Jupiter **Absolute Return Fund**

Short Annual Report – for the year ended 31 October 2013

JUPITER

Investment Objective

The Fund seeks to generate absolute return, independent of market conditions, by investing on a global basis.

Investment Policy

The Fund invests in a global portfolio of equities, equity related securities (including derivatives), cash, near cash, fixed interest securities, currency exchange transactions, index linked securities, money market instruments and deposits. At times the portfolio may be concentrated in any one of a combination of such assets and, as well as holding physical long positions the Manager may create synthetic long and short positions through derivatives.

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.

Performance Record

Percentage change from launch to 31 October 2013

	1 year	3 years	Since launch*
Jupiter Absolute Return Fund	1.0	5.7	2.4
3 month Sterling LIBOR Index	0.5	2.3	2.9

Source: FE, Retail Units, bid to bid, net income reinvested.
**Launch date 14 December 2009.*
The Fund is in the Absolute Return 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.

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 on page 2.

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, 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.

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:	31.10.13	31.10.12
Ongoing charges for Retail Units	1.48%	1.48%
Ongoing charges for I-Class Units	0.86%	0.86%

Portfolio Turnover Rate (PTR)

Year to 31.10.13	Year to 31.10.12
-16.85%	60.78%

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.

A negative turnover rate is an indication that over the period there is available cash awaiting investment or is being held in anticipation of settling any unit liquidations, thereby reducing the level of dealing activity.

Accumulations

	Total Accumulations for the year to 31.10.13	Total Accumulations for the year to 31.10.12
	Pence per unit	
Retail Accumulation units	0.0000	0.0498
I-Class Accumulation units	0.0000	0.1918

Fund Facts

Fund accounting dates		Fund accumulation date	
30 April	31 October	–	31 December

Comparative Tables

Net Asset Values

Date	Net Asset Value of Fund	Net Asset Value per unit		Number of units in issue	
		Retail Accumulation	I-Class Accumulation**	Retail Accumulation	I-Class Accumulation**
31.10.12	£707,601,912	48.20p	48.46p	1,263,557,448	203,417,552
31.10.13	£234,583,636	48.69p	49.09p	360,479,268	120,294,435

Unit Price Performance

Calendar Year	Highest offer		Lowest bid	
	Retail Accumulation	I-Class Accumulation**	Retail Accumulation	I-Class Accumulation**
2009*	50.08p	n/a	47.16p	n/a
2010	51.42p	n/a	45.66p	n/a
2011	51.11p	48.31p	45.46p	46.13p
2012	52.13p	49.77p	47.67p	47.78p
to 31.10.13	51.61p	49.36p	47.55p	47.99p

Accumulation Record

Calendar Year	Pence per unit	
	Retail Accumulation	I-Class Accumulation**
2009*	n/a	n/a
2010	0.0000p	n/a
2011	0.0000p	0.0348p
2012	0.0000p	0.0498p
to 31.12.13	0.0000p	0.1918p

*Launch date 14 December 2009.

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

Major Holdings

The top five long positions at the end of the current year and at the end of the previous year are shown below.

Holding	% of Fund as at 31.10.13	Holding	% of Fund as at 31.10.12
Barclays Bank 14% VRN perpetual	3.72	Altria Group 9.95% 10/11/2038	5.99
BP	3.10	Financial Select Sector SPDR Fund	2.22
Royal Dutch Shell 'B'	2.31	Barclays Bank 14% VRN perpetual	1.18
UK Treasury 1% 07/09/2017	2.12	ETFS Physical Gold	1.11
Esure Group	1.76	Australian Government 5.75% 15/05/2021	1.10

Portfolio Information

Sector breakdown as at 31.10.13 % of Net Assets*	Short	Long	Market Exposure as at 31.10.13	Net	Gross
Financials	-0.17%	11.38%	As a % of assets	28.68%	39.70%
Oil & Gas		6.52%			
Industrials	-1.95%	2.38%		**Long**	**Short**
Utilities		2.08%	Positions as a % of assets	34.20%	-5.51%
Consumer Goods	-1.76%	1.98%			
Telecommunications	-0.27%	1.60%			
Consumer Services	-0.49%	1.59%			
Health Care	-0.22%	0.84%			
Technology	-0.33%				
Basic Materials	-0.32%				
Sub Total	**-5.51%**	**28.37%**			
Fixed Income		**5.83%**			
Total	**-5.51%**	**34.20%**			

*Includes notional face value of derivative contracts.

Investment Review

Performance Review

For the year to 31 October 2013 the total return on the units was 1.0%* compared to 0.5%* for its benchmark, the 3 month Sterling LIBOR Index. For the 3 years to 31 October 2013, the total return on the units was 5.7%* compared to 2.3%* for its benchmark.

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

Market Review

'The Great Reflation' experiment by central bankers in the US and Japan underpinned some sizeable returns in equity markets during the period under review.

The US Federal Reserve's (Fed) 'open-ended' asset purchase programme set the tone early in the period. The central bank broke from orthodoxy when it decided to target a reduction of the unemployment rate to about 6.5%, even if this came at the risk of above-target inflation. Then, in April the Bank of Japan folded to the policy agenda of newly-elected Prime Minister Shinzo Abe by announcing a massive quantitative easing programme with the aim of driving inflation up to 2% through the injection of some ¥140tn into the country's money supply within the next two years. The news from Japan led to a surge in the domestic stock market and buoyed stock markets around the world. Meanwhile, the yen plummeted and bond markets in emerging markets and Europe were up on expectation that cash would flee Japan in a hunt for yield.

The frothy conditions proved to be short lived, however. The Fed's Chairman Ben Bernanke neutralised the market's revelry when he revealed that the central bank would consider tapering its quantitative easing programme as soon as September. The prospect of a shift in Fed policy led to quite a dramatic change in mood, especially in bond markets where US Treasury bonds sold off sharply and investors became concerned about the end of the thirty year bull market. So severe was the rout in US treasury bonds, it appeared that the Fed might lose control of yields to the potential detriment of the US economic recovery. The associated sell-off in emerging market stocks, bonds and currencies was particularly punishing. It therefore came as some surprise when the Fed decided not to taper its programme in September, although some commentators wondered if the fraught negotiations surrounding the US fiscal debt ceiling might have influenced the decision. Nevertheless, the resolution to the debt ceiling debate (for the time being, at least) and the prospect of easy Fed policy into 2014 led to a spike in asset prices at the end of the period.

In terms of global economic activity, it was a mixed picture. The UK recovery was a bright spot, while parts of the eurozone saw pockets of recovery towards the end of the period. The US economy continued to recover, although data was mixed in the summer months, while some of the major emerging markets economies experienced cyclical weakness and pressures associated with higher borrowing costs and weaker currencies.

Policy Review

On 1 September 2013, I took over management of the Fund from Philip Gibbs who retired from Jupiter in October this year after a very distinguished career.

In recognition of our contrasting investment styles, Philip closed several positions in the Fund prior to the start of my tenure. While I am cognisant of the macroeconomic environment and use top-down thinking and analysis to help mitigate risk, my process is not driven by macro considerations. Rather, I focus on finding stock-level long and short opportunities through the use of quantitative screens, largely based on published empirical evidence, and fundamental analysis of securities (primarily a discounted cash flow method with sensitivity analysis).

In the last two months of the period I began to reconfigure the Fund in line with a model portfolio I had developed in previous months. I viewed this as a gradual process and attempted to make the most of the market's volatility for attractive entry points. At the end of the period, the portfolio was about 20% net long in equities, with a gross position of 25%.

In regards to the long book, I focused on out-of-fashion stocks with sound fundamentals and solid dividends. These included selective insurance companies and oil stocks such as BP, Royal Dutch Shell and OMV. Oil companies have suffered recently due to over-investment and poor asset returns. BP in particular had indicated its intention to improve discipline around capital allocation and was the Fund's largest long position at the end of the period. Elsewhere, I added some large cap, liquid stocks in Japan where a further injection of quantitative easing is expected, while some riskier stocks, such as Renault and Vivendi, were also added.

As a rule of thumb, short candidates should appear over-valued under most scenarios, but should also show a clear catalyst for a potential market de-rating. The short positions established late in the period were predominantly in global businesses that retained premium ratings, despite the earnings risk presented by economic weakness in emerging market economies. With over-optimistic growth assumptions, I believed these stocks were vulnerable to corrections and waited for clear catalysts (such as earnings misses) before establishing these positions. The specialist commodities and industrial testing company Intertek is an example of a highly-rated stock that was shorted after it revealed a loss of earnings momentum that led to downgrades.

Outlook

The Fund has plenty of cash with which to exploit any apparent pricing anomalies as and when they arise. At the moment, particular care is needed in regards to short positions where the Fund attempts to profit from falling stock prices as negative firm-level news is largely being diluted by positive market sentiment. Overall, the seasonal rally should continue in the near term. I therefore remain comfortable with the Fund's stock market exposure and expect its gross position (the aggregate of long and short weightings) will continue to increase in the next few months.

James Clunie
Fund Manager

Change of Fund Manager The management of the Fund was taken on by James Clunie from Philip Gibbs on 1 September 2013.

Notifiable event

The investment objective of the Jupiter Absolute Return Fund has been clarified in line with new prospectus disclosure requirements in the FCA's Collective Investment Scheme Sourcebook ('COLL') in relation to funds which have absolute return type objectives.

The investment objective for the Fund has been clarified so that each now sets out the timeframe over which the Fund's investment objective is to be achieved. The changes also include clarification for investors that their capital is at risk and that there is no guarantee the investment objective will be achieved over the specified time period or any time period.

Please note these changes do not have any impact on how the Fund is managed or on the risk profile of the Fund.

The revised investment objective is set out below, with the changes shown in bold.

The Fund seeks to generate absolute return, **over a 3 year rolling period**, independent of market conditions, by investing on a global basis. **Capital invested in the Fund is at risk and there is no guarantee that the investment objective will be achieved over the 3 year rolling periods or in respect of any other time period.**

With effect from 1 November 2013, the Manager has removed the performance fee which was charged for the final time for the year ended 31 October 2013.

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

Glossary

Long Position – The buying of a security with the expectation that it will deliver a positive return if the stock goes up in value. However there will be a negative return if the stock falls in value.

Short Position – Selling a borrowed security with the expectation of buying it back at a lower price to make a profit. However if the stock goes up in value it will make a loss. Short exposure for the Fund will be created through the use of derivatives. No physical stock will be sold.

Gross Exposure – The overall exposure of the Fund – the sum of the % value of long positions and the % value of the short positions.

Net Exposure – The directional market exposure of the Fund – the % value of the long positions less the % value of the short positions.

This document is a short report of the Jupiter Absolute Return Fund for the year ended 31 October 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 year it covers and the results of those activities at the end of the year.

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