Jupiter **Corporate Bond Fund**

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

JUPITER

Investment Objective

To achieve high income and the opportunity for capital growth.

Investment Policy

To invest primarily in fixed interest securities, as well as convertibles and preference shares, with potential for international exposure.

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 August 2013

	6 months	1 year	5 years	10 years	Since launch*
Jupiter Corporate Bond Fund	-0.5	2.5	36.6	51.4	103.3
Sterling Corporate Bond sector position	43/87	53/85	35/73	24/52	7/25

Source: FE, Retail Units, bid to bid, net income reinvested.
**Launch date 25 May 1998.*

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, foreign currency, counterparty or cash flow risk. The risks it faces from its financial instruments are market price, credit and interest rate risk. The Manager reviews policies for managing risks in pursuance of the Investment Objective and Policy. The Manager has the power to invest up to 20% of the portfolio in bonds which are not rated by a credit rating agency. These may include emerging market bonds and bonds below investment grade. There is a higher credit risk associated with such investments and it is the Fund's current policy to limit the maximum total proportion held in these investments to approximately 15% of the portfolio.

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 bonds issued by governments and companies, 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 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 2. Previously, the Fund offered I-Class Accumulation Units which were introduced on 15 June 2009 and then cancelled on 17 August 2011, and reintroduced on 3 June 2013.

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:	31.08.13	31.08.12
Ongoing charges for Retail Units	1.27%	1.27%
Ongoing charges for I-Class Units	0.67%	n/a

Portfolio Turnover Rate (PTR)

Six months to 31.08.13	Six months to 31.08.12
38.66%	17.97%

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/Accumulations

	Retail Income units	I-Class Income units	I-Class Accumulation units
	Pence per unit		
Quarter to 31.05.13	0.3600	0.4262	n/a
Quarter to 31.08.13	0.3400	0.4106	0.4060

Fund Facts

Fund accounting dates		Fund payment/ accumulation dates	
28 February	31 August	30 April	31 October

Additionally, two further payments will be made on 31 July and 31 January each year to unitholders on the register as at 31 May and 30 November respectively.

Comparative Tables

Net Asset Values

		Net Asset Value per unit			Number of units in issue		
Date	Net Asset Value of Fund	Retail Income	I-Class Income**	I-Class Accumulation*	Retail Income	I-Class Income**	I-Class Accumulation*
28.02.13	£240,910,557	53.19p	53.27p	n/a	424,787,578	28,082,362	n/a
31.08.13	£225,102,758	52.25p	52.33p	52.74p	381,744,043	48,963,316	20,594

Unit Price Performance

	Highest offer			Lowest bid		
Calendar Year	Retail Income	I-Class Income**	I-Class Accumulation*	Retail Income	I-Class Income**	I-Class Accumulation*
2008	50.56p	n/a	n/a	42.15p	n/a	n/a
2009	51.07p	n/a	49.76p	42.04p	n/a	42.90p
2010	54.17p	n/a	54.78p	47.36p	n/a	48.46p
2011	53.73p	n/a	56.31p	48.46p	n/a	51.83p
2012	56.20p	54.05p	n/a	49.48p	52.18p	n/a
to 31.08.13	57.39p	55.29p	53.95p	51.96p	52.06p	52.06p

Income/Accumulation Record

	Pence per unit		
Calendar Year	Retail Income	I-Class Income**	I-Class Accumulation*
2008	1.8400p	n/a	n/a
2009	1.8100p	n/a	0.4767p
2010	1.8300p	n/a	2.2155p
2011	1.8400p	n/a	1.7125p
2012	1.6900p	n/a	n/a
to 31.10.13	1.4000p	1.5732p	0.4060p

*I-Class accumulation units were introduced on 15 June 2009. These were all cancelled by 17 August 2011 and were reintroduced on 3 June 2013.
**I-Class income units were introduced on 17 September 2012.

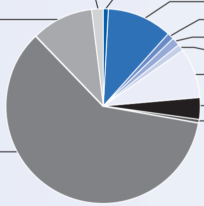
Major Holdings

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 31.08.13	Holding	% of Fund as at 28.02.13
KFW 2.125% 17/01/2023	3.17	KFW 2.125% 17/01/2023	3.26
John Lewis 8.375% 08/04/2019	3.08	John Lewis 8.375% 08/04/2019	2.97
Nordic Investment Bank 5% 19/04/2022	2.61	Pearson 6% 15/12/2015	2.32
BUPA Finance 6.125% VRN Perpetual	2.47	Asian Development Bank 1% 15/12/2015	2.10
Pearson 6% 15/12/2015	2.44	US Treasury 4.5% 15/02/2036	2.09
Go-Ahead Group 5.375% 29/09/2017	2.18	HSBC Holdings 6.75% 11/09/2028	1.98
Asian Development Bank 1% 15/12/2015	2.12	Reed Elsevier 5.625% 20/10/2016	1.95
Stagecoach Group 5.75% 16/12/2016	2.09	London Stock Exchange 6.125% 07/07/2016	1.91
Reed Elsevier 5.625% 20/10/2016	2.05	Lloyds (Society) 6.875% 17/11/2025	1.86
London Stock Exchange 6.125% 07/07/2016	2.02	Land Securities 5.391% 27/02/2026	1.84

Portfolio Information

Geographical spread of investments per country of issuer as at 31 August 2013



The figures in brackets show allocations as at 28 February 2013.
As at 31 August 2013, 90% of the Fund's assets were sterling denominated.

Investment Review

Performance Review

On a bid to bid basis, including re-invested net income, the Fund has produced a total return of -0.5%* over the six month period to the end of August 2013. This compares with the return of 0.5%* produced by the iBoxx £ Corporate Overall Index. The Fund was ranked 43rd out of 87 funds over 6 months, 35th out of 73 funds over 5 years and 7th out of 25 funds since launch in the IMA UK Corporate Bond Sector.

**Source: FE/Jupiter, Basic Rate Tax, Net Income Reinvested.*
***Source: FE, Retail Units, Bid-Bid, Basic Rate Tax, Net Income Reinvested.*

Market Review

Investment grade corporate bond markets faced an uphill battle over the review period, as the tailwind of tightening credit spreads was largely offset by rising reference gilt yields. The month of May became the worst month for global government bonds since 2004 after Ben Bernanke roiled markets by saying that the Federal Reserve might reduce the size of its $85bn-a-month asset purchase scheme if there were to be a sustained improvement in the US labour market. Riskier asset classes were sold off on the prospect of tighter monetary conditions, particularly emerging market currencies and debt which experienced a vicious reversal of fund flows. More conservative, investment grade corporate bonds, experienced some initial weakness but have so far dealt with the prospect of policy tightening reasonably well.

In July, the Bank of England's (BoE) Monetary Policy Committee (MPC), under the newly appointed Governor Mark Carney, announced its new framework for 'forward guidance', i.e. an attempt to lower long-term market interest rates by being more transparent about the circumstances that could lead it to raise short-term interest rates from close to the zero bound. There was a heavy emphasis on keeping rates on hold until the unemployment rate reached a threshold of at least 7%, unless the MPC judged it more likely than not that inflation 18-24 months ahead would be 2.5% or higher. The efficacy of forward guidance as a policy tool is so far difficult to access, as an improving UK economy provided added support to already increasing rate expectations. At the end of August, the market had priced in a rise in the UK BoE official interest rate by September 2014.

There was no material difference in performance between sectors, however bonds with lower credit quality (ie. BBB rated), outperformed, consistent with the on-going appetite for riskier assets towards the end of the review period. Improving momentum in the UK economy and a stabilisation of business survey data in Europe helped support fundamentals for credit markets, which otherwise had been weakening due to increasing shareholder friendly activity.

Policy Review

The Fund's underweight duration position was reduced as the increase in yields presented an opportunity to invest the Fund's cash position. The yield level on government bonds are fast approaching fair value, however it is the attractiveness of the shape of the yield curve (steepness) which was the key driver to extend duration.

The increase in duration was achieved by investing in Australian government bonds issued in AUD and corporate bonds issued in USD (with currency risk hedged). This intentional shift away from the UK yield curve was driven by an expectation that the UK economy had potential to continue to positively surprise relative to the economies of the US and Australia. The Australian economy in particular faces strong headwinds, with the peak in the country's mining boom likely to expose structural issues inflicting the rest of the economy.

We bought the USD denominated bonds of Deere & Company, the global leading provider of agricultural machinery. The conservatively run company is exposed to end markets with less cyclicality than other capital goods companies, which should stand the bonds well in more volatile market conditions. We also took profits from our senior unsecured debt in KPN and switched to its subordinated bonds, which offer better upside and protection against a takeover bid.

Investment Outlook

The UK economy is enjoying a welcomed cyclical recovery, however I remain reluctant to extrapolate the encouraging performance too far, as many of the structural forces that have plagued the economy for the last 5 years still remain in place. The main threat to the current recovery is a premature tightening of monetary policy, as some members of the UK's MPC and the US Federal Reserve appear anxious to normalise policy amidst considerable uncertainty around the unintended consequences of their loose policy stance.

Credit spreads are at their post crisis tights and will have difficulty tightening any further from current levels amidst a backdrop of increasing event risk from corporate activity and ongoing liquidity issues for financial markets. Such an environment argues for a shift in emphasis to yield curve management over credit selection. The Fund retains a bias to high quality bonds, with a relatively high allocation to bonds with advantageous liquidity characteristics.

Rhys Petheram
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 Corporate Bond Fund for the period ended 31 August 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.

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