Jupiter **Distribution Fund**

Short Interim Report – for the six months ended 30 September 2013

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 30 September 2013

	6 months	1 year	5 years	10 years	Since launch*
Jupiter Distribution Fund	1.7	7.9	44.0	66.8	77.5
Mixed Investment 0-35% Shares sector position	4/42	2/39	4/21	4/6	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, counterparty or cash flow risk. The risks it faces from its financial instruments are market price, credit, foreign currency and interest rate 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 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.

← 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 six months (annualised) to:	30.09.13	30.09.12
Ongoing charges for Retail Units	1.39%	1.39%
Ongoing charges for I-Class Units	0.64%	0.85%

With effect from 24 April 2013, the Manager's periodic charge for I-Class units is being reduced from 0.75% to 0.50%.

Portfolio Turnover Rate (PTR)

Six month to 30.09.13	Six months to 30.09.12
35.90%	49.02%

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 30.09.13	Distributions/ Accumulations for six months to 30.09.12
	Pence per unit	
Retail Income units	0.7350	0.8200
Retail Accumulation units	1.1336	1.2290
I-Class Income units	0.8175	0.8820
I-Class Accumulation units	1.2625	1.3191

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
30.09.13	£318,819,308	54.41p	84.65p	54.89p	85.55p	139,482,598	257,691,097	13,754,084	20,147,564

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	56.03p	70.20p	n/a	n/a	41.01p	53.26p	n/a	n/a
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
to 30.09.13	58.72p	90.30p	56.57p	87.07p	52.15p	79.48p	52.50p	80.00p

Income/Accumulation Record

Calendar Year	Pencer per unit			
	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation*
2008	2.0070p	2.5538p	n/a	n/a
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
to 27.10.13	1.2098p	1.8592p	1.3265p	2.0409p

*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.

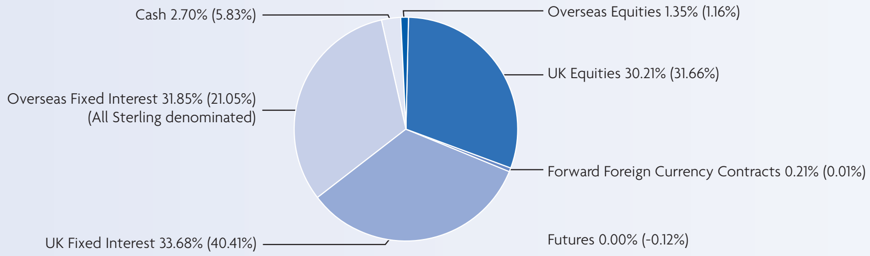
Major Holdings

The top ten holdings at the end of the current period and at the end of the previous year are shown below.

Holding	% of Fund as at 30.09.13	Holding	% of Fund as at 31.03.13
HSBC	3.04	HSBC	3.49
BP	2.60	BP	3.13
Vodafone	2.55	GlaxoSmithKline	2.63
GlaxoSmithKline	2.46	Vodafone	2.54
US Treasury 6.25% 15/08/2023	2.31	UK Treasury 4.25% 07/09/2039	2.13
Australian Government 3.25% 21/04/2029	2.31	British American Tobacco	2.13
Australian Government 4.75% 21/04/2027	2.06	Royal Dutch Shell 'B'	1.69
UK Gilt 2.25% 07/09/2023	1.81	US Treasury 6.25% 15/08/2023	1.59
Australian Government 3.25% 21/04/2025	1.77	AstraZeneca	1.46
US Treasury 2.625% 15/11/2020	1.72	Australian Government 5.75% 15/07/2022	1.39

Portfolio Information

Classification of investments as at 30 September 2013



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

Investment Review

Performance Review

For the six months ending 30 September 2013 the total return on the units was 1.7%* compared to a return of -1.0%* for the sector (IMA Mixed Investment 0-35% Shares) average. The Fund was ranked 4th out of the 42 funds in the sector over the period under review. It was ranked 4th out of 21 funds over the last five years.*

From the launch of the Fund on 4 March 2002 the total return on the units was 77.5%* compared with 54.7%* for the sector average. Over the same period the Fund was ranked 1st out of 4 funds in the sector.

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

Market Review

The period under review was a difficult one for financial markets, with a modest return of 2.8%* for the FTSE 100 Index and corporate bond markets ending the period broadly where they began. The month of May became the worst month for global government bonds since 2004 after Ben Bernanke roiled markets by saying that the US Federal Reserve (Fed) might reduce the size of its $85bn per month asset purchase scheme if US labour market conditions continued to improve. Riskier asset classes initially sold off on the prospect of tighter monetary conditions. Emerging market currencies were particularly affected, as was debt which experienced a vicious reversal of fund flows.

In July, the Bank of England's Monetary Policy Committee (MPC), under the newly appointed Governor Mark Carney, announced a new policy of offering the markets forward guidance on its policy decisions. The notion was that greater transparency around the circumstances that could lead the MPC to raise official rates would keep long-term market interest rates lower for longer. The emphasis was on keeping official rates on hold until the unemployment rate reached a threshold of 7%, unless the MPC judged it likely that inflation would be 2.5% or higher in the 18-24 months ahead. The efficacy of forward guidance as a policy tool has so far been difficult to assess, as an improving UK economy provided added support to already increasing rate expectations. At the end of August, the market had priced in a rise in the Bank of England's official interest rate by the end of 2014.

Policy Review

Towards the end of the quarter we deployed the Fund's cash holdings to buy government bonds. These had experienced a significant downward revaluation due to concerns that the Fed might start tapering its bond purchases. We biased our new positions towards the Australian and US yield curves as we believed these could outperform against UK yields if the UK economy maintains its recent positive momentum.

We bought the US dollar-denominated bonds of Deere & Company, the global leading provider of agricultural machinery. The conservatively run company is exposed to end markets with less cyclicality than many other capital goods companies, which we believe should stand the bonds well under more volatile market conditions. We also took profits from our senior unsecured debt in KPN and switched to its subordinated bonds, which offer better upside and protection against any potential takeover bid.

We retained a high weighting to equities of over 32% throughout the period. The core of the Fund remains biased towards the stocks of large capitalisation companies with strong balance sheets and the potential for sustainable dividend growth. The beta of the Fund (a measure of systematic risk in comparison to the market of the whole) remains below that of the wider equity market. This reflects our expectation of slow economic growth as sovereign and household deleveraging continues.

A number of our underlying equity investment themes continue to play out well. Our successful exposure to the domestic consumer reflects a pick-up in the UK economy. The advertising industry seems in our view to be undergoing a global recovery. Agile companies and industries with strong pricing power and an ability to swiftly move focus from unprofitable to profitable businesses are also doing well. We gain access to this latter theme by investing in airlines, housebuilders and a motor insurer. We have also made useful gains from a number of new stockmarket flotation's, such as Conviviality Retail and Countrywide. Opportunities are also offered by increased mergers and acquisitions activity. The Fund realised its investment in Kentz, following an ultimately unsuccessful takeover approach. Vodafone, one of our largest holdings, benefited from the agreed $130bn acquisition of Vodafone's US minority in Verizon Wireless.

Investment Outlook

The UK economy is enjoying a welcome cyclical recovery. This is supported by an improving housing market as well as stabilisation in the economies of its key trading partners. Business confidence looks well underpinned in the short term as the government appears committed to stoking the housing market further, while the Bank of England is in no rush to hike rates. Nevertheless, many of the structural forces that have plagued the economy for the last five years remain in place. In our view, the main threat to the current recovery is a premature tightening of monetary policy. Some members of the UK's MPC and the US Fed appear anxious to normalise policy amid uncertainty around the ultimate effects of an extended period of such loose monetary policy.

Credit spreads are the tightest they have been since the financial crisis and will have difficulty tightening further. With increasing event risk from corporate activity and ongoing liquidity issues for financial markets, we have shifted our emphasis to yield curve management from credit selection. The Fund remains biased towards high quality bonds and maintains a relatively high allocation to highly liquid government bonds in particular.

Share prices have rallied over the past year, but earnings for FTSE 100 companies are expected to be flat versus the calendar year for 2012. However, leading economic indicators collectively suggest that growth has resumed or picked up. This should support markets if expectations of earnings growth in 2014 of around 9-10% are met or exceeded.

The strength of corporate balance sheets allows companies the freedom to engage in new investment, acquisitions or to accelerate returns to shareholders. We are encouraged that business confidence appears to be improving, as this could ultimately provide impetus to the recovery, even in a world of constrained bank lending. However, further shocks to the financial system need to be avoided and the strength of any further recovery depends on a return to political stability in the US.

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 period 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 period it covers and the results of those activities at the end of the period.

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