

# Jupiter UK Smaller Companies Fund

Short Annual Report – for the year ended 31 January 2014



## Investment Objective

To achieve long-term capital growth by investing primarily in UK smaller companies.

## Investment Policy

To invest in high quality smaller companies which the Manager believes to have significant growth potential over the medium to long-term. Particular care is taken over stock selection and the Manager places a strong emphasis on the quality of a company's management.

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 31 January 2014

	1 year	3 years	5 years	10 years	Since launch*
<b>Jupiter UK Smaller Companies Fund</b>	29.7	46.5	184.5	137.5	303.3
<b>UK Smaller Companies sector position</b>	40/52	42/51	40/51	36/37	23/29

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

\*Launch date 1 March 1999.

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

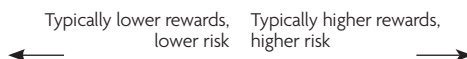
## Risk Profile

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

## 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 31.01.13



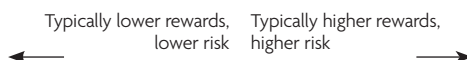
### Retail Units

1	2	3	4	5	6	7
---	---	---	---	---	---	---

### I-Class Units

1	2	3	4	5	6	7
---	---	---	---	---	---	---

As at 31.01.14



### 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, 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 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.

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

## 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.

<b>Charges taken from the Fund over the year to:</b>	<b>31.01.14</b>	<b>31.01.13</b>
Ongoing charges for Retail Units	1.78%	1.78%
Ongoing charges for I-Class Units	1.03%	1.03%

## Portfolio Turnover Rate (PTR)

<b>Year to 31.01.14</b>	<b>Year to 31.01.13</b>
37.45%	35.46%

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

## Comparative Tables

### Net Asset Values

<b>Date</b>	<b>Net Asset Value of Fund</b>	<b>Net Asset Value per unit</b>		<b>Number of units in issue</b>	
		<b>Retail Accumulation</b>	<b>I-Class Accumulation*</b>	<b>Retail Accumulation</b>	<b>I-Class Accumulation*</b>
31.01.13	£53,569,208	147.96p	148.15p	36,199,727	4,616
31.01.14	£64,981,034	190.50p	192.26p	33,834,011	274,581

### Unit Price Performance

<b>Calendar Year</b>	<b>Highest offer</b>		<b>Lowest bid</b>	
	<b>Retail Accumulation</b>	<b>I-Class Accumulation*</b>	<b>Retail Accumulation</b>	<b>I-Class Accumulation*</b>
2009	109.63p	n/a	61.94p	n/a
2010	137.17p	n/a	95.96p	n/a
2011	145.62p	n/a	108.03p	n/a
2012	151.07p	146.06p	117.19p	136.12p
2013	198.89p	192.04p	143.59p	143.57p
to 31.01.14	207.85p	199.86p	187.66p	188.90p

### Accumulation Record

<b>Calendar Year</b>	<b>Pence per unit</b>	
	<b>Retail Accumulation</b>	<b>I-Class Accumulation*</b>
2009	0.69p	n/a
2010	0.68p	n/a
2011	0.00p	n/a
2012	0.00p	n/a
2013	0.00p	0.00p
to 31.03.14	0.78p	2.02p

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

## Accumulations

	<b>Accumulations for year to 31.01.14</b>	<b>Accumulations for year to 31.01.13</b>
	<b>Pence per unit</b>	
Retail Accumulation units	0.7800	0.0000
I-Class Accumulation units	2.0200	0.0000

## Fund Facts

<b>Fund accounting dates</b>		<b>Fund accumulation date</b>	
31 January	31 July	31 March	–

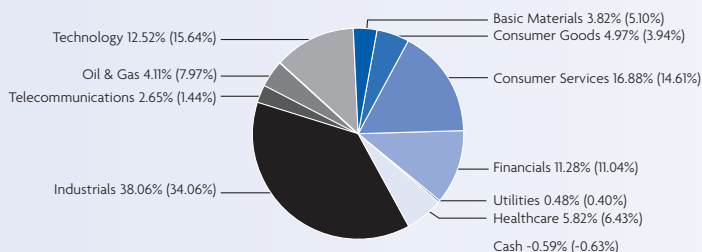
## Major Holdings

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

Holding	% of Fund as at 31.01.14	Holding	% of Fund as at 31.01.13
Vertu Motors	2.55	Oxford Instruments	3.07
Fisher (James) & Sons	2.14	Allocate Software	1.92
Oxford Instruments	1.81	Brady	1.82
Bellway	1.66	Ophir Energy	1.71
Thomas Cook	1.62	Domino Printing Sciences	1.63
Tyman	1.57	Aveva	1.63
Allocate Software	1.56	Tarsus	1.59
Howden Joinery	1.56	Fisher (James) & Sons	1.54
Speedy Hire	1.49	LXB Retail Properties	1.53
Hyder Consulting	1.49	Vertu Motors	1.51

## Portfolio Information

### Classification of investments as at 31 January 2014



The figures in brackets show allocations as at 31 January 2013.  
The sectors are based on the Industry Classification Benchmark (see page 4).

## Investment Review

### Performance Review

For the year to 31 January 2014, the total return on the units was 29.7%\* compared to a return of 40.3%\* for its benchmark, the FTSE Small Cap ex Investment Trusts Index. Since its launch on 1 March 1999, the Fund has returned 303.3%\* compared to 181.8%\* for the benchmark.

The Fund was ranked 40th out of 52 funds over the year under review and has been ranked 23rd out of 29 funds since launch in the IMA UK Smaller Companies sector\* (a broad grouping of funds investing in small, micro and mid cap. stocks).

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

### Market Review

UK small-cap stocks continued to outperform their larger peers during the year under review. The FTSE Small Cap ex Investment Trusts Index returned 40.3% compared with 7.6% for the large-cap FTSE 100 Index and 10.1% for the broader-based FTSE All-Share Index.

Equity markets performed strongly early in the year, supported by increasing signs of improvement in the global economy, especially the US. Concerns over sovereign debt problems in the eurozone also eased further and equity markets largely shrugged off a banking crisis in Cyprus in March.

However, volatility returned to equity markets in the middle of the year under review as comments from the US Federal Reserve (Fed) Chairman Ben Bernanke in May raised concerns that the US central bank might start reducing its quantitative easing (QE) programme soon. The US also faced another political impasse over the budget and the debt ceiling, resulting in a partial government shutdown in October. Meanwhile, the Chinese economy began to show signs of a slowdown and this, together with unregulated banking issues in China, also affected investor sentiment.

Equity markets performed well towards the end of 2013, as the political crisis in the US was largely averted. In December, the Fed announced it would start tapering QE from January 2014 but the rate of reduction was smaller than economists had feared. Although most equity markets fell in January 2014, UK small-cap shares continued to outperform their larger peers, supported by positive economic news flow in the UK.

### Policy Review

The Fund returned 29.7% over the year under review, compared with 32.9% for its peer group, the IMA UK Smaller Companies sector. The Fund underperformed the FTSE Small Cap (ex Investment Trusts) Index as the benchmark proved to be a particularly hard index to compare to. The index is dominated by many cyclical companies that do not have a track record of creating value for shareholders.

The benchmark also includes a number of highly indebted companies that we felt uncomfortable investing in until refinanced. Both types of company have performed strongly due to the increasing optimism about the economic recovery in the UK, while we invest in companies with healthy balance sheets and a good track record of creating shareholder value.

The Fund's performance relative to its benchmark was held back by stock selection in the consumer services and industrial sectors. We did not hold some outperformers such as inkjet print-head technology company Xaar and electricals retailer Darty. In the oil sector, our holdings in oil services company Enteq Upstream and oil explorer Ophir Energy fell over the period. Elsewhere, commodities trading software provider Brady fell on concern that soft commodity prices might affect its earnings.

On the positive side, software developer WANDisco continued to make a significant contribution to performance, helped by the launch of its innovative Big Data platform. Some of our consumer-related holdings also performed well. Kitchen supplier Howden Joinery was supported by strong demand and improving profit margins. Mobile banking platform operator Monitise also outperformed as the stock continued to rise on expectations of strong growth in mobile commerce. Car retailer Vertu Motors performed well as it reported solid earnings results for its fiscal first half. The stock was also boosted by strong new car registration data in the UK.

In terms of transactions, we reduced our underweight stance in the consumer services sector where there were more signs of recovery. We increased our holding in Thomas Cook whose restructuring plan appeared to be working well, while participating in the IPOs of Conviviality Retail, which manages off-licence and convenient store chains, and fashion retailer Bonmarche.

We also increased exposure to the industrial sector. We participated in the IPO of homebuilder Crest Nicholson and bought new positions in ground engineering group Keller and homebuilder Mar City, as the sector recovered further. We also added to our holding in office services company Restore on its share price weakness as its earnings are recovering strongly.

## Outlook

UK smaller companies performed strongly in 2013 and into 2014, helped by further signs of a recovery in most of the developed economies. The UK economy showed increasing signs of a strong recovery, while inflation fell to 1.9%, below the Bank of England target of 2.0%. The jobless rate unexpectedly fell to 7.1% in November, before edging up to 7.2% in December, raising concerns that the Bank of England might start increasing interest rates sooner than expected.

Following the market strength in the last two years, we believe it is increasingly important to distinguish between companies capable of delivering real, sustainable revenue growth and those that have just benefited from restructuring or a market recovery. We continue to look for companies with healthy balance sheets that demonstrate strong pricing power with real barriers to entry and operate in a structural growth market. In addition, many of the companies whose shares we hold are exposed to global growth markets that should be helped by the strong economic recovery we are witnessing in the UK but also in the US and Europe.

After the small-cap sector has outperformed, many share prices now reflect a rise in profits. However, we believe earnings will be further supported by the following wind of economic recovery. We also expect an increase in merger activity to continue to support the small-cap sector.

**Richard Curling**  
Fund Manager

---

## ■ Responsible Stewardship

---

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

---

---

This document is a short report of the Jupiter UK Smaller Companies Fund for the year ended 31 January 2014. The full Report and Accounts of the Fund is available on our website [www.jupiteronline.com](http://www.jupiteronline.com) or upon written request to Jupiter Unit Trust Managers Limited, PO Box 10666, Chelmsford CM99 2BG.

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

This document contains information based on the FTSE Small Cap ex Investment Companies Index, the FTSE All-Share Index and the Industry Classification Benchmark (ICB). 'FTSE' is a trade mark owned by the London Stock Exchange Plc and is used by FTSE International Limited ('FTSE') under licence. The FTSE Small Cap ex Investment Companies Index and the FTSE All-Share Index are calculated by FTSE. FTSE does not sponsor, endorse or promote the product referred to in this document and is not in any way connected to it and does not accept any liability in relation to its issue, operation and trading. All copyright and database rights in the index values and constituent list vest in FTSE. The ICB is a product of 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 and its licensors do not accept liability to any person for any loss or damage arising out of any error or omission in ICB.

---

Jupiter Unit Trust Managers Limited, PO Box 10666, Chelmsford CM99 2BG  
Tel: **0844 620 7600** | Fax: **0844 620 7603** | [www.jupiteronline.com](http://www.jupiteronline.com)

Registered in England and Wales, No. 2009040

Registered office: 1 Grosvenor Place, London SW1X 7JJ

Authorised and regulated by the Financial Conduct Authority whose address is:  
25 The North Colonnade, Canary Wharf, London E14 5HS

