Jupiter **European Income Fund**

Short Annual Report – for the year ended 30 November 2013

JUPITER

Investment Objective

To produce a high and rising income.

Investment Policy

To invest chiefly in high quality companies with operations or stock market listings in Europe.

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 November 2013

	1 year	3 years	5 years	Since launch*
Jupiter European Income Fund	25.3	35.5	66.2	19.7
Europe ex UK sector position	64/100	46/95	77/85	52/80

Source: FE, Retail Units, bid to bid, net income reinvested.
**Launch date 8 May 2007.*

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 main 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.

As at 30.11.13

← 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 30.11.12

← 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.

* Due to different risk measurement factors used at the launch of the I-Class, this has resulted in a higher risk indicator than the Retail Unit Class.

I-Class Units

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:	30.11.13	30.11.12
Ongoing charges for Retail Units	1.83%	1.81%
Ongoing charges for I-Class Units	1.08%	1.06%

Portfolio Turnover Rate (PTR)

Year to 30.11.13	Year to 30.11.12
76.08%	4.69%

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 30.11.13	Interim Distributions/ Accumulations for six months to 31.05.13
	Pence per unit	
Retail Income units	0.7136	0.8000
Retail Accumulation units	0.8889	0.9900
I-Class Income units	0.7263	0.8000
I-Class Accumulation units	0.9024	0.9884

Fund Facts

Fund accounting dates		Fund payment/ accumulation dates	
31 May	30 November	31 July	31 January

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*
30.11.12	£27,083,060	36.72p	45.41p	36.80p	45.42p	30,110,685	35,287,048	2,767	2,245
30.11.13	£48,763,370	44.44p	56.89p	44.91p	57.39p	32,004,822	41,952,349	5,436,908	14,342,038

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	48.79p	49.83p	n/a	n/a	30.40p	31.57p	n/a	n/a
2009	44.24p	48.20p	n/a	n/a	29.12p	31.03p	n/a	n/a
2010	44.15p	48.74p	n/a	n/a	34.21p	38.54p	n/a	n/a
2011	44.93p	51.44p	n/a	n/a	30.69p	35.80p	n/a	n/a
2012	39.42p	48.81p	37.63p	46.50p	31.21p	38.47p	35.26p	43.46p
to 30.11.13	48.14p	60.68p	46.22p	58.16p	37.30p	46.20p	37.49p	46.28p

Income/Accumulation Record

Calendar Year	Pencer per unit			
	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation*
2009	1.5900p	1.6716p	n/a	n/a
2010	1.2800p	1.4052p	n/a	n/a
2011	1.3400p	1.5336p	n/a	n/a
2012	1.7920p	2.0468p	n/a	n/a
2013	0.9647p	1.1917p	0.8574p	1.0587p
to 31.01.14	0.7136p	0.8889p	0.7263p	0.9024p

*I-Class income and accumulation units were introduced on 17 September 2012.
All of 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 1.83% of the class' average Net Asset Value during the period under review (I-Class Units 1.08%) and constraining the class' capital performance to an equivalent extent.

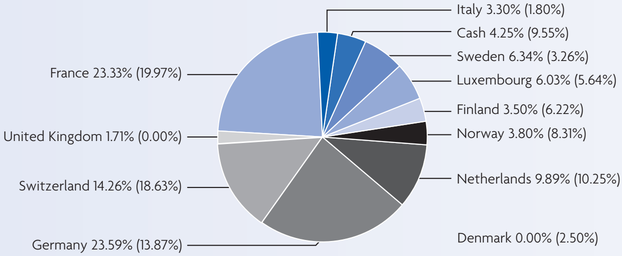
Major Holdings

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 30.11.13	Holding	% of Fund as at 30.11.12
Novartis	3.53	Sanofi	4.03
Bayer	3.42	Syngenta	3.79
SAP	2.66	Nestle	3.75
BNP Paribas	2.66	Novartis	3.65
Sanofi	2.61	Neopost	3.54
Koninklijke DSM	2.60	Total SA	3.04
Brenntag	2.60	SES Global	3.03
Svenska Cellulosa AB 'B'	2.59	Schneider Electric	2.94
Deutsche Boerse	2.51	Reed Elsevier	2.91
Telenor	2.46	Zodiac	2.87

Portfolio Information

Geographical spread of investments as at 30 November 2013



The figures in brackets show allocations as at 30 November 2012.

Investment Review

Performance Review

For the year to 30 November 2013, the Fund rose by 25.3%* while its benchmark the MSCI Europe ex UK Index, rose by 27.5%* in sterling terms. Over the period the Fund ranks 64th out of 100 funds in the IMA's Europe ex UK sector. Over three years the Fund is ranked 46th out of 95 funds and 77th out of 85 funds over five years.

A final distribution of 0.7136 pence per unit will be paid to holders of Retail income units on 31 January 2014 (Retail accumulation units 0.8889 pence per unit), bringing the total paid in respect of the period under review for Retail income units of 1.5136 pence per unit (Retail accumulation units 1.8789 pence per unit) compared to 1.2541 pence per unit for Retail Income units (Retail accumulation units 1.4472 pence per unit) for the same period last year. Also, for holders of I-Class income units a final distribution of 0.7263 pence per unit will be paid on 31 January 2014 (I-Class accumulation units 0.9024 pence per unit) bringing the total paid in respect of the period under review to 1.5263 pence per unit for I-Class income units (I-Class accumulation units 1.8908 pence per unit).

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

Market Review

European equities performed well in the period under review. Their steady process of rehabilitation since 2012 has been underpinned by the European Central Bank's pledge to do 'whatever it takes' to backstop the euro and keep interest rates low for the foreseeable future, along with progress in deficit reduction for countries such as Spain and Ireland.

Manufacturing picked up in Germany, Spain, Italy, Austria, Greece, Ireland, the Netherlands but not in France. Improving economic data, moderate valuations and concerns over emerging markets led global investors to return to European equities, in particular cyclical sectors such as auto manufacturers, distressed banks and telecoms where the Fund is notably underweight.

In contrast, stocks in businesses that did well during the crisis years, typically high quality businesses in more defensive industries, were relative underperformers (but still did quite well in absolute terms).

Policy Review

The concentrated portfolio remained broadly diversified across geographies and sectors. The largest exposures were to France, Germany, Switzerland, the Nordics and the Netherlands, with minimal exposure to southern Europe. By sector, the largest exposures were in consumer services, healthcare, industrial goods and financials. The Fund had no exposure to utilities and only limited exposure to telecoms as these faced political risk in times of fiscal austerity.

The Fund generated returns across a diverse range of stocks and sectors. Continental (auto components and tyres), Neopost (postal franking machines), Svenska Cellulosa (hygiene products) and Sampo (Nordic financial holding company) all performed well, as did Kabel Deutschland, after being bought by Vodafone.

The Fund's slight underperformance against its benchmark was mainly due to not holding stocks in those lower quality cyclical areas of the market that led the market rally, while our position in high quality companies such as Syngenta (agri-chemicals) and SES Global (satellite operator) were temporarily out of favour.

Outlook

In recent months, there has been a sharp rotation out of quality stocks and into more volatile, economically-depressed areas, in anticipation of recovery. However, accurately anticipating economic recovery has been a frustrating process for market analysts. Over the past three years, there has been zero earnings growth at the aggregate level. Early each year, the market consensus has been for a double-digit percentage recovery in earnings growth, only for hopes to be tempered over the course of the year.

Expectations for 2014 are no different. While it would therefore be prudent not to hold one's breath for a sustained recovery, there are reasons to be positive. The impact of austerity on economic activity should start to fall away in 2014. There are tentative signs that industrial production is improving. Restructuring measures to put weaker economies on a more sustainable footing are helping. Nevertheless, serious challenges remain: bank lending is still very depressed; consumer confidence is poor and unemployment is far too high in southern Europe.

Without any earnings growth though, the rally over the past two years has led to higher valuation multiples. For the market to make further progress, we need to see signs of underlying economic activity to start feeding through into company profits.

Our approach remains unchanged. Over the long run, the evidence is that the bulk of equity investors' returns come from the compounding effect of dividends and dividend growth, rather than short term market fluctuations. We therefore target a combination of yield and dividend growth, rather than a high yield on its own. This tends to bias the Fund in favour of quality businesses (by which we mean well-managed companies with sustainable business models in attractive industries) that are able to consistently convert profits into cash as they grow, resulting in dividend growth over time. Valuation is an important overlay in this process, in order to avoid overpaying for quality.

By targeting dividend growth, we also have the flexibility to buy into more cyclical areas, where there is often the possibility of buying into recovering dividend flows at more attractive prices than the higher quality end of the spectrum. At the moment, the bank sector offers, selectively, a combination of both dividend recovery and modest valuations. Given the uncertainty resulting from two years of rising equity prices but only tentative signs of recovery, we remain balanced between high quality dividend growth and good value stocks in more volatile areas of the market.

Gregory Herbert
Fund Manager

Change of Fund Manager The management of the Fund was taken on by Gregory Herbert from Cédric de Fonclare on 2 April 2013

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 Income Fund for the year ended 30 November 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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