

Jupiter Japan Income Fund

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



Investment Objective

To achieve long-term capital and income growth.

Investment Policy

To attain the objective by investing in a combination of Japanese equities and convertible bonds as well as cash, deposits and money market instruments. The Manager may enter into derivative transactions on behalf of the Fund to the extent that these are for the purpose of efficient management of the portfolio, as permitted under paragraph 9 of the Scheme Particulars. The Manager will only enter into derivative transactions for the purposes of hedging and tactical asset allocation, and not for speculative purposes.

Performance Record

Percentage change and sector ranking from launch to 31 January 2013

	6 months	1 year	3 years	5 years	Since launch*
Jupiter Japan Income Fund	9.2	7.3	13.8	22.8	26.7
Japan sector position	34/62	23/62	22/59	16/49	4/39

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

*Launch date 15 September 2005.

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 or cash flow risk. The risks it faces from its financial instruments are market price, foreign currency, interest rate and counterparty risk. The Manager reviews policies for managing these risks in pursuance of the Investment Objective and Policy. Investors should be aware that the Fund invests in a particular geographical region and may therefore be more volatile than funds with a broader range of investments.

Unit Classes

The Fund introduced I-H Class income units on 28 June 2010. The purpose of these units is to reduce the effect of fluctuations in the rate of exchange between the currency of the unit class and the currency in which all or part of the underlying assets are denominated or valued. The intention is that holders of units in a hedged currency unit class shall receive a return in sterling substantially in line with the true performance of the assets of the Fund by reference to the value of that property in the currency in which the assets are denominated and shall not be affected (whether positively or negatively) by fluctuations in the rate of exchange between the currency of the class of units (sterling) and the relevant currency or currencies in which the assets are denominated. The Fund also offers I-Class units in addition to the I-H Class. These units are available to investors who invest at least £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-H Class) or I-Class and I-H Class Units. The unit types associated with each unit class are disclosed in the Comparative Tables on page 2.

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
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I-Class Units

1	2	3	4	5	6	7
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- 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.

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:	31.01.13	31.01.12
Ongoing charges for Retail Units	1.75%	1.78%
Ongoing charges for I-H Class Units	1.15%	1.17%
Ongoing charges for I-Class Units	1.00%	n/a

Portfolio Turnover Rate (PTR)

Six months to to 31.01.13	Six months to to 31.01.12
39.61%	8.81%

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

Date	Net Asset Value of Fund	Net Asset Value per unit					Number of units in issue				
		Retail Income	Retail Accumulation	I-H Class Income*	I-Class Income**	I-Class Accumulation**	Retail Income	Retail Accumulation	I-H Class Income*	I-Class Income**	I-Class Accumulation**
31.07.12	£485,135,057	47.75p	54.69p	43.06p	n/a	n/a	474,224,044	343,503,557	164,482,754	n/a	n/a
31.01.13	£522,175,667	51.60p	59.72p	54.29p	51.64p	59.84p	400,745,609	356,816,616	158,659,231	13,950,407	14,991,610

Unit Price Performance

Calendar Year	Highest offer					Lowest bid				
	Retail Income	Retail Accumulation	I-H Class Income*	I-Class Income**	I-Class Accumulation**	Retail Income	Retail Accumulation	I-H Class Income*	I-Class Income**	I-Class Accumulation**
2008	55.48p	58.00p	n/a	n/a	n/a	37.98p	39.73p	n/a	n/a	n/a
2009	54.84p	57.38p	n/a	n/a	n/a	39.82p	42.14p	n/a	n/a	n/a
2010	60.58p	66.23p	53.62p	n/a	n/a	47.31p	50.73p	46.76p	n/a	n/a
2011	60.58p	66.23p	56.45p	n/a	n/a	46.62p	52.05p	41.75p	n/a	n/a
2012	54.71p	61.82p	50.27p	48.88p	56.06p	45.06p	51.68p	41.58p	45.07p	51.70p
to 31.01.13	54.92p	62.98p	54.91p	52.31p	60.00p	48.75p	55.92p	50.37p	48.87p	56.03p

Income/Accumulation Record

Calendar Year	Pence per unit				
	Retail Income	Retail Accumulation	I-H Class Income*	I-Class Income**	I-Class Accumulation**
2008	0.9100p	0.9461p	n/a	n/a	n/a
2009	1.1600p	1.2208p	n/a	n/a	n/a
2010	1.0700p	1.1573p	0.6200p	n/a	n/a
2011	1.1370p	1.2474p	1.1002p	n/a	n/a
2012	1.2993p	1.4643p	1.2000p	n/a	n/a
to 31.01.13	0.5628p	0.6458p	0.5275p	0.5505p	0.6281p

*I-H Class income units were introduced on 28 June 2010.

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

All the Fund's expenses are charged to capital. This has had the effect of increasing the distributions paid on an annualised basis on Retail Units by up to 1.75% of the class' average Net Asset Value during the period under review (I-H Class Units 1.15% and I-Class Units 1.00%) and constraining the class' capital performance to an equivalent extent.

Distributions/Accumulations

An interim distribution of 0.5628 pence per unit will be paid to holders of Retail income units on 31 March 2013 (Retail accumulation 0.6458 pence per unit), compared to 0.5982 pence per unit for holders of Retail Income units (Retail accumulations 0.6685 pence per unit) paid in respect of the same period last year. For holders of I-H Income Units an interim distribution of 0.5275 pence per unit will be paid on 31 March 2013, compared to 0.5287 pence per unit paid in respect of the same period last year. Also, for holders of I-Class Income units an interim distribution of 0.5505 pence per unit (I-Class accumulation 0.6281 pence per unit) will be paid on 31 March 2013, for the period since their launch on 17 September 2012 to 31 January 2013.

Fund Facts

Fund accounting dates		Fund payment/accumulation dates	
31 January	31 July	31 March	30 September

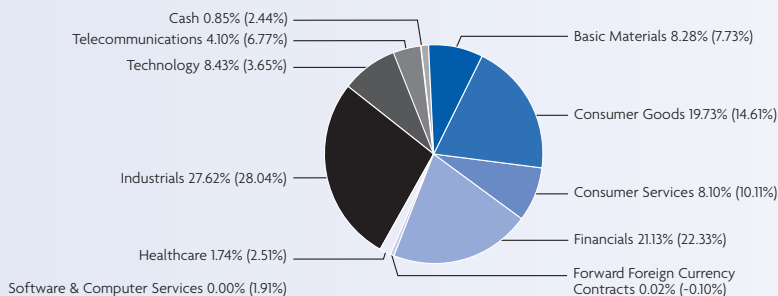
Major Holdings

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 31.01.13	Holding	% of Fund as at 31.07.12
Sumitomo Mitsui Financial	5.14	Sumitomo Mitsui Financial	4.60
Sumitomo Mitsui Trust	4.73	NTT DoCoMo	4.41
Canon	4.53	Tokio Marine	3.81
Nissan Motor	3.87	Mitsui Sumitomo	3.80
Tokio Marine	3.78	Canon	3.65
NTT DoCoMo	3.52	Nissan Motor	3.63
LIXIL	3.28	Sumitomo	3.25
Mitsubishi	3.21	Bridgestone	2.99
Toyota Motor	3.20	Nissan Chemical Industries	2.92
Denso	3.10	LIXIL	2.90

Portfolio Information

Classification of investments as at 31 January 2013



The figures in brackets show allocations as at 31 July 2012.

The sectors are based on the Industry Classification Benchmark (see page 4).

Investment Review

Performance Review

For the six months ended 31 January 2013 the total return on the Fund was 9.2%* compared to 9.2%* for the Topix in sterling terms and 10.1%* for the average fund in the Japan sector. Since launch, in September 2005, the Fund has returned 26.7%* compared to 11.4%* for its benchmark index and 4.5%* for the average fund in the sector. The Fund was ranked 34th out of 62 funds over the six months and 4th out of 39 funds since launch in the Japan sector*. In respect of the I-H Class income units the total return on the Fund for the six months was 50.6%* compared to 29.2%* for the Topix.

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their launch on 17 September 2012 to 31 January 2013.

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

The performance statistics disclosed above relate to Retail Units unless otherwise stated.

Market Review

Having been range-bound in the first half of the period under review, Japanese equities staged a dramatic recovery in the second half. Strong rallies were triggered by Prime Minister Noda's decision to hold a general election in December. A landslide victory for Noda's rival Shinzo Abe and his Liberal Democratic Party (LDP) subsequently sustained the rally as the yen continued to weaken on expectations of inflation. Together with its ally, the Komei Party, the LDP won more than two thirds of the Lower House thanks to Abe's pro-growth and pro-inflation pledges.

Following his election victory, Abe acted quickly and decisively to take steps towards attaining his goals. First, he wasted no time in appointing his progressive cabinet. Secondly, Abe announced his ¥10.3 trillion stimulus measures. Thirdly, Abe's strong election rhetoric regularly focused on the Bank of Japan adopting a 2% inflation target. After becoming PM, he continued to put pressure

on the central bank until Governor Shirakawa finally caved in and adopted the requested 2% inflation target and announced a US-style open-ended quantitative easing programme.

The Japanese economy remained in recession from the second quarter of 2012 to the end of the year. Despite this, Japanese equities achieved eleven consecutive weeks of gains since mid-November, driven by the weakness of the yen. From the lowest point in November to the end of January, the Topix rose nearly 30% in yen terms, although the yen's weakness reduced the market's return in sterling terms. The Topix rose 9.2% in sterling terms over the six months under review.

Policy Review

The Fund performed in line with its benchmark over the six months, returning 9.2% in sterling terms. Exporters gained support from the weakness of the yen in the second half of the period, having previously been affected by the relentless strength of the currency. Among our holdings, Makita, a 'winner' in the global power tool market, rallied as it reported strong quarterly results and raised its full-year earnings guidance. Nitto Denko also outperformed as its ITO (indium tin oxide) film has become a mainstay in the myriad of touch panel devices being released globally. Toshiba also performed strongly, helped by news that it might sell a portion of its nuclear power plant subsidiary.

Among our domestically-oriented holdings, financials made strong positive contributions to performance, helped by reflationary expectations and rising equities. Our holdings in banks Sumitomo Mitsui Trust and Sumitomo Mitsui Financial Group, and insurer Tokio Marine added significant value.

Meanwhile, some of our holdings in domestically-oriented companies detracted from performance as investors switched into exporters. These included Osaka Securities Exchange, internet retailer Start Today and TV broadcaster Fuji Media. We sold out of the former two.

We continued to switch exposure into international stocks from domestic shares, prompted by a polarisation in valuation as many domestic stocks looked fully valued, while exporters had been hit by the strong yen. We initiated a position in Toyota Motor, whose interim results demonstrated a serious focus on cost cutting, taking advantage of its share price weakness following anti-Japanese demonstrations in China. Meanwhile, we reduced exposure to domestic stocks, taking profits in our holding in shopping centre developer Aeon Mall. We also reduced our holdings in companies such as cable TV provider Jupiter Telecom and insurer Tokio Marine, locking in some profits following a strong run. The former rallied after receiving a

takeover bid from its two largest shareholders KDDI and Sumitomo Corp, valuing the company 33% higher than its share price prior to the bid.

Investment Outlook

The scale of Prime Minister Abe's election victory appears to indicate a strong public appetite for economic change and also provides him with the practical political power to achieve many of his aims. His policies have driven the yen lower, which in turn has boosted Japanese equities. A recent broker report suggested a 10% fall in the yen adds 10% to earnings growth for the whole market. However, we do not expect earnings results for the fourth quarter of 2012 to be good, as the yen was still strong, the tension between China and Japan was at its worst and the Japanese economy was weak. We think the true impact of the weak yen will not be felt until April, by which time a more pro-easing new governor of the Bank of Japan should also have been appointed.

Having rallied so far and so fast, Japanese equities are unlikely to sustain their recent strong momentum as the difficult practicalities of Abe's plans become apparent. His policies are extremely equity-friendly but from here their implementation will be key. Implementation of policies will take time and inflation goals are tough to achieve.

Apart from fears of faltering momentum in the near term, the outlook for the Japanese market remains extremely positive for 2013. We continue to believe that inflation is the key catalyst to unlock the significant value in Japanese equities and Abe's reflationary policies offer the best hope in many years that this can be realised.

Simon Somerville
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 Japan Income Fund for the period ending 31 January 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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