# Jupiter **Responsible Income Fund**

**Short Annual Report** – for the year ended 30 September 2013

JUPITER

## Investment Objective

To provide income and long term capital growth through investing primarily in UK equities.

## Investment Policy

To invest primarily in the UK, in a portfolio of companies that are considered by the Manager to be responding positively to and profiting from the challenges of environmental sustainability or are making a positive commitment to social well being.

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 30 September 2013

| | 1 year | 3 years | 5 years | 10 years | Since launch* |
|---|---|---|---|---|---|
| **Jupiter Responsible Income Fund** | 23.9 | 43.8 | 62.7 | 133.6 | 97.6 |
| **UK Equity Income sector position** | 27/96 | 30/87 | 43/71 | 21/53 | 28/42 |

*Source: FE, Retail Units, bid to bid, net income reinvested.*
**Launch date 29 November 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.

## Ethical and Environmental Screening

Ethical and environmental screening for the Jupiter Responsible Income Fund is undertaken by the Jupiter Sustainable Investment Team, a team of analysts specialising in the environmental performance of companies. The Team assesses companies against a set of ethical and environmental criteria, which is summarised in the full Report and Accounts. Additional research on FTSE 350 companies is provided by external research provider Sustainalytics.

## Risk Profile

The Fund has little exposure to liquidity, credit, foreign currency, counterparty or cash flow risk. The risks it faces from its financial instruments are market price and interest rate risk. The Manager reviews policies for managing these risks in pursuance of the Investment Objective and Policy. The risk profile of this Fund is also affected by the ethical and environmental screening of investments in accordance with its 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 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: | 30.09.13 | 30.09.12 |
|---|---|---|
| Ongoing charges for Retail Units | 1.70% | 1.71% |
| Ongoing charges for I-Class Units | 0.95% | 0.96% |

## Portfolio Turnover Rate (PTR)

| Year to 30.09.13 | Year to 30.09.12 |
|---|---|
| 3.94% | 22.57% |

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

| | Final Distributions/ Accumulations for six months to 30.09.13 | Interim Distributions/ Accumulations for six months to 31.03.13 |
|---|---|---|
| | Pence per unit | |
| Retail Income units | 1.4155 | 0.9180 |
| Retail Accumulation units | 1.8732 | 1.1976 |
| I-Class Income units | 1.4536 | 0.9358 |
| I-Class Accumulation units | 1.8810 | 1.1946 |

## Fund Facts

| Fund accounting dates | | Fund payment/ accumulation dates | |
|---|---|---|---|
| 31 March | 30 September | 31 May | 30 November |

## 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* |
| 30.09.12 | £40,481,026 | 57.93p | 75.65p | 59.16p | 75.55p | 19,675,578 | 38,444,145 | 1,665 | 1,306 |
| 30.09.13 | £55,291,883 | 69.37p | 93.72p | 71.42p | 94.35p | 18,988,425 | 36,793,101 | 6,854,146 | 2,905,691 |

### 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 | 74.88p | 80.00p | n/a | n/a | 39.30p | 43.77p | n/a | n/a |
| 2009 | 54.60p | 63.10p | n/a | n/a | 35.92p | 40.02p | n/a | n/a |
| 2010 | 62.10p | 74.84p | n/a | n/a | 47.95p | 56.60p | n/a | n/a |
| 2011 | 64.54p | 77.92p | n/a | n/a | 48.74p | 60.28p | n/a | n/a |
| 2012 | 64.65p | 84.34p | 62.90p | 80.31p | 52.28p | 66.63p | 58.75p | 75.03p |
| to 30.09.13 | 77.80p | 102.91p | 76.10p | 98.48p | 61.28p | 80.00p | 62.80p | 80.19p |

### Income/Accumulation Record

| Calendar Year | Pencer per unit | | | |
|---|---|---|---|---|
| | Retail Income | Retail Accumulation | I-Class Income* | I-Class Accumulation* |
| 2008 | 2.3600p | 2.5450p | n/a | n/a |
| 2009 | 1.9100p | 2.1540p | n/a | n/a |
| 2010 | 1.9400p | 2.2752p | n/a | n/a |
| 2011 | 2.1536p | 2.6146p | n/a | n/a |
| 2012 | 2.3003p | 2.9048p | 0.1135p | 0.1446p |
| to 30.11.13 | 2.3335p | 3.0708p | 2.3894p | 3.0756p |

*I-Class income and I-Class accumulation units were introduced on 17 September 2012.
All of the Fund's expenses have been charged to capital. This has had the effect of increasing the distributions paid on an annualised basis on Retail Units by up to 1.70% of the class' average Net Asset Value during the period under review (I-Class Units 0.95%) and constraining the class' capital performance to an equivalent extent.

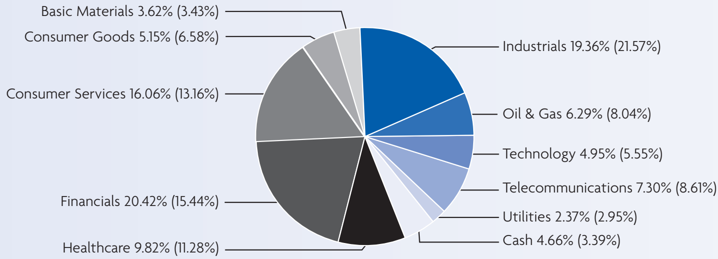
## Major Holdings

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 30.09.13 | Holding | % of Fund as at 30.09.12 |
|---|---|---|---|
| HSBC Holdings (London listed) | 5.99 | GlaxoSmithKline | 6.00 |
| GlaxoSmithKline | 5.21 | Vodafone | 5.25 |
| Vodafone | 4.70 | BG | 4.85 |
| Lloyds Banking Group | 4.19 | HSBC Holdings (London listed) | 4.13 |
| Reed Elsevier | 3.63 | TalkTalk Telecom | 3.36 |
| Rio Tinto | 3.62 | Royal Dutch Shell 'B' | 3.19 |
| BG | 3.33 | Rio Tinto | 2.94 |
| Aviva | 3.11 | AstraZeneca | 2.91 |
| ITV | 2.97 | Diageo | 2.90 |
| Royal Dutch Shell 'B' | 2.96 | Lloyds Banking Group | 2.79 |

## Portfolio Information

### Classification of investments as at 30 September 2013




*The figures in brackets show allocations as at 30 September 2012.*
*The sectors are based on the Industry Classification Benchmark (see page 4).*

## Investment Review

### Performance Review

For the year to 30 September 2013 the total return on the units was 23.9%* compared with 21.7%* for the FTSE4Good UK Index and 18.9%* for the FTSE All-Share Index. The Fund was ranked 27th out of 96 funds in the IMA UK Equity Income sector over the period.

A final distribution of 1.4155 pence per unit will be paid to holders of Retail income units on 30 November 2013 (Retail accumulation units 1.8732 pence per unit), bringing the total distributions paid in respect of the year under review to 2.335 pence per unit for Retail income units (Retail accumulation units 3.0708 pence per unit) compared to 2.3003 pence per unit for Retail income units (Retail accumulation units 2.9048 pence per unit) paid in respect of 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 and Policy Review

The UK stock market made gains in the year under review despite volatile conditions. The Bank of Japan's announcement of an aggressive quantitative easing (QE) programme boosted risk assets globally at the start of the period, but volatility in stock markets returned and investor sentiment was undermined after the US Federal Reserve (Fed) indicated that it may start to wind down its QE programme. The uncertainty was exacerbated in June by a short-term credit crunch in China. In the midst of this negative news, the UK defied gloomy expectations and posted GDP growth for the first quarter. In July, the Bank of England and the European Central Bank reaffirmed their commitment both to low interest rates and monetary easing, which helped UK shares bounce back from the losses in June. Markets were further calmed by Fed representatives suggesting no imminent reduction in economic stimulus was likely and that it would be carefully managed in any eventuality. However, signs of stronger US economic growth reignited speculation of a Fed move in August. This, combined with concerns over the escalation of the Syrian conflict and the potential for involvement of international powers, put pressure on the market. To round off a volatile period, equity markets resumed their upward trajectory as signs of a strengthening UK economic upswing multiplied in August and September and the Fed postponed a reduction in QE, confounding market expectations.

The Fund produced a healthy gain during the year, outperforming both the FTSE All-Share Index and its benchmark FTSE4Good UK Index. Positive contributions came from a number of core overweight positions, including ITV, Howden Joinery, Lloyds Banking Group and Aviva. For example, ITV surged 42% after reporting strong results across all divisions. The company has been very successful in reinvigorating the high-margin ITV Studios business and will continue to benefit from the improving UK economic situation through its core advertising business. Meanwhile, we increased our position in Aviva, which we believe is in the early stages of a turnaround after many years of disappointment. The new management's strategy of cutting costs and generating cash is achieving results ahead of schedule. In our view, the company is undervalued and should generate returns over the medium term. Other significant contributors included Speedy Hire and National Express. Not holding Standard Chartered, BHP Billiton, Unilever and being underweight Royal Dutch Shell was positive for relative performance.

Our stock selection in the telecommunications sector unfortunately detracted from performance during the period. We did not hold BT group, which performed strongly, and the Fund is overweight in TalkTalk Telecom, which performed poorly due to market concerns that BT Group will lure broadband customers away from them with free sports programming and that there could be a price war in the UK broadband arena. We don't believe this will happen and have therefore retained our overweight position. Spirent Communications, a maker of testing equipment for phone systems, fell sharply amid a slowdown in sales for networks and applications and Tate & Lyle shares underperformed due to market concerns about increasing competition from Chinese companies towards their high margin Sucralose product.

We took profits in some positions that have performed well (e.g. Keller, Atkins and Weir), recycling the proceeds into holdings which we believe have more attractive prospects (e.g. Aviva, Halfords and Lloyds Banking Group). We also established new positions in Daily Mail and General Trust (DMGT) and F&C Asset Management. DMGT not only owns the Daily Mail newspaper but also either owns or has a stake in various other successful ventures, including Euromoney conferencing and the online property search engine Zoopla. DMGT also owns Mail Online, which is one of the world's most visited news websites. The company has come up with some innovative ways to monetise the significant readership of the website. We feel the high growth in profitability in these divisions is likely to drive the company's valuation higher. F&C Asset Management is an undervalued fund management company, and we believe the new management is successfully turning the business around. Investment flows have been negative, but are slowly beginning to recover. We expect this to continue and therefore the valuation discount to be removed.

While dividend cuts at Aviva and RSA Insurance were disappointing, the Fund's overall dividend yield has continued to grow during the period. Unfortunately, growth was not as high as anticipated due to Aviva's interim payment moving out of this reporting period and into October and the timing of investment inflows into the Fund towards its year end. We will never chase yield just to try and grow the dividend, and as a result dividend growth was lower than anticipated. As mentioned in our interim report earlier this year, we encourage investors to focus on the Fund's dividend growth over the full financial year, which ends on 30 September.

### Investment Outlook

The UK economy has performed well in the year to date. In our view, earnings growth will need to improve to sustain that momentum. The backdrop has grown more difficult and markets more volatile since the Fed hinted at the possibility of winding down its quantitative easing programme. This volatility was exacerbated by the US budgetary stalemate. In terms of stocks and sectors, there is still reasonable dispersion in valuations across the market, although this has narrowed over the course of the year, with high-quality global companies looking expensive and facing downgrades while cyclicals, in our view, look more interesting. Economic data from the UK has continued to be positive, lending weight to the notion that we may be entering a genuine and sustainable period of recovery following the financial crisis. Our focus remains on high-quality businesses that trade at attractive valuations and convert a large proportion of profits into cash. We are particularly attracted to franchises with robust balance sheets, strong management teams, quality earnings, defendable market positions and a commitment to growing dividends over the long term.

**Chris Watt**
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 Responsible Income Fund for the year ended 30 September 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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