central to the new administration's strategy of delivering sustainable levels of growth. These involve not only investments in beneficiaries of rising consumption but also companies at the forefront of new technologies, energy efficiency, pollution control and social services (education and healthcare). As a result our emphasis remains on more dynamic growth companies rather than the traditional index heavyweights that by and large reflect the way China has been run in the past.

In order to capture these opportunities the Fund continues its policy of holding a significant proportion of its investments in dynamic and entrepreneurially driven companies. As a result the Fund holds a material proportion of its investments in mid and smaller capitalised companies. Although the performance of this segment of the market has improved, and indeed has contributed to the strong outperformance of the Fund, it is important to note that valuations remain at the lower reaches of historical averages. As a result we believe that the coming year should be characterised by a further strong showing from these equities as China's economy begins to demonstrate a more sustainable rate of expansion.

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## Investment Review continued

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### Investment Outlook

We are beginning to see the character of the new administration revealed. There is a clear desire to drive change even if hard and politically difficult decisions have to be made. Although there remain concerns as to the pace of reform, particularly with respect to addressing the funding of local government spending and the returns on capital deployed in State Owned Enterprises, the government understands what needs to be done. Encouragingly, the economy appears to be more resilient than many had predicted and private businesses are generating improved earnings growth. With valuations remaining undemanding and dividends rising we are confident that the Fund's holdings will continue to prosper as China delivers better earnings results than consensus currently expects.

**Philip Ehrmann**  
**Fund Manager**

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## Responsible Stewardship

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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)

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## Directors

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The Directors of Jupiter Unit Trust Managers Limited are:

**E H Bonham Carter (Chief Executive)**

**G W Davidson (Joint Managing Director)**

**P M Moore (Joint Managing Director)**

**R Corfield**

**A Creedy**

**P Johnson**

**R V Parker**

**S Reynolds**

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## Other Information

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This document contains information based on the MSCI Zhong Hua Index and the Industry Classification Benchmark (ICB). Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent. 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 owned by the London Stock Exchange Plc and is used by FTSE International Limited ('FTSE') under licence. 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.

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## Warning to Unitholders

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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.

## 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-Class Income*	I-Class Accumulation**	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation**
31.08.09	£161,133,310	72.13p	72.46p	n/a	n/a	12,926,001	210,473,904 <sup>†</sup>	n/a	n/a
31.08.10	£270,315,470	87.24p	87.64p	n/a	n/a	16,081,963	293,775,646 <sup>†</sup>	n/a	n/a
31.08.11	£197,326,260	75.37p	75.73p	n/a	n/a	14,855,046	245,762,571	n/a	n/a
31.08.12	£153,624,951	66.45p	67.40p	n/a	67.60p	11,331,707	216,758,406	n/a	1,401
31.08.13	£177,789,190	83.98p	85.93p	85.44p	86.86p	9,750,261	191,852,266	141,258	5,330,154

### Unit Price Performance

Calendar Year	Highest offer				Lowest bid			
	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation**	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation**
2008	99.41p	99.41p	n/a	n/a	33.40p	33.40p	n/a	n/a
2009	96.07p	96.51p	n/a	n/a	47.43p	47.43p	n/a	n/a
2010	108.82p	109.32p	n/a	n/a	82.39p	82.76p	n/a	n/a
2011	106.92p	107.47p	n/a	74.22p	57.33p	57.59p	n/a	57.62p
2012	88.08p	88.47p	81.16p	84.34p	64.89p	65.83p	73.68p	66.28p
to 31.08.13	95.10p	96.47p	92.69p	92.73p	76.36p	77.47p	78.45p	78.47p

### Income/Accumulation Record

Calendar Year	Pence per unit			
	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation**
2008	0.0000p	0.0000p	n/a	n/a
2009	0.3300p	0.3379p	n/a	n/a
2010	0.0000p	0.0000p	n/a	n/a
2011	0.0000p	0.0000p	n/a	n/a
2012	0.6586p	0.6781p	n/a	0.9869p
to 31.10.13	0.7410p	0.7510p	1.3694p	1.3697p

\*I-Class income units were introduced on 29 October 2012.

\*\*I-Class accumulation units were introduced on 19 September 2011.

<sup>†</sup>Accumulation units in issue expressed as notional income units.

## Comparative Tables continued

### Portfolio Turnover Rate

The Portfolio Turnover Rate (PTR) of the Fund, based on the figures included within the financial statements for the period as indicated below, is as follows:

	Year to 31.08.13	Year to 31.08.12
Portfolio Turnover Rate	148.06%	107.99%

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.

### 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

#### Retail Units

1	2	3	4	5	6	7
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#### I-Class Units

1	2	3	4	5	6	7
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- 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 shares of companies based in China, 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:	31.08.13	31.08.12
Ongoing charges for Retail Units	1.82%	1.83%
Ongoing charges for I-Class Units	1.07%	1.08%

## Portfolio Statement

as at 31 August 2013

Holding	Portfolio of investments#	Market value £	% of Total net assets
<b>CHINA (INCLUDING HONG KONG) – 98.83% (97.52%)</b>			
<b>Basic Materials – 2.84% (3.18%)</b>			
7,500,000	Lee & Man Paper Manufacturing	2,844,538	1.60
3,800,000	Yingde Gases	2,196,616	1.24
<b>Consumer Goods – 5.74% (4.79%)</b>			
2,000,000	Dongfeng Motor Group	1,779,916	1.00
4,000,000	Peace Mark* <sup>Δ</sup>	–	–
5,000,000	Vinda International	3,289,517	1.85
3,500,000	Want Want China	3,336,094	1.88
3,000,000	Xinyi Glass	1,804,036	1.01
<b>Consumer Services – 7.90% (13.53%)</b>			
800,000	Charm Communications ADR	2,064,183	1.16
6,000,000	China ZhengTong Auto Service	2,395,401	1.35
190,000	Home Inns & Hotels ADR	4,235,704	2.38
2,300,000	SJM	3,795,379	2.13
60,000	Vipshop ADR	1,565,941	0.88
<b>Financials – 29.40% (25.55%)</b>			
10,000,000	Bank of China	2,703,143	1.52
16,000,000	China Construction Bank	7,545,512	4.24
4,000,000	China Minsheng Banking	2,768,018	1.56
1,500,000	China Overseas Land & Investments	2,863,252	1.61
1,600,000	China Pacific Insurance	3,453,369	1.94
3,500,000	CITIC Securities	4,378,260	2.46
8,000,000	Far East Horizon	3,100,713	1.74
1,200,000	Hang Lung Properties	2,410,372	1.36
21,000,000	Industrial & Commercial Bank of China	8,855,497	4.98
120,568	Jupiter Global Fund – China Select Fund <sup>†</sup>	1,155,044	0.65
6,500,000	KWG Property	2,832,894	1.59
5,442,000	Min Xin	1,824,103	1.03
1,000,000	Ping An Insurance	4,508,011	2.54
5,000,000	Sun Hung Kai & Co	1,763,281	0.99
15,000,000	Yuzhou Properties Co	2,108,452	1.19
<b>Healthcare – 7.71% (2.81%)</b>			
1,250,000	Concord Medical ADR	4,031,608	2.27
3,500,000	Shandong Weigao Group Medical	2,110,531	1.19
2,250,000	Sinopharm Group	3,626,786	2.04
250,000	WuXi PharmaTech (Cayman) ADR	3,926,786	2.21



## Portfolio Statement continued

Holding	Portfolio of investments#	Market value £	% of Total net assets
<b>Industrials – 13.78% (18.07%)</b>			
4,000,000	China Everbright International	2,435,324	1.37
5,000,000	China Metal Recycling	980,409	0.55
260,000	Ginka International	2,883,142	1.62
450,000	Hollysys Automation Technologies	3,904,209	2.20
22,000,000	Lonking	2,964,308	1.67
14,000,000	Shanghai Electric	3,341,917	1.88
3,436,000	SOCAM Development	2,566,346	1.44
18,000,000	Tiangong International	2,814,596	1.58
28,000,000	West China Cement	2,608,325	1.47
<b>Oil &amp; Gas – 12.83% (8.73%)</b>			
4,500,000	China Gas	2,997,994	1.69
4,400,000	CNOOC	5,621,207	3.16
9,500,000	Hilong	3,358,135	1.89
2,700,000	Kunlun Energy	2,528,645	1.42
8,000,000	PetroChina	5,602,576	3.15
8,000,000	SPT Energy	2,701,480	1.52
<b>Telecommunications – 4.28% (5.43%)</b>			
7,800,000	China Unicom	7,603,401	4.28
<b>Technology – 8.00% (10.38%)</b>			
850,000	AAC Technologies	2,477,950	1.39
270,000	AotoNavi ADR	2,102,177	1.18
40,000	Baidu ADR	3,605,612	2.03
200,000	Tencent	6,048,387	3.40
<b>Utilities – 6.35% (5.05%)</b>			
10,000,000	Beijing Enterprises Water NP	2,753,047	1.55
14,000,000	China Power International Development	3,306,984	1.86
2,000,000	China Resources Power	2,951,000	1.66
11,901,000	China Suntien Green Energy	2,286,552	1.28
	Portfolio of investments	175,716,680	98.83
	Net other assets	2,072,510	1.17
	<b>Net assets</b>	<b>177,789,190</b>	<b>100.00</b>

All holdings are ordinary shares or stock units unless otherwise stated.

The sectors are based on the Industry Classification Benchmark (see page 3).

#The figures in brackets show allocations as at 31 August 2012.

†Represents an investment in a Jupiter Investment Management Group Limited product.

\*Represents an unquoted security.

‡Represents an unapproved security.

## Top 20 Purchases and Sales

The top 20 purchases and sales for the year ended 31 August 2013

Purchases	Cost £	Sales	Proceeds £
Industrial & Commercial Bank of China	8,841,602	Vipshop ADR	5,945,869
CNOOC	5,759,258	Tencent	5,820,116
Ping An Insurance	5,354,733	Hong Kong Exchanges & Clearing	5,753,971
Hong Kong Exchanges & Clearing	5,129,317	Spreadtrum Communications ADR	5,579,442
Baidu ADR	4,539,726	China Minsheng Banking	5,464,987
Sinopharm Group	4,511,975	China Resources Power	4,980,635
Home Inns & Hotels ADR	4,430,009	China Taiping Insurance	4,707,303
China Gas	4,388,452	CNOOC	4,672,750
China Power International Development	4,183,562	Bank of China	4,273,284
Digital China	4,077,892	China Everbright International	4,164,917
China Minsheng Banking	3,792,010	ENN Energy	3,850,965
Hilong	3,791,708	China Gas	3,842,376
Tiangong International	3,719,489	SOHO China	3,810,676
WuXi PharmaTech (Cayman) ADR	3,471,159	Shanghai Electric	3,718,025
Sina	3,440,715	Sina	3,717,514
Yuzhou Properties Co	3,350,052	Melco International Development	3,711,275
China ZhengTong Auto Service	3,333,355	AAC Technologies	3,498,673
Shandong Weigao Group Medical	3,276,050	Focus Media ADR	3,426,707
Shanghai Electric	3,224,372	PCD Stores	3,399,577
Lonking	3,185,966	Emperor Watch & Jewellery	3,378,607
Total top 20 purchases	85,801,402	Total top 20 sales	87,717,669
Remaining purchases	71,119,214	Remaining sales	83,318,675
<b>Total purchases</b>	<b>156,920,616</b>	<b>Total sales</b>	<b>171,036,344</b>

## Statement of Total Return

for the year ended 31 August 2013

	Notes	Year to 31.08.13		Year to 31.08.12	
		£	£	£	£
Income					
Net capital gains/(losses)	3		39,952,402		(23,354,175)
Revenue	4	5,106,242		5,013,227	
Expenses	5	(3,231,910)		(3,141,103)	
Finance costs: Interest	7	(3,528)		(845)	
Net revenue before taxation		1,870,804		1,871,279	
Taxation	6	(239,893)		(216,958)	
Net revenue after taxation			1,630,911		1,654,321
<b>Total return before distributions/accumulations</b>			<b>41,583,313</b>		<b>(21,699,854)</b>
Finance costs: Distributions/Accumulations	7		(1,634,555)		(1,654,162)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>39,948,758</b>		<b>(23,354,016)</b>

## Statement of Change in Net Assets Attributable to Unitholders

for the year ended 31 August 2013

	Year to 31.08.13		Year to 31.08.12	
	£	£	£	£
<b>Opening net assets attributable to unitholders</b>		<b>153,624,951</b>		<b>197,326,260</b>
Amounts received on issue of units	20,392,598		11,434,293	
Amounts paid on cancellation of units	(37,690,935)		(33,251,437)	
		(17,298,337)		(21,817,144)
Change in net assets attributable to unitholders from investment activities (see statement of total return above)		39,948,758		(23,354,016)
Retained distribution on accumulation units		1,513,818		1,469,851
<b>Closing net assets attributable to unitholders</b>		<b>177,789,190</b>		<b>153,624,951</b>

## Balance Sheet

as at 31 August 2013

		31.08.13		31.08.12	
	Notes	£	£	£	£
<b>Assets</b>					
Investment assets			175,716,680		149,817,650
Debtors	8	1,595,474		1,532,196	
Cash and bank balances		1,805,667		3,698,427	
Total other assets			3,401,141		5,230,623
Total assets			179,117,821		155,048,273
<b>Liabilities</b>					
Creditors	9	(1,254,447)		(1,348,691)	
Distribution payable on income units		(74,184)		(74,631)	
Total liabilities			(1,328,631)		(1,423,322)
<b>Net assets attributable to unitholders</b>			<b>177,789,190</b>		<b>153,624,951</b>

## Directors' Statement

### Jupiter China Fund

This report has been prepared in accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes Sourcebook and the Statement of Recommended Practice issued by the Investment Management Association.

### Directors: Paula Moore, Robert Parker

Jupiter Unit Trust Managers Limited

London

11 October 2013

for the year ended 31 August 2013

## **1. Accounting Policies**

### **(a) Basis of Accounting**

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Management Association (IMA) in October 2010.

### **(b) Revenue**

All dividends from companies declared ex-dividend during the year ended 31 August 2013 are included in revenue, net of any attributable tax. Interest on any debt securities is recognised on an effective interest rate basis. Bank interest and interest on short-term deposits are accrued up to the year end date. Any periodic charge rebates are recognised on an accrual basis.

Underwriting commission is taken to revenue and recognised when the issue takes place, except where the Fund is required to take up all or some of the shares underwritten, in which case an appropriate proportion of the commission received is deducted from the cost of the shares.

Special dividends are reviewed on a case by case basis when determining if the dividend is to be treated as revenue or capital. The tax treatment follows the accounting treatment of the principal amount.

### **(c) Expenses**

All expenses, including overdraft interest, but excluding those relating to the purchase and sale of investments and any Stamp Duty Reserve Tax, are charged against the revenue of the Fund. All of the Fund's expenses are recognised on an accruals basis.

### **(d) Valuation of Investments**

The investments of the Fund have been valued using bid market values ruling on international stock exchanges at 12 noon on 30 August 2013, being the last valuation point of the year. Market value is defined by the SORP as fair value which is generally the bid value of each security.

Where a stock is unlisted or where there is a non liquid market, a valuation for this stock has been obtained from market makers where possible, and suspended stocks are normally valued at their suspension price. However, where the Manager believes that these prices do not reflect a fair value, or where no reliable price exists for a security, it is valued at a price which in the opinion of the Manager reflects a fair and reasonable price for that investment.

### **(e) Foreign Exchange**

Transactions in foreign currencies are translated into Sterling at the rates ruling at the dates of the transactions. Assets and liabilities expressed in foreign currencies are translated at the rates ruling at 12 noon on 30 August 2013, being the last valuation point of the year.

### **(f) Taxation**

Corporation Tax is provided at 20% on revenue, other than UK dividends and overseas dividends, after deduction of expenses. Where overseas tax has been deducted from overseas revenue that tax can, in some instances, be set off against Corporation Tax payable, by way of double taxation relief.

The charge for Tax is based on the profit for the year and takes into account deferred taxation because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred Tax is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred Tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the Deferred Tax can be offset.

Stamp Duty Reserve Tax, if any, suffered on surrender of units is deducted from capital.

## **2. Distribution Policies**

### **(a) Basis of Distribution**

All of the net revenue available for distribution at the end of the final accounting period will be distributed to unitholders as a dividend distribution. In order to achieve a controlled dividend flow to unitholders, interim distributions may be made at the Manager's discretion, up to a maximum of the distributable revenue available for the period. The distribution dates in respect of this Fund are summarised in Note 2(b). Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

If, in respect of a particular accounting period, the average income allocation to unitholders (disregarding, for this purpose, any units held by the Manager or Trustee or their associates) would be less than £25, the Manager reserves the right (with the agreement of the Trustee) not to make any income allocation and, in such an event, the amount of net revenue remaining for that period will be credited to capital and reflected in the value of units.

### **(b) Distribution/Accumulation Date**

Net revenue, if any, will be distributed or accumulated to unitholders as a dividend distribution, annually on 31 October in respect of the accounting year ending 31 August.

### **(c) Stock Dividends**

The ordinary element of stock dividends is treated as revenue and forms part of any distribution/accumulation. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of any distribution/accumulation.

### 3. Net capital gains/(losses)

The net gains/(losses) on investments during the year comprise:

	31.08.13 £	31.08.12 £
Currency gains/(losses)	7,065	(42,787)
Transaction charges	(69,421)	(89,639)
Gains/(losses) on non-derivative securities	40,014,758	(23,221,749)
Net capital gains/(losses)	39,952,402	(23,354,175)

### 4. Revenue

	31.08.13 £	31.08.12 £
Overseas dividends	5,085,317	4,994,479
Bank interest	2,395	5,039
Periodic charge rebates	18,530	13,709
Total revenue	5,106,242	5,013,227

### 5. Expenses

	31.08.13 £	31.08.12 £
<b>Payable to the Manager, associates of the Manager and agents of either of them:</b>		
Manager's periodic charge	2,712,895	2,650,942
Registration fees	382,382	371,134
	3,095,277	3,022,076
<b>Payable to the Trustee, associates of the Trustee and agents of either of them:</b>		
Trustee's fee	49,163	47,717
VAT recovered on Trustee's fee	(8,019)	(9,040)
Safe custody fees	63,691	64,544
	104,835	103,221
<b>Other expenses:</b>		
Audit fee*	10,800	10,800
VAT recovered on Audit fee	(1,800)	(1,800)
Professional fees – non audit services	2,624	–
Charges on ADR dividend receipts	18,606	6,627
Financial Conduct Authority fee	181	179
Professional fees	1,387	–
	31,798	15,806
Total expenses	3,231,910	3,141,103

\*The audit fee (excluding VAT) incurred during the period was £9,000 (31.08.12: £9,000).

## 6. Taxation

### (a) Analysis of charge in the year:

	31.08.13 £	31.08.12 £
Irrecoverable overseas tax	239,893	216,958
Total current tax (Note 6.(b))	239,893	216,958

### (b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of Corporation Tax in the UK for an authorised unit trust. The differences are explained below:

	31.08.13 £	31.08.12 £
Net revenue before taxation	1,870,804	1,871,279
Corporation Tax at 20%	374,161	374,256
<b>Effects of:</b>		
Revenue not subject to taxation	(1,017,064)	(998,896)
Current year expenses not utilised	642,903	624,640
Irrecoverable overseas tax	239,893	216,958
Current tax charge for the year (Note 6.(a))	239,893	216,958

Authorised unit trusts are exempt from tax on capital gains, therefore any capital return is not included in the above reconciliation.

### (c) Provision for Deferred Tax

At 31 August 2013 there are surplus management expenses of £15,940,055 (31.08.12: £12,725,542). It is unlikely the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore a Deferred Tax asset of £3,188,011 (31.08.12: £2,545,108) has not been recognised.



## 7. Finance Costs

### Distributions/Accumulations and Interest

The distribution/accumulation takes account of amounts received on the issue of units and deducted on the cancellation of units and comprises:

	31.08.13 £	31.08.12 £
Final distribution/accumulation	1,588,001	1,544,482
	1,588,001	1,544,482
Amounts received on issue of units	(6,116)	(139,866)
Amounts paid on cancellation of units	52,670	249,546
Net distribution/accumulation for the year	1,634,555	1,654,162
<b>Interest</b>	3,528	845
Total finance costs	1,638,083	1,655,007
<b>Reconciliation of net revenue after taxation to Distribution/Accumulation:</b>		
Net revenue after taxation for the year	1,630,911	1,654,321
Net movement in revenue account	135	(159)
Equalisation on conversions	3,509	–
Net distribution/accumulation for the year	1,634,555	1,654,162

Details of the distributions/accumulations pence per unit are shown in the Distribution Tables on page 20.

## 8. Debtors

	31.08.13 £	31.08.12 £
Accrued revenue	54,582	217,451
Amounts receivable for issue of units	2,747	–
Currency sales awaiting settlement	765,159	611,498
Sales awaiting settlement	770,809	703,247
VAT recoverable	2,177	–
Total debtors	1,595,474	1,532,196

## 9. Creditors

	31.08.13 £	31.08.12 £
Accrued expenses	114,880	82,388
Amounts payable for cancellation of units	368,758	642,916
Currency purchases awaiting settlement	764,807	611,737
Purchases awaiting settlement	6,002	11,650
Total creditors	1,254,447	1,348,691

## 10. Contingent Liabilities and Capital Commitments

The Fund had no contingent liabilities or capital commitments at the balance sheet date (31.08.12: £nil).

## 11. Related Party Transactions

Jupiter Unit Trust Managers Limited (JUTM), as Manager, and National Westminster Bank plc (NWB), as Trustee, are related parties in respect of their dealings with the Fund. JUTM acts as principal in respect of all transactions of units in the Fund. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and, if applicable, in Note 7 (finance costs).

Any amounts due to or from JUTM at the end of the accounting year are disclosed in Notes 8 (debtors) and 9 (creditors). Amounts payable to JUTM in respect of fund management and NWB in respect of trusteeship are disclosed in Note 5 (expenses). At the year end £65,188 (31.08.12: £51,898) was due to JUTM and £1,189 (31.08.12: £934) due to NWB. These amounts are included in accrued expenses in Note 9.

## 12. Financial Instruments

In pursuing its investment objectives the Fund holds a number of financial instruments. These comprise securities and other investments, cash balances, short term fixed deposits, bank overdrafts and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable from issues and payable for cancellations and debtors for accrued revenue.

The Fund may enter into derivative transactions, the purpose of which will only be for efficient management of the Fund and not for investment purposes.

The Fund has little exposure to credit, counterparty or cash flow risk. The risks it faces from its financial instruments are liquidity, market price, foreign currency and interest rate risk. The Manager reviews policies for managing these risks in pursuance of the Investment Objective and Policy as set out on page 1 and they are summarised later.

Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed, Scheme Particulars and in the rules of the Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Investment Review and Portfolio Statement.

## Liquidity Risk

With any financial instrument held, there is the risk that the Fund may not be able to sell the full amount it wishes to at any given point of time, at the price at which the holding is valued within the portfolio. This risk is most pronounced for instruments in smaller companies listed on emerging market exchanges and for unlisted or unquoted securities. It is possible therefore, that if the Fund was forced to raise money quickly in order to meet significant redemption requests, the price achieved for some of the less liquid instruments would be lower than that at which they are valued. The Fund aims to reduce this liquidity risk by holding a well diversified range of securities.

## Market Price Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held by the Fund. It represents the potential loss the Fund might suffer through holding market positions which are affected by adverse price movements.

The Manager regularly considers the asset allocation of the portfolio in order to minimise the risk associated with particular markets or industry sectors whilst continuing to follow the Investment Objective and Policy (as set out on page 1).

## Foreign Currency Risk

A substantial proportion of the net assets of the Fund is denominated in currencies other than Sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

Currency	Net foreign currency assets 31.08.13			Net foreign currency assets 31.08.12		
	Monetary exposures £	Non-monetary exposures £	Total £	Monetary exposures £	Non-monetary exposures £	Total £
Chinese Yuan Renminbi	–	–	–	67,132	–	67,132
Hong Kong Dollar	54,196	146,242,274	146,296,470	126,790	132,539,722	132,666,512
Taiwan Dollar	54,635	2,883,142	2,937,777	–	–	–
US Dollar	–	25,436,220	25,436,220	102,590	16,429,528	16,532,118

## Interest Rate Risk

The Fund holds various cash positions and any change to the interest rates relevant for particular positions may result in either revenue increasing or decreasing.

## Interest Rate Risk Profile of Financial Assets and Financial Liabilities

The interest rate risk profile of the Fund's financial assets and liabilities at 31 August 2013 was:

Currency	Floating Rate financial assets £	Financial assets not carrying interest £	Total £
<b>31.08.13</b>			
Hong Kong Dollar	–	147,067,279	147,067,279
Taiwan Dollar	54,635	2,883,142	2,937,777
US Dollar	–	25,436,220	25,436,220
Sterling	1,751,032	1,925,513	3,676,545
<b>Total</b>	<b>1,805,667</b>	<b>177,312,154</b>	<b>179,117,821</b>
<b>31.08.12</b>			
Chinese Yuan Renminbi	–	67,132	67,132
Hong Kong Dollar	–	133,087,427	133,087,427
US Dollar	–	16,734,591	16,734,591
Sterling	3,698,427	1,460,696	5,159,123
<b>Total</b>	<b>3,698,427</b>	<b>151,349,846</b>	<b>155,048,273</b>

Currency	Financial liabilities not carrying interest £	Total £
<b>31.08.13</b>		
Hong Kong Dollar	770,809	770,809
Sterling	557,822	557,822
<b>Total</b>	<b>1,328,631</b>	<b>1,328,631</b>
<b>31.08.12</b>		
Hong Kong Dollar	420,915	420,915
US Dollar	202,473	202,473
Sterling	799,934	799,934
<b>Total</b>	<b>1,423,322</b>	<b>1,423,322</b>

There are no material amounts of non interest-bearing financial assets, which do not have maturity dates, other than equities.

The floating rate financial assets and liabilities include bank balances and overdrafts that bear interest. Interest rates on Sterling and overseas bank balances as supplied by the custodian may vary in line with market conditions and the size of deposit. Overdraft interest is calculated at the current Bank of England base rate plus 1.00%.

#### Fair Value of Financial Assets and Financial Liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

### 13. Portfolio Transaction Costs

	31.08.13		31.08.12	
	£	£	£	£
<b>Analysis of total purchase costs</b>				
Purchases in year before transaction costs		156,468,332		105,851,450
Commissions	314,816		205,190	
Taxes and other charges	137,468		100,562	
Total purchase costs		452,284		305,752
Gross purchases total		156,920,616		106,157,202
<b>Analysis of total sale costs</b>				
Gross sales in year before transaction costs		171,501,556		129,186,967
Commissions	(309,980)		(254,047)	
Taxes and other charges	(155,232)		(132,544)	
Total sale costs		(465,212)		(386,591)
Total sales net of transaction costs		171,036,344		128,800,376

#### 14. Unitholders' Funds

The Fund has the following unit classes in issue, with the following charges and minimum initial investment levels:

Unit Class	Initial charge	Manager's periodic charge	Minimum initial investment
Retail Units	5.25%	1.50%	£500
I-Class Units	0.00%	0.75%	£5,000,000

Revenue, and other expenses not included in the table above are allocated each day pro rata to the value of the assets attributable to each unit class and taxation is calculated by reference to the net revenue after expenses attributable to each unit class. Due to the varying expenses, the level of net revenue after expenses attributable to each unit class and the distributable revenue is likely to differ.

The Net Asset Value per unit and the number of units in each class are given in the Comparative Tables on page 4. All unit classes have the same rights on winding up.

#### 15. Unit Price Movement since the Balance Sheet date

Since the last dealing day of the year on 30 August 2013 the Fund's quoted bid prices have moved as follows:

Unit Type	30.08.13 bid price	09.10.13 bid price	Percentage movement
Retail Income Units	84.44p	87.38p	3.48%
Retail Accumulation Units	85.67p	89.44p	4.40%
I-Class Income Units	86.87p	89.33p	2.83%
I-Class Accumulation Units	86.89p	90.78p	4.48%

## Distribution Tables

### for the year ended 31 August 2013

Group 1: units purchased prior to 1 September 2012

Group 2: units purchased on or after 1 September 2012 to 31 August 2013

	Gross Income	Tax Credit at 10%	Net Income	Equalisation	Distribution payable 31.10.13	Distribution paid 31.10.12
Retail Income Units	pence per unit	pence per unit	pence per unit	pence per unit	pence per unit	pence per unit
Group 1	0.8233	0.0823	0.7410	–	0.7410	0.6586
Group 2	0.7971	0.0797	0.7174	0.0236	0.7410	0.6586

	Gross Income	Tax Credit at 10%	Net Income	Equalisation	Distribution to be accumulated 31.10.13	Distribution accumulated 31.10.12
Retail Accumulation Units	pence per unit	pence per unit	pence per unit	pence per unit	pence per unit	pence per unit
Group 1	0.8344	0.0834	0.7510	–	0.7510	0.6781
Group 2	0.8161	0.0816	0.7345	0.0165	0.7510	0.6781

	Gross Income	Tax Credit at 10%	Net Income	Equalisation	Distribution to be accumulated 31.10.13	Distribution accumulated 31.10.12
I-Class Accumulation Units	pence per unit	pence per unit	pence per unit	pence per unit	pence per unit	pence per unit
Group 1	1.5219	0.1522	1.3697	–	1.3697	0.9869
Group 2	1.2708	0.1271	1.1437	0.2260	1.3697	0.9869

Group 1: there were no I-Class Income Group 1 units in respect of the period under review

Group 2: units purchased on or after 29 October 2012 to 31 August 2013

	Gross Income	Tax Credit at 10%	Net Income	Equalisation	Distribution payable 31.10.13	Distribution paid 31.10.12
I-Class Income Units	pence per unit	pence per unit	pence per unit	pence per unit	pence per unit	pence per unit
Group 1	1.5216	0.1522	1.3694	–	1.3694	n/a
Group 2	1.5031	0.1503	1.3528	0.0166	1.3694	n/a

### All Unit Types

The relevant information required by a corporate unitholder is as follows:

- Franked investment income 100.00%
- Annual payment (non-foreign element) 0.00%

Equalisation applies only to units purchased during the distribution period (Group 2 units). It is the average amount of revenue included in the purchase price of all Group 2 units and is refunded to holders of these units as a return of capital. Being capital, it is not liable to Income Tax but must be deducted from the cost of units for Capital Gains Tax purposes.

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## ■ Statement of Manager's and Trustee's responsibilities in relation to the financial statements of the Scheme

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The Financial Conduct Authority's Collective Investment Schemes Sourcebook, as amended (the Sourcebook) requires the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the Scheme and of its revenue and expenditure for the period. In preparing the financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds;
- follow applicable accounting standards; and
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

The Manager is responsible for the management of the Scheme in accordance with the Sourcebook and the Scheme's Trust Deed and Prospectus. The Manager is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee is responsible for the safekeeping of all the property of the Scheme (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Trustee to take reasonable care to ensure that the Scheme is managed in accordance with the Sourcebook and the Scheme's Trust Deed and Prospectus, in relation to the pricing of, and dealings in, units in the Scheme; the application of revenue of the Scheme; and the investment and borrowing powers of the Scheme.

A copy of the Report of the Trustee is set out below.

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## ■ Report of the Trustee

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### **Jupiter China Fund**

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on information available to us and explanations provided, that, in all material respects, the Manager:

- has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's revenue in accordance with the Sourcebook and the Scheme's Trust Deed and Prospectus; and
- has observed the investment and borrowing powers and restrictions applicable to the Scheme.

National Westminster Bank plc  
Trustee & Depositary Services  
London  
11 October 2013

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## Independent Auditor's Report to the Unitholders of the Jupiter China Fund

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We have audited the financial statements of the Jupiter China Fund ('the Fund') for the year ended 31 August 2013 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, related notes 1 to 15 and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the unitholders of the Fund, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (formerly the Financial Services Authority). Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Manager and Auditor**

As explained more fully in the Manager's responsibilities statement set out on page 21, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the

audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 August 2013 and of the net revenue and the net capital gains on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### **Opinion on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (formerly the Financial Services Authority)**

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (formerly the Financial Services Authority) and the Trust Deed;
- the information given in the Manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

**Ernst & Young LLP**

Statutory Auditor

Edinburgh

11 October 2013



## **Manager, Registrar and Administrator**

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Authorised and regulated by the Financial Conduct Authority.

## **Trustee**

National Westminster Bank plc  
Trustee and Depositary Services  
7th Floor  
135 Bishopsgate  
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Authorised by the Prudential Regulation Authority and  
regulated by the Financial Conduct Authority and by the  
Prudential Regulation Authority.

## **Investment Adviser**

Jupiter Asset Management Limited  
1 Grosvenor Place  
London SW1X 7JJ

Authorised and regulated by the Financial Conduct Authority.

## **Auditor**

Ernst & Young LLP  
Ten George Street  
Edinburgh  
EH2 2DZ

It is the intention of Jupiter Unit Trust Managers Limited to make this Report & Accounts available on their website. The maintenance and integrity of the Jupiter Unit Trust Managers Limited website is the responsibility of the Directors; the work carried out by the auditor of the Jupiter China Fund does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.







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Authorised and regulated by the Financial Conduct Authority  
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