Jupiter **Japan Income Fund**

Short Interim Report – for the six months ended 31 January 2014

JUPITER

Investment Objective

To achieve long-term capital and income growth.

Investment Policy

To attain the objective by investing in a combination of Japanese equities and convertible bonds as well as cash, deposits and money market instruments. The Manager may enter into derivative transactions on behalf of the Fund to the extent that these are for the purpose of efficient management of the portfolio, as permitted under paragraph 9 of the Scheme Particulars. The Manager will only enter into derivative transactions for the purposes of hedging and tactical asset allocation, and not for speculative purposes.

Performance Record

Percentage change and sector ranking from launch to 31 January 2014

	6 months	1 year	3 years	5 years	Since launch*
Jupiter Japan Income Fund	-5.2	7.7	6.0	26.2	36.4
Japan sector position	45/60	54/59	43/56	34/49	6/37

Source: FE, Retail Units, bid to bid, net income reinvested.
**Launch date 15 September 2005.*

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 or cash flow risk. The risks it faces from its financial instruments are market price, foreign currency, interest rate and counterparty risk. The Manager reviews policies for managing these risks in pursuance of the Investment Objective and Policy. Investors should be aware that the Fund invests in a particular geographical region and may therefore be more volatile than funds with a broader range of investments.

Unit Classes

The Fund introduced I-H Class income units on 28 June 2010. The purpose of these units is to reduce the effect of fluctuations in the rate of exchange between the currency of the unit class and the currency in which all or part of the underlying assets are denominated or valued. The intention is that holders of units in a hedged currency unit class shall receive a return in sterling substantially in line with the true performance of the assets of the Fund by reference to the value of that property in the currency in which the assets are denominated and shall not be affected (whether positively or negatively) by fluctuations in the rate of exchange between the currency of the class of units (sterling) and the relevant currency or currencies in which the assets are denominated. The Fund also offers I-Class units in addition to the I-H Class. These units are available to investors who invest at least £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 these accounts as either Retail Units (non I-Class or I-H Class) or I-Class and I-H Class Units. The unit types associated with each unit class are disclosed in the Comparative Tables on page 2.

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

I-H 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.

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:	31.01.14	31.01.13
Ongoing charges for Retail Units	1.75%	1.75%
Ongoing charges for I-H Class Units	1.15%	1.15%
Ongoing charges for I-Class Units	1.00%	1.00%

Portfolio Turnover Rate (PTR)

Six months to to 31.01.14	Six months to to 31.01.13
57.85%	39.61%

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

	Interim Distributions/ Accumulations for six months to 31.01.14	Interim Distributions/ Accumulations for six months to 31.01.13
	Pence per unit	
Retail Income units	0.5039	0.5628
Retail Accumulation units	0.5905	0.6458
I-H Class Income units	0.5816	0.5275
I-Class Income units	0.5070	0.5505
I-Class Accumulation units	0.5940	0.6281

Fund Facts

Fund accounting dates		Fund payment/ accumulation dates	
31 January	31 July	31 March	30 September

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-H Class Income*	I-Class Income**	I-Class Accumulation**	Retail Income	Retail Accumulation	I-H Class Income*	I-Class Income**	I-Class Accumulation**
31.07.13	£630,770,839	58.01p	67.87p	62.52p	58.26p	68.25p	328,022,194	344,340,274	230,099,335	76,279,677	27,057,712
31.01.14	£586,311,131	54.46p	64.29p	66.16p	54.87p	64.88p	299,543,507	287,609,943	232,541,076	103,486,751	42,653,133

Unit Price Performance

Calendar Year	Highest offer					Lowest bid				
	Retail Income	Retail Accumulation	I-H Class Income*	I-Class Income**	I-Class Accumulation**	Retail Income	Retail Accumulation	I-H Class Income*	I-Class Income**	I-Class Accumulation**
2009	54.84p	57.38p	n/a	n/a	n/a	39.82p	42.14p	n/a	n/a	n/a
2010	60.58p	66.23p	53.62p	n/a	n/a	47.31p	50.73p	46.76p	n/a	n/a
2011	60.58p	66.23p	56.45p	n/a	n/a	46.62p	52.05p	41.75p	n/a	n/a
2012	54.71p	61.82p	50.27p	48.88p	56.06p	45.06p	51.68p	41.58p	45.07p	51.70p
2013	67.06p	77.72p	72.25p	64.02p	74.21p	48.75p	55.92p	50.37p	48.87p	56.03p
to 31.01.14	60.86p	71.31p	71.95p	58.38p	68.42p	54.16p	63.49p	66.73p	54.74p	64.14p

Income/Accumulation Record

Calendar Year	Pence per unit				
	Retail Income	Retail Accumulation	I-H Class Income*	I-Class Income**	I-Class Accumulation**
2009	1.1600p	1.2208p	n/a	n/a	n/a
2010	1.0700p	1.1573p	0.6200p	n/a	n/a
2011	1.1370p	1.2474p	1.1002p	n/a	n/a
2012	1.2993p	1.4643p	1.2000p	n/a	n/a
2013	1.2029p	1.3880p	1.2106p	1.1932p	1.3725p
to 31.03.14	0.5039p	0.5905p	0.5816p	0.5070p	0.5940p

*I-H Class income units were introduced on 28 June 2010.
**I-Class income units and I-Class accumulation units were introduced on 17 September 2012.

All 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 1.75% of the class' average Net Asset Value during the period under review (I-H Class Units 1.15% and I-Class Units 1.00%) and constraining the class' capital performance to an equivalent extent.

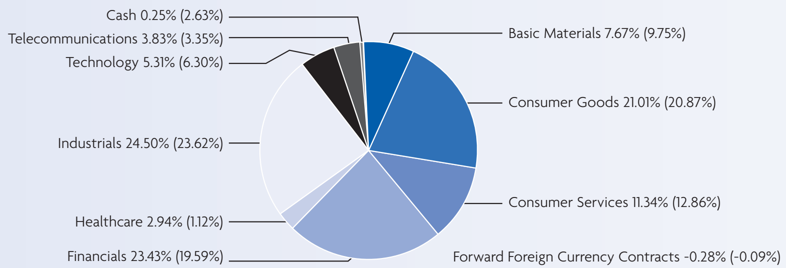
Major Holdings

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 31.01.14	Holding	% of Fund as at 31.07.13
Toyota Motor	4.98	Toyota Motor	4.98
Mitsubishi UFJ	4.80	Sumitomo Mitsui Trust	4.59
Sumitomo Mitsui Financial	4.06	Sumitomo Mitsui Financial	4.55
Tokio Marine	4.00	Canon	4.04
Bridgestone	3.78	Mitsubishi UFJ	3.85
Sumitomo Mitsui Trust	3.76	Bridgestone	3.72
Seven & I	3.37	Tokio Marine	3.62
Nomura Holdings	3.23	NTT DoCoMo	3.35
Toshiba	2.85	Nissan Motor	3.07
Sekisui Chemical	2.71	Nissan Chemical Industries	3.05

Portfolio Information

Classification of investments as at 31 January 2014



The figures in brackets show allocations as at 31 July 2013.
The sectors are based on the Industry Classification Benchmark (see page 4).

Investment Review

Performance Review

For the six months ended 31 January 2014, the total return on the units was -5.2%* compared to -3.2%* for Japan's Topix in sterling terms and -3.4%* for the average fund in the IMA Japan sector. Since launch in September 2005, the Fund has returned 36.4%* compared to 27.3%* for its benchmark index and 19.6%* for the average fund in the sector. The Fund was ranked 45th out of 60 funds over the six months and 6th out of 37 funds since launch in the Japan sector*. In respect of the I-H Class income units the total return on your units for the period was 4.4%* in sterling terms.

An interim distribution of 0.5039 pence per unit will be paid to holders of Retail Income units on 31 March 2014 (Retail accumulation units 0.5905 pence per unit), compared to 0.5628 pence per unit for holders of Retail Income units (Retail accumulation units 0.6458 pence per unit) paid in respect of the same period last year. For holders of I-H Income units an interim distribution of 0.5816 pence per unit will be paid on 31 March 2014, compared to 0.5275 pence per unit paid in respect of the same period last year. Also, for holders of I-Class Income units an interim distribution of 0.5070 pence per unit (I-Class accumulation units 0.5940 pence per unit) will be paid on 31 March 2014, compared to 0.5505 pence per unit for holders of I-Class Income units (I-Class accumulation units 0.6281 pence per unit) paid in respect of the same period last year.

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

Market Review

Following their strong performance in the first half of 2013, Japanese equities became more volatile, affected by global concerns about the US Federal Reserve tapering its quantitative easing policy. Within Japan, slow progress in implementing Prime Minister Abe's reform measures also contributed to the market's volatility. Nevertheless, the Topix rose 8.8% in yen terms over the six months under review, supported for most of the period by the yen's weakness. However, the weak yen caused the index to fall 3.2% in sterling terms.

Corporate earnings continued to recover, with analysts forecasting that the fourth quarter of 2013 would become the fifth successive quarter of profit growth which would be the longest unbroken run since 2007. Behind this solid earnings growth, the Japanese economy showed increasing signs of improvement. Inflation turned positive even excluding food and energy, supporting the argument that Abe's policies are working. The property market is also recovering, helped by government incentives such as tax relief on mortgages as well as by a possible construction rush ahead of the consumption tax rise in April 2014. The unemployment rate fell to 3.7%, its lowest level since the Lehman crisis, and the job-to-applicant ratio rose to 1.03 by December.

Despite the positive economic and corporate news flow, Japanese equities fell in January 2014, affected by a stronger yen. Investors' risk appetite declined globally on growing concern in emerging markets, especially those with large current account deficits. This led to weakness of these countries' currencies and drove the yen higher.

Policy Review

The Fund fell 5.2% in sterling terms over the six months, underperforming its benchmark. Our stock selection among retailers detracted from performance. Electronics retailer Yamada Denki fell early in the period after its fiscal first-quarter results disappointed due to lower-than-expected profit margins. We sold this position as we were concerned about a further threat of online competition. Later in the period, our holding in fashion retailer United Arrows fell on concern over rising costs due to a weak yen but the company has pushed through price increases to help offset this.

Meanwhile, some of our holdings in export companies made positive contributions to performance, helped by expectations of positive effects from the weakness of the yen. Sensor manufacturer Omron performed strongly after revising up its full-year forecast in November, citing the benefit of the weak yen and a recovery in demand. Similarly, our holdings in machine tool maker OSG, lens manufacturer Hoya and electronic components company TDK made positive contributions to performance.

Our holdings in unit home builder Sekisui Chemical, United Urban Investments and construction company Maeda outperformed on expectations of a recovery in domestic property demand. We initiated a position in internet services company Yahoo Japan on weakness and this also added value as the stock rose subsequently on positive broker recommendations.

We also bought a new position in So-Net M3, a medical internet company, taking advantage of a large discount presented when Sony reduced its holding. We initiated positions in small-cap domestic stocks such as temporary employment services provider Temp Holdings and elderly nursing home operator Message as we believe these companies will benefit from the recovering domestic economy. Among larger companies, we switched our remaining holding in Sumitomo into fellow trading company Itochu following a positive meeting with the latter. Similarly, we acquired a new position in KDDI, switching from a part of our holding in NTT DoCoMo.

Investment Outlook

2013 proved to be the best year for Japanese equities in decades, supported by Prime Minister Shinzo Abe's 'Abenomics' policy and improving economic data. While the job market is also improving, wage growth will be a critical factor for the economy over 2014. Basic wages have been at best flat in nominal terms for over 15 years against the backdrop of persistent deflation. With inflation rising and consumption tax to be raised in April, household spending will be squeezed if salaries fail to rise. We expect signs of wage growth to emerge in the coming months and this should provide support for Japanese equities.

Domestic equity investment will be another key driver for the market. NISAs, the Japanese version of ISAs, started in 2014 and early indications have shown that there is significant household demand. Domestic institutional investors could also raise their weighting to Japanese equities from current low levels.

The ongoing tensions between Japan and China appear to remain a key risk for 2014. While we still consider any military engagement to be unlikely, the political rhetoric has become increasingly heated in recent weeks. Economic relations have mostly normalised since the September 2012 unrest in China but we continue to monitor the situation closely.

Simon Somerville
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 Japan Income Fund for the period ended 31 January 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 period it covers and the results of those activities at the end of the period.

Jupiter Unit Trust Managers Limited, PO Box 10666, Chelmsford CM99 2BG
Tel: **0844 620 7600** | Fax: **0844 620 7603** | **www.jupiteronline.com**

Registered in England and Wales, No. 2009040
Registered office: 1 Grosvenor Place, London SW1X 7JJ
Authorised and regulated by the Financial Conduct Authority whose address is:
25 The North Colonnade, Canary Wharf, London E14 5HS

SF5344i-03.14