Jupiter **Strategic Bond Fund**

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

JUPITER

Investment Objective

To achieve a high income with the prospect of capital growth.

Investment Policy

To attain the objective by seeking out the best opportunities within the fixed interest universe globally. The Fund invests in higher yielding assets including high yield bonds, investment grade bonds, government bonds, preference shares, convertible bonds and other bonds. The Manager will only enter into derivative transactions for the purpose of efficient management of the portfolio (including, but not limited to, forward currency transactions to hedge exposure in Euro denominated bonds back into sterling) and not for investment.

Performance Record

Percentage change and sector ranking from launch to 31 October 2013

	6 months	1 year	3 years	5 years	Since launch*
Jupiter Strategic Bond Fund	1.6	6.9	24.7	100.7	75.3
Sterling Strategic Bond sector position	18/74	26/67	10/59	1/50	2/49

Source: FE, Retail Units, bid to bid, net income reinvested.
**Launch date 2 June 2008.*

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.

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 has the power to invest a significant proportion of the Fund in high yield bonds (a type of fixed interest security with a lower rating from a credit rating agency). While such bonds often offer a higher income than bonds which are highly rated by credit rating agencies the interest paid on them and their capital value is at greater risk particularly during periods of changing market conditions. The level of quarterly income may fluctuate due to the overall structure of the portfolio. The Manager reviews policies for managing 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 bonds issued by governments and companies, which carry a degree 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 six months (annualised) to:	31.10.13	31.10.12
Ongoing charges for Retail Units	1.49%	1.49%
Ongoing charges for I-Class Units	0.74%	0.74%

Portfolio Turnover Rate (PTR)

Six months to 31.10.13	Six months to 31.10.12
23.32%	49.38%

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

	Quarter to 15.07.13	Quarter to 15.10.13
	Pence per unit	
Retail Income units	0.6933	0.6576
Retail Accumulation units	0.8854	0.8485
I-Class Income units	0.7959	0.7591
I-Class Accumulation units	1.0210	0.9847

Fund Facts

Fund accounting dates		Fund payment/ accumulation dates	
30 April	31 October	30 June	31 December

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

Comparative Tables

Net Asset Values

Date	Net Asset Value of Fund	Net Asset Value per unit				Number of units in issue			
		Retail Income	Retail Accumulation	I-Class Income**	I-Class Accumulation**	Retail Income	Retail Accumulation	I-Class Income**	I-Class Accumulation**
30.04.13	£1,482,978,320	64.96p	82.99p	65.31p	83.80p	1,196,400,442	463,600,078	405,918,657	66,824,568
31.10.13	£1,624,619,299	64.61p	84.29p	64.96p	85.37p	1,026,814,981	501,825,253	628,964,464	151,860,748

Unit Price Performance

Calendar Year	Highest offer				Lowest bid			
	Retail Income	Retail Accumulation	I-Class Income**	I-Class Accumulation**	Retail Income	Retail Accumulation	I-Class Income**	I-Class Accumulation**
2008*	50.59p	50.59p	n/a	n/a	39.93p	40.85p	n/a	n/a
2009	57.60p	62.90p	n/a	n/a	39.50p	41.11p	n/a	n/a
2010	62.66p	71.24p	n/a	n/a	54.42p	59.43p	n/a	n/a
2011	63.22p	73.82p	59.03p	70.32p	56.73p	66.51p	56.88p	67.40p
2012	67.67p	84.50p	65.39p	81.84p	57.83p	69.18p	58.09p	69.18p
to 31.10.13	68.96p	88.40p	66.61p	86.03p	63.22p	80.43p	63.62p	81.05p

Income/Accumulation Record

Calendar Year	Pencer per unit			
	Retail Income	Retail Accumulation	I-Class Income**	I-Class Accumulation**
2008*	0.9500p	0.9500p	n/a	n/a
2009	3.0500p	3.2036p	n/a	n/a
2010	2.9100p	3.2397p	n/a	n/a
2011	2.4242p	2.8290p	0.3082p	0.3708p
2012	2.6471p	3.2003p	3.0612p	3.6714p
to 31.12.13	2.7869p	3.5331p	3.1892p	4.0623p

*Launch date 2 June 2008.
**The I-Class income and I-Class accumulation units were introduced on 19 September 2011.

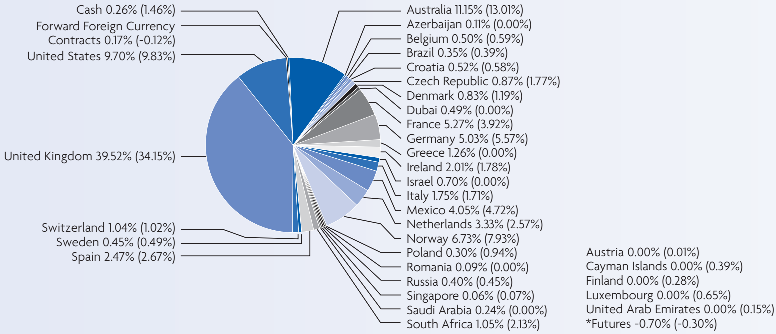
Major Holdings

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 31.10.13	Holding	% of Fund as at 30.04.13
Australian Government 4.75% 21/04/2027	4.96	Australian Government 4.75% 21/04/2027	5.66
Australian Government 5.5% 21/04/2023	3.28	Australian Government 5.5% 21/04/2023	4.34
Australian Government 5.75% 15/07/2022	2.28	Mexican Bonos 5% 15/06/2017	3.31
Eksportfinans ASA 5.50% 26/06/2017	2.00	Australian Government 5.75% 15/07/2022	3.01
Mexican Bonos 5% 15/06/2017	1.80	Eksportfinans ASA 5.50% 26/06/2017	2.27
Pagejaunes Finance & Co 8.875% 01/06/2018	1.46	Pagejaunes Finance & Co 8.875% 01/06/2018	1.64
Unique Pub Finance 6.542% 30/03/2021	1.38	Unique Pub Finance 6.542% 30/03/2021	1.47
Punch Taverns 7.274% 15/04/2022	1.30	Punch Taverns 7.274% 15/04/2022	1.40
Lowell Group 10.75% 01/04/2019	1.27	Lowell Group 10.75% 01/04/2019	1.33
Tui Travel 6% CV 05/10/2014	1.16	Anglogold Holdings 3.5% CV 22/05/2014	1.28

Portfolio Information

Geographical split by country of issuer as at 31 October 2013



The figures in brackets show allocations as at 30 April 2013.
**The Fund is classified within the IMA Sterling Strategic Bond sector and, as such, is obliged to ensure that at least 80% of its assets are either denominated in sterling or hedged back to sterling. The Fund also participated in futures contracts during the year with the aim of hedging out some of the interest rate risk exposure within the Fund. This figure represents outstanding derivative contracts at the end of the year.*

Investment Review

Performance Review

For the six months ended 31 October 2013 the total return on the units was 1.6%* compared to -1.6%* for its benchmark, the iBoxx Non-Gilt Index. Since launch on 2 June 2008 the total return on the units was 75.3%* compared to 47.5%* for the benchmark. The Fund was ranked 18th out of 74 funds over the period, 1st out of 50 funds over five years and 2nd out of 49 funds since launch in the IMA Sterling Strategic Bond sector.

A quarterly distribution of 0.6576 pence per unit will be paid to holders of Retail Income units on 31 December 2013 (Retail Accumulation units 0.8485 pence per unit), and for I-Class Income units 0.7591 pence per unit (I-Class Accumulation units 1.9847 pence per unit), bringing the total distributions paid for the period on Retail Income units to 1.3509 pence per unit (Retail Accumulation units 1.7339 pence per unit), and for I-Class Income units to 1.5550 pence per unit (I-Class Accumulation units 2.0057 pence per unit). This is compared to 1.3716 pence per units for Retail Income units (Retail Accumulation units 1.6667 pence per unit), and for I-Class Income units 1.5616 pence per unit (I-Class Accumulation units 1.9214 pence per unit) for the same period last year.

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

Market Review

Ben Bernanke's testimony on the 22 May, that the US Federal Reserve (Fed) might consider tapering quantitative easing (QE) as soon as September marked something of an inflection point for bond markets during the period under review. Despite dovish assurances that any change in policy would be driven by the strength of economic data, the ensuing sell off in credit markets was sharp and indiscriminate. Yields for US treasury bonds rose sharply and posed a threat to the pace of economic recovery in the US. Emerging market debt and currencies sold off sharply. In China, where authorities were already struggling to address speculation in the shadow banking industry and property market, looked to be at considerable risk.

On this side of the Atlantic, the prospect of a change in Fed policy put pressure on the European Central Bank (ECB) and Bank of England to affirm their respective positions. In early July both central banks took the unprecedented step of offering 'forward guidance' and committing to keep interest rates low for an extended period. For the ECB, this reflected an evolution in policy we had witnessed over the previous 18 months. In the UK, the strong pick up in economic activity caused investors to wonder whether the newly appointed Governor, Mark Carney, would be forced to reconsider his policy stance sooner than indicated.

With the market effectively taking it as read that tapering was coming, it came as a big surprise when the Fed decided not to alter its policy at its September meeting. However, the market's initial sense of relief was tempered by the US debt ceiling, which led to the temporary shutdown of some government departments in September and risked causing a default in mid-October if a political middle ground could not be found. An eleventh-hour resolution (although little more than a deferral) was therefore warmly welcomed by bond markets, as was the prospect that the Fed would defer tapering until after Janet Yellen is officially sworn in as chair of the Fed in late January 2014.

Policy Review

From a strategy point of view we felt it important to keep the Fund's duration relatively low (approx. 2.5 years) to help mitigate risks posed by changing interest rate expectations in the US. This was achieved through short positions in short-dated US treasury bonds and the gradual increase in the portfolio's weighting in floating rate notes. At the same time it was important not to lose sight of the opportunities we continued to find in high yield bonds, especially in Europe where companies remained focused on repairing balance sheets and the outlook for interest rates remained positive for investors.

Although the period was not without its challenges, this strategy largely paid off. Corporate bonds that contributed materially to the Fund's performance over the period included Thomas Cook which had been through a huge upheaval. We bought into these bonds at distressed levels after its management was replaced in 2012 and a large cost cutting programme was implemented to salvage the UK business. We added to positions in these bonds (and others in the Fund) after the Bernanke statement in May as we believed the sell-off was pessimistic given the US recovery appeared far from escape velocity and it seemed unlikely that the Fed would want to lose control of the yield curve.

The bank deleveraging theme also played a key role in the Fund's good performance. The return to profitability at Lloyds Banking Group in July was emblematic of the sorts of progress being made in the UK banking sector and the Fund benefited from the progress being made to bolster the bank's balance sheet. Meanwhile, news of plans to create an internal 'bad bank' at Royal Bank of Scotland rather than a more radical asset split provided a significant boost for the bonds in which we held a material position.

Among other themes, our investment in oil rig financing added good value and the Fund continued to profit from its long-term holding in Australian government bonds. Meanwhile, improving fiscal dynamics in parts of peripheral Europe presented new opportunities for the Fund towards the end of the period. This included a position in Greek government bonds at over 8% yield which appeared to offer a reasonable risk/reward given the country is expected to achieve a primary surplus this year and next.

Outlook

With the US debt ceiling debate now over, we believe there should be little to impede credit markets as we approach year end. US economic data may have been strong in recent weeks (especially payrolls), but with succession looming at the Fed it seems unlikely that there will be any change in monetary policy until the new incumbent is firmly installed. Additionally, we believe that the US housing recovery is showing good resilience and is unlikely to be derailed by a gradual rise in interest rates. In Europe there is mounting evidence that the economy is bottoming out and we are now in a situation where growth is not great anywhere, but growth is everywhere. In our view, the interest rate cut by the ECB in November was certainly necessary, partly to address the deflationary forces of a high currency. However, the fact that the Bundesbank voted against the cut was a reminder of the economic dichotomy that exists between Germany and the region's weaker economies. Nevertheless, we are encouraged by the ECB's efforts to promote credit growth in the peripheral economies and believe the asset quality review should go some way to improving confidence and lowering rates. Overall, the economic backdrop in Europe remains conducive to positive credit performance, in our view, and we are positioned accordingly.

Ariel Bezalel
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 Strategic Bond Fund for the period 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 period it covers and the results of those activities at the end of the period.

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SF5416i-12.13