Jupiter **India Fund**

Short Annual Report – for the year ended 31 July 2013

JUPITER

Investment Objective

To achieve long-term capital growth.

Investment Policy

The scheme will invest primarily in companies which operate or reside in India. The scheme may also invest in shares of investment trusts and other closed or (to the extent permitted by the COLL Sourcebook) open ended funds which are themselves dedicated to investments in India. The scheme shall be free to invest in companies which are established in countries outside India, which in the Manager's opinion, conduct a material proportion of their business in India, derive a material proportion of their earnings from activities in India or are significantly impacted by the activities of Indian companies or India in general. In addition the scheme shall be permitted to invest in aggregate of up to 10% of its total assets at the time of investment in any other companies which reside in Pakistan, Sri Lanka and Bangladesh. The Manager will only enter into derivative transactions for the purpose of efficient management of the portfolio and not for investment.

Performance Record

Percentage change and benchmark comparison from launch to 31 July 2013

	1 year	3 years	5 years	Since launch*
Jupiter India Fund	0.2	-22.4	32.1	17.4
MSCI India Index	7.7	-14.3	28.2	-3.6

Source: FE, Retail Units, bid to bid, net income reinvested.
**Last day of the fixed price launch period, 29 February 2008.*
Due to the diverse nature of the funds in the Specialist sector, sector positions are not shown.

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 cash flow risk. The risks it faces from its financial instruments are liquidity, market price, credit, foreign currency, interest rate and counterparty risk. The Manager reviews policies for managing these risks in pursuance of the Investment Objective and Policy.

The Fund will be investing in a single geographic area which is in the course of development and therefore is an area at greater risk of volatility. Returns may also be affected by changing political, regulatory and fiscal measures. Fuller details of the specific risks affecting this Fund are contained in the Key Investor Information Document.

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.

As at 31.07.13

← 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

As at 31.07.12

← 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.

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.

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 below.

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 year to:	31.07.13	31.07.12
Ongoing charges for Retail Units	1.84%	1.88%
Ongoing charges for I-Class Units	1.09%	1.13%

Portfolio Turnover Rate (PTR)

Year to 31.07.13	Year to 31.07.12
31.06%	22.18%

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.

Accumulations

	Total Accumulations for the year to 31.07.13	Total Accumulations for the year to 31.07.12
	Pence per unit	
Retail Accumulation units	0.0000	0.0000
I-Class Accumulation units	0.3538	0.1721

Fund Facts

Fund accounting dates		Fund accumulation date	
31 January	31 July	–	30 September

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**
31.07.12	£231,339,490	55.86p	56.03p	406,639,957	7,507,229
31.07.13	£194,762,062	56.01p	56.57p	323,073,482	24,425,444

Unit Price Performance

Calendar Year	Highest offer		Lowest bid	
	Retail Accumulation	I-Class Accumulation**	Retail Accumulation	I-Class Accumulation**
2008*	53.38p	n/a	29.92p	n/a
2009	69.27p	n/a	29.71p	n/a
2010	87.41p	n/a	62.06p	n/a
2011	83.69p	70.81p	52.37p	52.49p
2012	71.62p	68.25p	53.42p	53.71p
to 31.07.13	72.54p	69.60p	54.75p	55.51p

Income Record (net accumulations)

Calendar Year	Pence per unit	
	Retail Accumulation	I-Class Accumulation**
2008*	0.00p	n/a
2009	0.00p	n/a
2010	0.00p	n/a
2011	0.00p	n/a
2012	0.00p	0.1721p
to 30.09.13	0.00p	0.3538p

*Launch date 29 February 2008. **I-Class accumulation units were introduced on 19 September 2011.

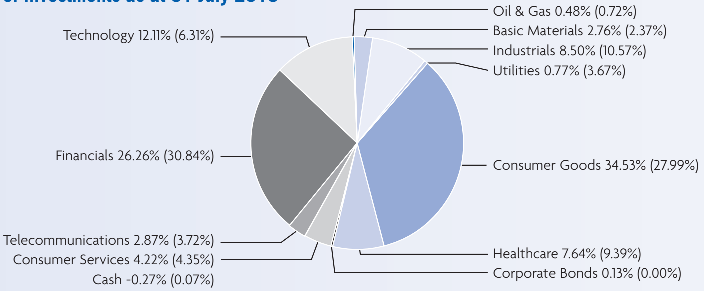
Major Holdings

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

Holding	% of Fund as at 31.07.13	Holding	% of Fund as at 31.07.12
Godfrey Phillips India	9.58	Godfrey Phillips India	9.54
United Spirits	7.17	Nestlé India	5.39
Nestlé India	6.40	Bharti Airtel	3.72
Tech Mahindra	5.80	Opto Circuits India	3.62
Sun Pharmaceutical Industries	5.09	Sun Pharmaceutical Industries	3.24
ICICI Bank	3.41	ICICI Bank	3.22
Bharti Airtel	2.87	State Bank of India	2.78
HCL Technologies	2.61	Housing Development Finance Corporation	2.39
Infosys Technologies	2.23	Hindustan Unilever	2.32
Aditya Birla Nuvo	1.94	Rural Electrification Corporation	2.13

Portfolio Information

Classification of investments as at 31 July 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 year ended 31 July 2013, the total return on the Fund was 0.2%* compared to 7.7%* for its benchmark, the MSCI India Index in sterling terms. Over five years the total return on the Fund was 32.1%* compared to 28.2%* for its benchmark. For the period since the last day of the fixed price launch period on 29 February 2008, the total return on the Fund was 17.4%* compared to -3.6%* for its benchmark.

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

Market Review

The performance of India's equity markets during the first part of the period under review was generally good, buoyed by a decent monsoon period which staved off a rise in soft commodity prices and further boosted by a bout of policymaking by the government in September. This involved opening the multi-brand retail market and the airline sector to foreign investment and reducing diesel subsidies, among other things. At the same time, the US Federal Reserve and the European Central Bank both announced stimulus programmes in an attempt to restore investor confidence and global markets rallied as a result.

The winter session of India's Parliament began towards the end of November and was disrupted from the outset by the opposition who demanded the decision to allow foreign direct investment (FDI) into multi-brand retail operations was put to a vote, scheduled for early December and from which the ruling party emerged victorious. Investor sentiment improved once the vote was agreed upon. The government subsequently secured approval for a banking amendment bill and a companies bill, showing signs of making good on its promise to continue with the implementation of a reform programme.

However, in the meantime, growth rates continued to diminish with FY13 second quarter GDP growth falling to 5.3%.

As we entered 2013, conditions in Europe and the US were supportive as monetary stimulus programmes continued, benefiting assets in developing markets. For the first time since April 2012, the Reserve Bank of India (RBI) cut interest rates by 0.25% following a meeting in late January. The cut was widely anticipated and was already priced in by the market.

However, from February onwards, with the odd exception, Indian equities have generally lost ground. At first, the market retreated due to profit-taking prior to the announcement of the budget on 28 February. The budget itself shied away from tackling radical structural reform as the government kept one eye on national elections which will take place in 2014. Since then, investor sentiment has grown increasingly volatile as the fragility of the coalition government has become ever more apparent. Performance in emerging markets, including India, was further undermined by the strength shown in developed markets, particularly the US, where treasury yields surged in May. The suggestion by the US Federal Reserve towards the end of May that it may start to taper its quantitative easing programme also prompted a significant degree of market volatility and this has led to a huge fall in the value of the rupee, to the extent that the central bank has had to intervene in foreign exchange markets.

Currency weakness is now the primary concern for economic policymakers in India.

Meanwhile, inflation numbers have continued to tick lower and the government confirmed at the end of May that GDP growth in the year to 31 March 2013 was 5%, an improvement on expectations but nonetheless considerably less than in recent years. It also confirmed that the budget deficit for the same period was 4.9%, a huge improvement on forecasts of 5.8% and a target of 5.3%.

Policy Review

Conditions have been extremely challenging for investors in India in the twelve months to the end of July and one of the main difficulties we have faced has been the apparent disconnection between the underlying corporate health of a business and its share price. In the most recent reporting period, the publication of excellent results in many cases had no discernible effect at all on the relevant company's share price, a good example being one of our core holdings, tobacco company Godfrey Philips. Investor sentiment is so weak and market inflows are so light, particularly domestic inflows, that the commensurate reward simply does not materialise.

The main factor eroding returns made by the Fund has been the relative underperformance of small and mid cap companies when compared with large-cap companies during the period under review, to the tune of some 39%. Approximately half the Fund is invested in small and mid-cap companies, but the propensity for foreign inflows to come via mutual funds, which in turn tend to invest only in the top 15 or 20 large cap stocks, has skewed performance considerably.

Of our top ten holdings, half are still in place from a year ago, and of these, Sun Pharmaceutical Industries has made the best returns for the Fund in the period under review. We have been well served by a weighting almost double that of the index and foresee continued strength in returns from the company. United Spirits, which was added to the Fund in August, has also been a strong performer. For a time, there was speculation that the company's sale to Diageo may not complete, but confirmation in May that the deal had been finalised boosted the share price even further. An underweight position in Infosys detracted from returns in the period under review, as did our holding in Opto Circuits which we have exited altogether after a poor set of results. Having visited the company's facilities in Asia and the US in the past year and been encouraged by what we saw, we were expecting better performance than eventually materialised.

In terms of sectors, consumer goods holdings, in which we have a significant overweight, have made excellent returns for the Fund, as have our companies in the utilities sector. Being underweight basic materials and oil and gas also helped performance. However, financials and healthcare made negative returns for the Fund during the period under review. Financials in particular are currently trading on incredibly low multiples, which in our view do not reflect their actual position at all.

Investment Outlook

We are heartened by the appointment of Raghuram Rajan as the new governor of the central bank. Clearly others feel the same way, as the announcement of his appointment triggered a 1.5% rally in the rupee. He is an economist rather than a bureaucrat, focused on growth, and it appears that he will aggressively use monetary policy to stimulate economic activity. Meanwhile the government continues to attempt to tackle the current account deficit, but it is becoming clear that much of the problem is of India's own making. Despite having abundant resources of its own, the country is now a net iron ore and coal importer thanks to corruption scandals related to licensing and the sense that there is a general lack of freedom to operate. Just two years ago, India was the world's third largest iron ore exporter.[1] It also imports approximately US$3bn of fruit each year, despite being the world's biggest producer of many fresh fruits and vegetables![2] The power vacuum created by the weakness of the current governing coalition makes it all but impossible to address these issues and it is to be hoped that forthcoming elections will deal one party a stronger hand. The monsoon season has been ideal for optimising crop growth and with the Diwali festival season ahead of us, we foresee strong rural demand in the third quarter. Company results have been mixed but a number of our core holdings have published strong numbers and we remain confident in the positioning of our portfolio.

[1] *Source: Wall Street Journal, 7th August 2013*

[2] *Source: Food and Agricultural Organisation, 2010*

Avinash Vazirani
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 India Fund for the year 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 year it covers and the results of those activities at the end of the year.

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