Jupiter **European Special Situations Fund**

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

Investment Objective

To achieve long-term capital growth by exploiting special situations principally in Europe.

Investment Policy

To attain the objective by investing principally in European equities, in investments considered by the Manager to be undervalued.

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 European Special Situations Fund	12.2	35.7	52.6	254.5	519.8
European excluding UK sector position	19/102	46/101	17/86	4/62	1/46

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, counterparty or cash flow risk. The risks it faces from its financial instruments are market price, foreign currency 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 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.

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%	1.05%

Portfolio Turnover Rate (PTR)

Six months to 31.07.13	Six months to 31.07.12
21.09%	29.33%

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	£701,960,951	262.32p	264.73p	249,136,938	18,296,375
31.07.13	£776,603,495	294.98p	298.85p	243,947,822	19,073,732

Unit Price Performance

Calendar Year	Highest offer		Lowest bid	
	Retail Accumulation	I-Class Accumulation*	Retail Accumulation	I-Class Accumulation*
2008	233.14p	n/a	139.81p	n/a
2009	230.81p	n/a	142.74p	n/a
2010	249.57p	n/a	190.49p	n/a
2011	271.23p	220.30p	187.67p	187.76p
2012	255.14p	244.73p	200.82p	201.91p
to 31.07.13	310.36p	299.02p	241.48p	243.85p

Accumulation Record

Calendar Year	Pence per unit	
	Retail Accumulation	I-Class Accumulation*
2008	0.85p	n/a
2009	2.81p	n/a
2010	1.79p	n/a
2011	1.07p	n/a
2012	1.89p	0.00p
to 30.09.13	1.21p	2.91p

*I-Class accumulation units were introduced on 19 September 2011.

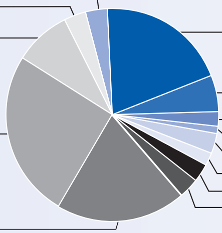
Major Holdings

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 31.07.13	Holding	% of Fund as at 31.01.13
Continental	3.70	UBS (registered)	3.48
UBS (registered)	3.63	Syngenta	3.15
Ryanair Holding	3.19	SAP	3.15
Sanofi-Aventis	3.14	Sanofi-Aventis	3.14
Bayer	3.07	Sagem	3.05
Safran	3.01	Linde	2.94
Adidas-Salomon	2.99	Bayer	2.85
Linde	2.84	The Swatch Group	2.83
SAP	2.59	Adidas-Salomon	2.72
Zodiac Aerospace	2.48	Fresenius Medical Care	2.71

Portfolio Information

Classification of investments as at 31 July 2013



The figures in brackets show allocations as at 31 January 2013.

Investment Review

Performance Review

For the six months ended 31 July 2013 the total return on the units was 12.2%* compared to a return of 9.2%* for the benchmark FTSE World Europe excluding UK Index. Over five years the Fund has increased in value by 52.6%* compared to 34.4%* for the benchmark and since launch, in March 1999, the Fund has increased in value by 519.8%* compared to 118.3%* for the benchmark index. The Fund was ranked 19th out of 102 funds over six months, 17th out of 86 funds over five years and 1st out of 46 funds since launch in the IMA Europe excluding UK sector*.

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

Market Review

As the period opened, markets had one of their best starts to the year in a decade. This was due to greater optimism about the prospects for global growth and a partial resolution to the US 'fiscal cliff'. Banks led the rally, aided by reports of early repayment of the Long Term Refinancing Operation funds, initially supplied by the European Central Bank (ECB) in late 2011 and early 2012. However, Italian banks did not participate in the repayment and the sector as a whole remained beset by scandals.

The Italian parliamentary elections dominated market sentiment towards the end of February. Uncertainty about what sort of government might emerge in Rome and fears that the US would halt its quantitative easing (QE) programme helped dent the enthusiasm that had marked the beginning of 2013. However, there was no crisis of confidence. Eurozone growth figures were again revised downwards but this was largely expected.

In March, however, volatility increased thanks to political uncertainty. This was not only in Italy where a government initially failed to take shape, but in Cyprus which had to contend with the controversial terms of its bailout. The latter should have been reasonably straightforward to engineer given previous larger rescue packages for other countries such as Greece and Spain. However, in the event, the negotiations opened up a broader discussion about who should bear most of the burden. This paved the way for a levy on uninsured deposits and threatened the possibility of a loss of confidence in banking. By the end of the month, however, Cyprus had managed to avoid a full blown banking crisis by protecting savings up to €100,000. There was no sign of market panic and trading volumes were low. Meanwhile, US indices continued to climb and push through recent highs. Companies produced mixed results, but many of those that we held benefited from higher than expected dividend payouts.

Markets were volatile in the second quarter of 2013. This was due to indications from the US Federal Reserve that it could begin tapering QE if the economy continued to recover along with signs of slower growth in China. During the reporting season, many companies posted results showing that top lines were under pressure. Nonetheless, most stuck to their qualitative earnings guidance for 2013, but put greater emphasis on a recovery in the second half of the year. Weaker sectors included construction, which was affected by weather, and automotive companies which suffered from lacklustre demand in Europe. Chemicals and industrials also had a tougher time and continued to do so as signs of slower growth in China emerged over the three months.

At a macro level, many believed the ECB would cut interest rates, while in Japan the central bank embarked on a massive injection of liquidity. A number of commentators, from the International Monetary Fund to the president of the European Commission suggested austerity measures had reached the limit of their effectiveness. Markets remained relatively buoyant until, in May and June, it became clearer that the US would attempt to end QE when possible. Equities around the world sold off, correcting some of the excess seen in recent months. Europe itself proved to be slightly more resilient in this environment than other regions, such as emerging markets and Japan. This was due to an expectation of improving corporate profits as well as the prospect of further support for peripheral nations. Towards the end of the period, markets stabilised somewhat as the authorities in Europe, China and the US sought to reassure investors that central banks would continue to intervene where necessary.

Policy Review

The Fund performed well during the period, capturing elements of the rally while proving more stable than the market. We have been very selective in those areas of high premium growth most affected by sentiment and, although we have plenty of international exposure, have not been directly exposed to the worst fluctuations in emerging markets.

We saw especially strong relative performance from financials where we had diversified our exposure to take advantage of different risk/reward profiles while retaining our overall underweight compared to the benchmark. For example, we reduced some of our Scandinavian exposure by taking profits in SEB following a strong run and reinvested these into banks such as BNP Paribas and Unicredit, which in our view had been trading on attractive valuations and were more geared towards a sector recovery.

Companies from a broad range of sectors produced solid numbers, e.g. The Swatch Group and GEA. Adidas-Salomon also made a good contribution on the back of an improving dividend. We took some profits from stocks such as Swatch following strong performances and reinvested them into holdings such as automotive parts manufacturer Continental. In our view, the company offers growth at a reasonable price. It has been trading on 0.7x sales while displaying double digit operating profit and good potential for earnings growth.

The Fund also benefited from M&A activity after several bids for Kabel Deutschland, which has long been an established name in the portfolio. There were few surprises from our holdings' results during the period and many produced solid numbers, but Fresenius Medical Care suffered from some profit taking. We decided to take some profits in Syngenta. This has been a long term holding that has performed well for the Fund and we thought it prudent to take some profits as we believe a late planting season due to poor weather is likely to put some pressure on earnings momentum in the near term.

Investment Outlook

Equity markets are likely to be supported in the near term by some stabilisation in European economies and a less acute debate about the eurozone's future. In such an environment, there should also be further room for European valuations to close some of the gap on the US, despite expectations that growth will be relatively weaker. Nonetheless, we expect it will take time for politicians to reach a consensus on how to deal with indebted countries still struggling to recover. Our strategy is to remain disciplined about taking profits among fully valued stocks and slightly shift the portfolio towards more attractively priced cyclical areas, while still investing in businesses that we consider to be fundamentally sound and have the potential to grow.

Cédric de Fonclare
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 European Special Situations 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.

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

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