Jupiter **Distribution Fund**

Short Annual Report – for the year ended 31 March 2014

JUPITER

Investment Objective

To provide a sustainable level of income and the prospect of capital growth over the long-term by investing in an actively balanced portfolio of fixed interest securities and mainly UK equities.

Investment Policy

To initially invest approximately 65% of its portfolio into corporate bonds, convertibles and other fixed interest bearing securities with the remainder of its portfolio invested in higher yielding equities (principally issued by UK based companies). Subject to a minimum allocation to the bond portfolio of 60% of the Fund's assets at all times, the exact ratios of the equity and bond portfolios to one another will be managed dynamically by the Manager's asset allocation committee so as to respond cautiously but promptly to changing market circumstances.

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 March 2014

	1 year	3 years	5 years	10 years	Since launch*
Jupiter Distribution Fund	4.2	23.6	63.6	65.6	82.0
Mixed Investment 0-35% Shares sector position	5/38	2/29	3/21	4/10	1/4

Source: FE, Retail Units, bid to bid, net income reinvested.
**Launch date 4 March 2002.*

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 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 reviews policies for managing these risks in pursuance of the Investment Objective and Policy.

The Manager has the power to invest up to 10% of the portfolio in high yield bonds (a type of bond which has a low or no rating from a credit rating agency). While such bonds may offer a higher income, the interest paid on them and their capital value is at greater risk particularly during periods of changing market conditions. The level of monthly income may fluctuate due to the overall structure 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.

As at 08.05.14

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 31.03.13

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

- 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 as well as 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 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.

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 year to:	31.03.14	31.03.13
Ongoing charges for Retail Units	1.39%	1.39%
Ongoing charges for I-Class Units	0.64%	0.89%*

*With effect from 24 April 2013, the Manager's periodic charge for I-Class units was reduced from 0.75% to 0.50%. This has had the effect of reducing the On-going charges for the year to 31.03.13 for I-Class Units as disclosed above from 0.89% to 0.64%.

Portfolio Turnover Rate (PTR)

Year to 31.03.14	Year to 31.03.13
72.87%	84.86%

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

	Distributions/ Accumulations for six months to 31.03.14	Distributions/ Accumulations for six months to 30.09.13
	Pence per unit	
Retail Income units	0.7639	0.7350
Retail Accumulation units	1.1944	1.1336
I-Class Income units	0.8515	0.8175
I-Class Accumulation units	1.3352	1.2625

Fund Facts

Fund accounting dates		Fund payment/ accumulation dates
31 March	30 September	See note below

Income will be distributed or accumulated on the 27th day of each month to those on the register as at the previous month end date.

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*
31.03.13	£293,711,903	54.21p	83.21p	54.58p	83.80p	154,559,224	248,719,704	1,954,019	2,252,290
31.03.14	£392,918,925	55.01p	86.78p	55.61p	88.00p	146,162,892	266,815,271	34,894,278	69,960,034

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*
2009	50.21p	68.21p	n/a	n/a	39.71p	52.52p	n/a	n/a
2010	53.02p	75.02p	n/a	n/a	46.38p	63.87p	n/a	n/a
2011	52.45p	76.99p	50.23p	73.77p	47.78p	69.36p	47.97p	70.06p
2012	54.99p	83.58p	52.92p	80.46p	49.33p	73.25p	49.59p	73.36p
2013	58.72p	91.11p	56.57p	88.10p	52.15p	79.48p	52.50p	80.00p
to 31.03.14	58.77p	92.24p	56.78p	89.39p	54.78p	85.79p	55.34p	86.89p

Income/Accumulation Record

Calendar Year	Pencer per unit			
	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation*
2009	2.0350p	2.7129p	n/a	n/a
2010	1.8850p	2.6362p	n/a	n/a
2011	1.6720p	2.4165p	0.2926p	0.4280p
2012	1.6429p	2.4532p	1.7668p	2.6359p
2013	1.4548p	2.2404p	1.6015p	2.4698p
to 27.04.14	0.5189p	0.8132p	0.5765p	0.9063p

*The I-Class income and I-Class accumulation units were introduced on 19 September 2011.
50% of the Fund's annual periodic charge on Retail Units and all other expenses are charged to capital. This has had the effect of increasing the distributions paid on an annualised basis by up to 0.76% of the class' average Net Asset Value during the period under review (I-Class Units 0.39%) and constraining the class' capital performance to an equivalent extent.

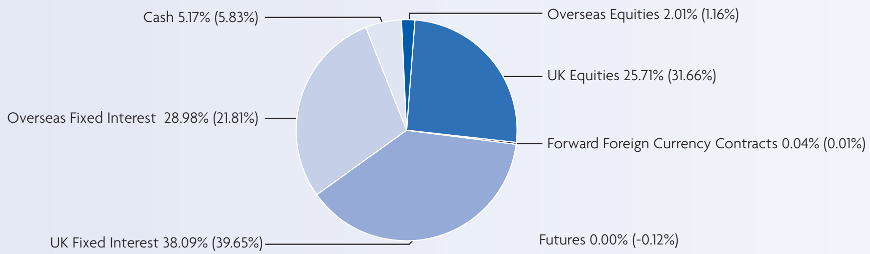
Major Holdings

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 31.03.14	Holding	% of Fund as at 31.03.13
UK Treasury 4.75% 07/03/2020	2.92	HSBC	3.49
BP	2.35	BP	3.13
Australian Government 3.25% 21/04/2029	2.26	GlaxoSmithKline	2.63
HSBC	2.09	Vodafone	2.54
GlaxoSmithKline	2.04	UK Treasury 4.25% 07/09/2039	2.13
Digital Stout Holding 4.75% 13/10/2023	1.97	British American Tobacco	2.13
Australian Government 4.75% 21/04/2027	1.73	Royal Dutch Shell 'B'	1.69
UK Treasury 1.25% 22/07/2018	1.50	US Treasury 6.25% 15/08/2023	1.59
US Treasury 2.625% 15/11/2020	1.49	AstraZeneca	1.46
Australian Government 3.25% 21/04/2025	1.49	Australian Government 5.75% 15/07/2022	1.39

Portfolio Information

Classification of investments as at 31 March 2014



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

Investment Review

Performance Review

For the year ended 31 March 2014 the total return on the units was 4.2%* compared with a return of 1.2%* for the IMA Mixed Investment 0-35% Shares sector average. The Fund was ranked 5th out of 38 funds over the period and 2nd out of 29 funds over the last three years.*

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

Market Review

It has been an eventful year. Government bond yields have risen steadily from remarkable lows at the beginning of the period under review. 10-year UK gilts hit 1.62% at the beginning of May as investors sought safe havens on concerns about the eurozone. Yields shot up, however, when the US Federal Reserve (Fed) indicated it might start reducing its monthly asset purchases. Corporate bond spreads tightened, especially in the high yield section of the market. In September, Dealogic reported that global corporate bond issuance stood at its highest level since records began in 1995. A partial US government shutdown came into effect at the beginning of October, as politicians failed to settle their differences about the national budget. An agreement was eventually reached, after which markets recovered initial losses.

Equity markets generally performed well, but this was not accompanied by the increase in corporate earnings that many had hoped for. Fortunately, there was supportive data on economic growth in developed markets. In March, the Office for Budget Responsibility revised up its 2014 forecast for UK GDP growth to 2.7%. Since then, the Office for National Statistics announced that UK unemployment had dropped to 6.9%. The eurozone posted its third quarterly expansion in a row in the last quarter of 2013.

In January 2014, the Fed, under new Chair Janet Yellen, finally did start tapering monthly asset purchases. It initially reduced purchases to $75bn in January and reduced purchases by $10bn in each subsequent month. Developed world markets took this in their stride, but emerging markets struggled as investors withdrew capital. In March, Yellen stated that interest rates could potentially be raised as soon as six months after purchases have been tapered down to zero.

Policy Review

We adjusted the asset allocation of the Fund to reflect a more cautious stance. The cash position was 5% by the end of the period under review and we raised exposure to fixed income from 61% to 67%. We increased exposure to government bonds after the major sell-off at the end of 2013. Our allocation to equities decreased from 33% to 28%, although this remains high relative to its peers.

We have not attempted to compensate for the reduction in equities by increasing credit risk, preferring instead to seek returns through yield curve positioning. In our view, corporate credit valuations look stretched, particularly in high yield. We continued to build our position in Australian government bonds in anticipation of declining interest rates, but hedged the currency risk. We participated in a number of new investment grade corporate bond issues, such as data centre owners Global Switch and Digital Realty, as well as information services company Experian. We do not own the equity of these companies because we have concerns about the value creation for equity investors of their investment and acquisition programs. However, the bonds look attractive due to very strong asset coverage for the data centres and a rapid deleveraging profile for Experian.

Equity markets provided few obvious opportunities. We increased our exposure to airlines, creating a new position in Ryanair. We believe the airline industry generally has good capacity discipline and Ryanair seems to have particularly strong cost control and pricing power. We added to our position in Galliford Try and opened new positions in CRH and Crest Nicholson. We believe these are well placed to benefit from the UK housing recovery. We also added a position in Plus500, which offers an online trading platform for contracts for difference. The company's shares have more than quadrupled since listing in 2013 as earnings have exceeded analyst estimates. We reduced positions in Centrica and Scottish and Southern Energy, as these became exposed to greater political risk, and exited positions in ABCAM and Reynolds American.

Investment Outlook

In the UK and the developed world more broadly, a low, albeit gradually improving growth backdrop is supportive of credit fundamentals, but we remain concerned about credit market valuations. Sub-investment grade bond yields are at long-term lows and so are the spreads between high yield and investment grade bonds. We continue to hold a bias to more liquid, higher credit quality bonds. We are optimistic about opportunities in government bonds and remain happy to diversify away from UK yield curve exposure. We believe that monetary policy is likely to remain accommodative in the UK for some time. The Bank of England will eventually have to unwind quantitative easing and, in spite of recent economic improvement, the fiscal position of the UK remains poor. With one of the biggest deficits in Europe, it seems likely that there will be further spending cuts. In this context, we believe any rate rises will have to be gradual.

When it comes to equities, we continue to see economic data that we believe should support future growth. However, sterling strength poses a risk to the performance of our holdings with international exposure, and political risks remain elevated in both the US and UK. We believe markets will increasingly favour companies that have the potential to deliver earnings growth, especially where accompanied by growing dividends. While risks remain, we continue to expect the macroeconomic picture to improve.

Alastair Gunn and Rhys Petheram
Fund Managers

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 Distribution Fund for the year ended 31 March 2014. 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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