Jupiter **Strategic Reserve Fund**

Short Annual Report – for the period from launch 24 April 2012 to 31 May 2013

Investment Objective

To generate long term total returns across varying market conditions from an actively managed portfolio of different asset classes on a global basis.

Investment Policy

The Investment Manager will seek to achieve the objective by making strategic investment and asset allocation decisions using a wide range of asset classes and financial derivative instruments which will be used for investment purposes as well as hedging and efficient management of the Fund. The ability of the Fund to maintain a portfolio of both long and short positions provides the flexibility to hedge against periods of falling markets, to reduce the risk of absolute loss at portfolio level and to minimise the volatility of portfolio returns. Asset classes may include equities, corporate bonds, government bonds, convertible bonds, currencies, money market instruments, deposits and exchange traded funds. Derivative instruments likely to be used include contracts for difference, sector SWAPS, futures and options (on single stocks, bonds, currencies, equiity indices, financial indices, commodity indices and interest rates), and forward foreign exchange contracts. **The Fund aims to profit from falls as well as rises in value of market indices, currencies or shares by using derivatives. This may cause periods of high volatility for the price of units in the Fund. The Fund may incur losses greater than its initial investment into derivative contracts (although unitholders will not incur any liabilities beyond their initial investment). The Fund is able to gain market exposure in excess of its Net Asset Value which can increase or decrease the value of units to a greater extent than would have occurred had no additional market exposure beyond the Fund's net asset value been in place. The Fund's value is unlikely to mirror increases and decreases in line with the respective markets it is invested into. Further information is contained within the Supplementary Information Document.**

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.

For more detailed information regarding these risks, derivatives used and the Risk Management procedures that the Manager has in place, unitholders should refer to the full report and accounts which are available as indicated on page 4.

Performance Record

Percentage change from launch to 31 May 2013

	1 year	Since launch*
Jupiter Strategic Reserve Fund	6.1	5.2
1 month LIBOR	0.5	0.6

Source: FE, Retail Units, bid to bid, net income reinvested.
**Launch date 24 April 2012.*

The Fund is in the Specialist IMA sector. Due to the diverse nature of the Funds in the sector, sector rankings will not be shown.

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 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

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 company shares and bonds, and can use derivatives for investment purposes, all of which carry some level of risk.

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 period to 31.05.13	
Ongoing charges for Retail Units	1.51%
Ongoing charges for I-Class Units	0.86%

Portfolio Turnover Rate (PTR)

24.04.12 to 31.05.13
67.02%

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/Accumulation

An annual distribution of 0.2605 pence per unit will be paid net of 20% income tax to holders of Retail income units on 31 July 2013 (Retail accumulation units 0.2605 pence per unit) in respect of the period under review. Also, an annual distribution of 0.5556 pence per unit for holders of I-Class income units (I-Class accumulation units 0.5556 pence per unit) will be paid net of 20% income tax in respect of the period under review.

Fund Facts

Fund accounting dates		Fund payment/ accumulation date	
30 November	31 May	–	31 July

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 this report 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 below.

Comparative Tables

Net Asset Values

		Net Asset Value per unit				Number of units in issue			
Date	Net Asset Value of Fund	Retail Income	Retail Accumulation	I-Class Income	I-Class Accumulation	Retail Income	Retail Accumulation	I-Class Income	I-Class Accumulation
31.05.13	£23,446,614	52.28p	52.53p	52.28p	52.84p	55,593	844,504	34,088,933	9,750,572

Unit Price Performance

	Highest price				Lowest price			
Calendar Year	Retail Income	Retail Accumulation	I-Class Income	I-Class Accumulation	Retail Income	Retail Accumulation	I-Class Income	I-Class Accumulation
2012*	50.60p	50.59p	50.77p	50.77p	49.42p	49.42p	49.45p	49.45p
to 31.05.13	52.63p	52.62p	52.93p	52.93p	50.65p	50.64p	50.83p	50.82p

Income/Accumulation Record

	Pence per unit			
Calendar Year	Retail Income	Retail Accumulation	I-Class Income	I-Class Accumulation
2012*	n/a	n/a	n/a	n/a
to 31.07.13	0.2605p	0.2605p	0.5556p	0.5556p

*Launch date 24 April 2012.

Major Holdings

The top five long positions at the end of the current period are shown below.

Holding	% of Fund as at 31.05.13
UK Treasury 5% 07/09/2014	12.19
UK Treasury 2.25% 07/03/2014	11.68
Siemens Financieringsmat 1.05% CV 16/08/2017	1.48
UBS 6.375% 20/07/2016	1.47
Merrill Lynch FRN 30/05/2014	1.45

Portfolio Information

Sector breakdown as at 31.05.13 % of Net Assets*	Short	Long	Market Exposure*	Net	Gross
Corporate Bonds		37.99%	As a % of assets	69.11%	109.24%
Government Bonds		23.67%			
Convertible Bonds		12.63%		**Long**	**Short**
Floating Rate Notes		10.54%	Positions as a % of assets	89.18%	-20.06%
Equities		4.35%			
Bond Futures	-20.06%				
Total	-20.06%	89.18%			

*Includes notional face value of derivative contracts.

Investment Review

Performance Review

For the period beginning 24 April 2012 and ending 31 May 2013 the total return on the units was 5.2%* compared to a return of 0.6%* for the LIBOR GBP 1 month TR Index.

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

Market Review

The period under review began all too predictably with turmoil in the eurozone when Spain was obliged to nationalise Bankia, a conglomerate of seven regional savings banks, at a total cost of €23.5bn. Spanish bond yields rose to 6.6% and contagion affected markets as far afield as Hong Kong and Brazil. Market weakness continued as Cyprus became the fifth eurozone member to request a bailout, just days before it took over the rotating presidency of the European Union. In France, the socialist party of President Hollande won a parliamentary majority.

In July, equity markets ended the month with a euphoric reaction, after Mario Draghi said the European Central Bank (ECB) was prepared to "do whatever it took to preserve the euro". In contrast, sovereign bond and currency markets continued to react to the intensity of Europe's problems. An internal flight to safety saw yields of the two-year bonds of perceived havens turn negative, whereas debt servicing costs for Spain and Italy remained unsustainably high.

Elsewhere, China's economic slowdown continued whereas in the US there were increasing signs of recovery in the housing market. In September, the ECB committed to unlimited, direct purchases of sovereign debt. A week later the Federal Reserve moved to open-ended quantitative easing and linked policy explicitly to the US labour market. The dollar weakened. Even as brinkmanship over the 'fiscal cliff' loomed in America towards the end of 2012, we saw clear signs in Japan that the higher echelons of power had finally recognised that concrete action was required to stimulate the economy. A powerful rally began in Japanese equities as a falling yen boosted the profitability of Japan's exporters.

The wider equity rally that began in the summer of 2012 came to a halt in February 2013 on concerns about slower growth in Europe and worsened after a clumsily-handled plan to 'bail in' uninsured depositors and creditors in Cyprus. On 4 April, the Bank of Japan unveiled plans for aggressive monetary easing with bond purchases of ¥7tn a month (approximately equivalent to $68bn a month) intended to create 'shock and awe' in financial markets. On 22 May, towards the end of the period under review, Chairman Ben Bernanke remarked that the US Federal Reserve might reduce its $85bn a month bond purchases. This threw markets around the world into turmoil, with Japan's markets experiencing particular volatility.

Policy Review

For much of 2012, the tendency of stock markets to alternate between 'risk on' and 'risk off' modes created much turbulence. To mitigate against unwanted volatility, we maintained our net equity exposure at a very low level, preferring to gain equity exposure by holding convertible bonds since they also offered significant downside protection. Where we did hold equities it was in Japan and this proved profitable as markets became persuaded that, in the words of Mr Abe to President Obama, "Japan is back". Our gains here were also enhanced by our decision to short the yen after the trade balance moved into deficit for the first time in three decades. The change began with a sharp increase in energy imports following the suspension of Japan's nuclear energy programme after the Great Tohoku Earthquake and subsequent tsunami in March 2011.

In June, the Bank for International Settlements noted that there was a major shortage of safe assets in the financial system. The lack of sufficient harbours for investors to shelter alongside the ultra-low interest rates imposed by central banks meant that many supposedly 'risk free' sovereign bonds had negative real yields. However, the scale of the debt crisis means that governments cannot risk deflation, indeed they need inflation to erode their debt obligations. Our largest exposure has therefore been a short position in sovereign bonds, notably French OATs. These can be profitable if there is a general rise on bond yields as monetary policy normalises or if there is a more widespread recognition of the fragility of the French economy. The Fund benefited from its holdings in corporate debt, including financial debt, as the desperate scramble for income compressed yields and pushed prices higher.

Our long-standing currency positions have proved profitable for the Fund. Australians colloquially refer to their country as the quarry in China's backyard. We ran a short position on the Australian dollar which we considered to be considerably overvalued against various parameters we monitor. Australia's overdependence on mining (mineral exports account for around 46% of exports) makes its economy vulnerable to declining Chinese demand for raw materials.

The Fund also profited from a short position in the South African rand where we have long felt investors had misjudged the deterioration in the country. Labour unrest has damaged precious metal production and contributed to an unhealthy current account deficit, leaving it vulnerable to capital flight. The inclusion of South African bonds in the World Government Bond Index together with inflows of speculative capital last year offered the rand a temporary respite but, by the end of the period under review, the currency had tumbled to a four-year low.

Investment Outlook

Equity markets around the world have been volatile ever since Ben Bernanke said that the US central bank was likely to reduce its open-ended bond purchases depending on economic conditions. However, we consider this to be a correction of an overbought condition as equities had rallied strongly in the preceding months. In view of the fragile global growth environment and high debt levels, central banks will be in no rush to take away the punch bowl.

Miles Geldard and Lee Manzi
Fund Managers

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 Strategic Reserve Fund for the period ending 31 May 2013. 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 period it covers and the results of those activities at the end of the period.

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.

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