Jupiter **European Income Fund**

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

	6 months	1 year	3 years	5 years	Since launch*
Jupiter European Income Fund	19.2	38.1	31.7	17.9	13.9
Europe ex UK sector position	42/104	76/103	67/99	39/87	46/83

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.

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.

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 31.05.13

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, at the last financial year end.

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:	31.05.13	31.05.12
Ongoing charges for Retail Units	1.79%	1.82%
Ongoing charges for I-Class Units	1.04%	n/a

Portfolio Turnover Rate (PTR)

Six months to 31.05.13	Six months to 31.05.12
39.40%	11.62%

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

An interim distribution of 0.8000 pence per unit will be paid to holders of Retail income units on 31 July 2013 (Retail accumulation units 0.9900 pence per unit), compared to 1.0894 pence per unit for Retail income units (Retail accumulation units 1.2455 pence per unit) for the same period last year. An interim distribution of 0.8000 pence per unit will be paid to holders of I-Class income units (I-Class accumulation units 0.9884 pence per unit for the period).

Fund Facts

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

Comparative Tables

Net Asset Values

		Net Asset Value per unit				Number of units in issue			
Date	Net Asset Value of Fund	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
31.05.13	£40,337,046	43.02p	54.20p	43.30p	54.45p	32,900,887	44,563,299	1,626,146	2,439,445

Unit Price Performance

	Highest offer				Lowest bid			
Calendar Year	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 31.05.13	47.14p	58.34p	45.11p	55.74p	37.30p	46.20p	37.49p	46.28p

Income/Accumulation Record

	Pence per unit			
Calendar Year	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation*
2008	1.7000p	1.7159p	n/a	n/a
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
to 31.07.13	0.9647p	1.1917p	0.8574p	1.0587p

*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 1.79% of the class' average Net Asset Value during the period under review (I-Class Units 1.04%) and constraining the class' capital performance to an equivalent extent.

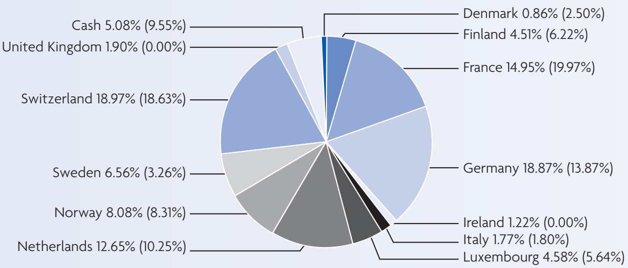
Major Holdings

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 31.05.13	Holding	% of Fund as at 30.11.12
Sanofi	3.42	Sanofi	4.03
Koninklijke DSM	2.82	Syngenta	3.79
Neopost	2.75	Nestle	3.75
Novartis	2.71	Novartis	3.65
Roche Holding – participating	2.68	Neopost	3.54
Svenska Cellulosa AB ‘B’	2.67	Total SA	3.04
Sampo	2.65	SES Global	3.03
Syngenta	2.61	Schneider Electric	2.94
SES Global	2.57	Reed Elsevier	2.91
Zodiac	2.42	Zodiac	2.87

Portfolio Information

Geographical spread of investments as at 31 May 2013



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

Investment Review

Performance Review

For the six months ended 31 May 2013, the total return on the units was 19.2%* compared to 18.9%* for the sterling adjusted benchmark MSCI Europe ex UK Index. The Fund was ranked 42nd out of 104 funds over the period, 67th out of 99 funds over three years and 46th out of 83 funds since launch in the IMA Europe ex UK sector*.

An interim distribution of 0.8000 pence per unit will be paid to holders of Retail income units (Retail accumulation 0.9900 pence per unit) on 31 July 2013, compared to 1.0894 pence per unit for Retail income units (Retail accumulation units 1.2455 pence per unit) for the same period last year. An interim distribution of 0.8000 pence per unit will be paid to holders of I-Class income units (I-Class accumulation units 0.9884 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 rose during the period under review, as immediate worries about the eurozone sovereign debt crisis continued to subside. There were a number of sectors that generated good returns during the period, in some notably diverse areas such as pharmaceuticals, banks, insurers, branded consumer goods and airlines, while the most marked areas of weakness were in sectors such as mining, utilities and telecoms.

There were two key drivers during the period: the ongoing monetary stimulus in mature markets and the occasional burst of volatility as the eurozone's debt worries rumbled on. Primarily, the actions of the European Central Bank (ECB), in the context of ongoing Quantitative Easing in the US and renewed policy stimulus in Japan, eased concern over the serviceability of sovereign debt in Southern Europe. Likewise, there was a marked softening in tone over austerity amid evidence that it may be causing more harm than good in fragile economies such as Spain and Italy.

The Italian general election produced an ambiguous outcome and, after much wrangling, an even more fragile than usual government. Also, an attempt to shore up the Cypriot banking system was bungled, initially at least, by threatening to raid deposits (even those insured by EU guarantees).

In an era of negative real yields for a lot of European government debt, the hunt for yield started to overflow into equity markets. Sectors such as pharmaceuticals benefited, given their long history of dividend growth and growing confidence that the 'patent cliff' (an acute confluence of patent expiries for a number of key medicines) was being successfully offset by new products. While sectors with reliable cash flows and dividend growth similarly benefited, areas where dividends have been cut or are at risk were punished, most notably telecoms stocks. Mining stocks remained out of favour amid weak demand from their key customers in China.

Policy Review

The Fund remained well diversified across sectors and geographies during the period. From a geographic perspective, the Fund's largest exposures were in Switzerland, France, Germany, the Netherlands and the Nordic region. There was almost no exposure to more troubled areas such as Italy (at under 2%), Spain and Portugal, not least because these are the markets where dividend cuts have been most prevalent.

From a sector perspective, the most significant areas of exposure were in consumer goods, healthcare, consumer services and financials, with no exposure to the utilities sector and a limited exposure to the more economically sensitive parts of the industrials sector.

Returns were generated across a wide variety of industries. Of note, financial stocks such as Sampo (Nordic financial services), DNB (Norwegian banking) and Deutsche Boerse (German exchange and clearing house operator) contributed to performance. Takeover speculation surrounding Kabel Deutschland (German cable TV) also contributed, as did holdings in two companies that recently floated: Borregaard (bio-chemicals) and Talanx (insurance). Weaker areas of the Fund included our holdings in the oil sector and in some more consumer facing areas, such as Dufry (duty free operator) and Millicom International Cellular (emerging market mobile telecoms).

Outlook

Clearly, the hunt for yield has seen some overflow from the bond market into the higher quality end of the equity market in recent months. Arguably, a number of stocks now look historically overpriced, particularly in terms of yield. We have taken profits where appropriate and are looking to reinvest into areas where we perceive more value to be on offer. The rehabilitation and the resumption of dividend payments in the bank sector is of interest, particularly in the Nordic region where many banks are now over-capitalised and returning excess capital to shareholders. This may yet represent the model to follow for the rest of Europe.

Overall, the Fund remains focused on what we regard as quality income stocks, where valuations permit. By this, we mean companies that have robust, sustainable business models, strong balance sheets and the ability to grow in turbulent economic times. From our perspective, these are the kinds of businesses that can generate a sustainable and growing dividend stream over time. As history has demonstrated, the compounding effect of both dividends and dividend growth, as opposed to market fluctuations, has made up the bulk of equity returns in Europe and elsewhere around the world.

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 period ended 31 May 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.

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