

Jupiter UK Smaller Companies Fund

Short Interim Report – for the six months ended 31 July 2013



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 July 2013

	6 months	1 year	5 years	10 years	Since launch*
Jupiter UK Smaller Companies Fund	10.4	27.5	48.1	151.1	243.2
UK Smaller Companies sector position	39/54	40/52	44/50	32/35	25/29

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.

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, 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 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 six months (annualised) to:	31.07.13	31.07.12
Ongoing charges for Retail Units	1.78%	1.79%
Ongoing charges for I-Class Units	1.03%	n/a

Portfolio Turnover Rate (PTR)

Six months to 31.07.13	Six months to 31.07.12
22.79%	21.91%

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.

Accumulation

No accumulation is due in respect of the period under review.

Fund Facts

Fund accounting dates		Fund accumulation date	
31 January	31 July	31 March	–

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*
31.01.13	£53,569,208	147.96p	148.15p	36,199,727	4,616
31.07.13	£56,491,637	163.34p	164.17p	34,538,908	46,942

Unit Price Performance

Calendar Year	Highest offer		Lowest bid	
	Retail Accumulation	I-Class Accumulation*	Retail Accumulation	I-Class Accumulation*
2008	131.13p	n/a	63.96p	n/a
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
to 31.07.13	175.05p	168.06p	143.59p	143.57p

Income Record (net accumulations)

Calendar Year	Pence per unit	
	Retail Accumulation	I-Class Accumulation*
2008	0.00p	n/a
2009	0.69p	n/a
2010	0.68p	n/a
2011	0.00p	n/a
2012	0.00p	n/a
to 30.09.13	0.00p	0.00p

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

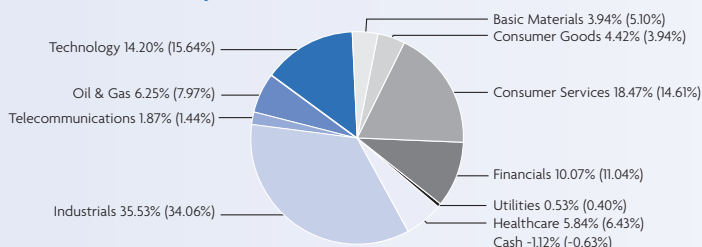
Major Holdings

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

Holding	% of Fund as at 31.07.13	Holding	% of Fund as at 31.01.13
Thomas Cook	2.11	Oxford Instruments	3.07
Vertu Motors	2.08	Allocare Software	1.92
Allocare Software	1.95	Brady	1.82
Fisher (James) & Sons	1.85	Ophir Energy	1.71
Bellway	1.71	Domino Printing Sciences	1.63
Oxford Instruments	1.70	Aveva	1.63
Spirit Pub	1.68	Tarsus	1.59
Tyman	1.60	Fisher (James) & Sons	1.54
Aveva	1.59	LXB Retail Properties	1.53
Speedy Hire	1.55	Vertu Motors	1.51

Portfolio Information

Classification of investments as at 31 July 2013



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 six months to 31 July 2013, the total return on the units was 10.4%* compared to a return of 17.4%* for its benchmark, the FTSE Small Cap ex Investment Trusts Index. Since its launch on 1 January 1999, the Fund has returned 243.2%* compared to 135.9%* for the benchmark.

The Fund was ranked 39th out of 54 funds over the six months under review and has been ranked 25th 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

A further recovery in investors' risk appetite boosted UK small-cap stocks during the six months under review. The FTSE Small Cap ex Investment Trusts Index returned 17.4% compared with 7.7% for the large-cap FTSE 100 Index and 8.9% for the broader-based FTSE All Share Index.

Early in the period, the performance of equity markets was supported by increasing signs of improvement in the global

economy, especially the US and China. Europe saw another crisis in March with Cypriot banks facing bankruptcy and the initial bailout plan involving taking money from savers who have less than €100,000 in their accounts was rejected by the parliament. However, the crisis was averted after another plan to protect savings up to €100,000 was implemented and equity markets came out of this crisis largely unscathed.

However, volatility returned to equity markets in the second half of the period as comments from US Federal Reserve Chairman Ben Bernanke raised concerns that the central bank might start reducing its quantitative easing (QE) programme soon. At around the same time, the Chinese economy showed increasing signs of a slowdown and this, together with unregulated banking issues within the country, also affected investor sentiment.

Meanwhile, the UK economy surprised positively towards the end of the period with GDP growing by a better-than-expected 0.6% over the second quarter, supported by strong growth in services, construction and manufacturing. Despite signs of economic strength and above-target inflation rates, the Bank of England is expected to be more dovish under new Governor Mark Carney who took the office on 1 July.

Policy Review

The Fund returned 10.4% over the six months under review, compared with 10.9% for the widely-used Numis UK Smaller Companies (ex. Investment Companies) Index. The FTSE Small Cap (ex Investment Trusts) Index has proved to be a particularly hard benchmark to compare to during the period as it 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 geared companies that we felt uncomfortable to invest in until they would be refinanced and their future assured. Both types of company have performed strongly during the period due to the increasing optimism about the recovery of the UK economy. This has led the index to perform better than most of the UK indices (including other small-cap ones) by a substantial margin.

The Fund's performance relative to its benchmark was held back by its underweight stance in consumer-related sectors. Stock selection in the oil sector was also negative for performance with our holdings in Salamander Energy, oil services company Enteq Upstream and Ophir Energy falling over the period. Similarly, commodities trading software provider Brady fell on concerns that falling commodity prices might affect its earnings.

Elsewhere, our holding in online dating company Cupid detracted from performance as the stock fell on allegations that it created false messages to prompt new customers to sign up, although the company denied the allegations. Our holding in scientific equipment maker Oxford Instruments also underperformed as it said demand would remain soft, although its full-year results were in line with expectations.

On the positive side, software developer WANdisco made a significant contribution to performance helped by its launch of an innovative Big Data platform. Our holding in kitchen supplier Howden Joinery outperformed consistently, supported by strong demand and improving profit margins. Civil engineering company May Gurney Integrated Services also added value as it rose sharply after rival Costain announced plans to acquire the company in March. This was followed by a better offer from Kier in April. May Gurney was acquired by Kier and we received shares in the latter in July.

In terms of transactions, we increased our weighting 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 Initial Public Offering (IPO) of Conviviality Retail, which manages off-licence and

convenient store chains. We also increased exposure to the construction sector as the property market recovered further. We participated in the IPO of homebuilder Crest Nicholson and acquired a new position in ground engineering group Keller.

Outlook

The UK economy has shown increasing signs of recovery, with the July Purchasing Managers' Index indicating that both the services and manufacturing sectors strengthened further. While the government's spending cuts continue to affect the public and consumer sectors, QE measures in the developed economies are increasing inflationary pressures and we must be constantly on our guard against this.

In this environment, we believe it is important to distinguish between companies capable of delivering real, sustainable top line growth and those that have just benefited from restructuring or a market recovery. We 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 will be helped by the recovery we are witnessing in the US.

Meanwhile, the UK small-cap sector in general still looks in good shape, with improved efficiency, general financial health and apparently little excess inventory. We expect increased merger activity to provide potential for further impetus to the performance of the small-cap market.

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

This document is a short report of the Jupiter UK Smaller Companies Fund for the period ended 31 July 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.

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

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

