Jupiter **High Income Fund**

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

Investment Objective

To achieve a high and rising income with capital growth.

Investment Policy

To invest principally in equities and high yielding convertible securities with some exposure to fixed interest securities primarily in the UK.

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 March 2014

	6 months	1 year	5 years	10 years	Since launch*
Jupiter High Income Fund	6.3	10.2	96.9	116.4	449.1
UK Equity & Bond Income sector position	5/13	5/13	7/12	6/11	1/8

Source: FE, Retail Units, bid to bid, net income reinvested.
**Launch date 12 February 1996.*

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.

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.

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 in bonds which are not rated by a credit rating agency. While these 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.

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 and bonds issued by governments and companies, 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:	31.03.14	31.03.13
Ongoing charges for Retail Units	1.80%	1.81%
Ongoing charges for I-Class Units	1.05%	1.06%

Portfolio Turnover Rate (PTR)

Six months to to 31.03.14	Six months to to 31.03.13
36.40%	20.78%

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

	Interim Distributions for six months to 31.03.14	Interim Distributions for six months to 31.03.13
	Pence per unit	
Retail Income units	2.5100	2.4000
I-Class Income units	2.6000	2.4600

Fund Facts

Fund accounting dates		Fund payment 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	I-Class Income*	Retail Income	I-Class Income*
30.09.13	£522,964,262	115.32p	118.83p	444,185,732	9,039,803
31.03.14	£530,438,727	120.07p	124.19p	418,659,769	22,342,374

Unit Price Performance

Calendar Year	Highest offer		Lowest bid	
	Retail Income	I-Class Income*	Retail Income	I-Class Income*
2009	107.09p	n/a	74.60p	n/a
2010	112.24p	n/a	91.73p	n/a
2011	115.39p	n/a	92.51p	n/a
2012	115.64p	110.48p	98.15p	105.36p
2013	129.69p	127.23p	106.90p	109.72p
to 31.03.14	133.37p	130.98p	119.00p	123.05p

Income Record

Calendar Year	Pence per unit	
	Retail Income	I-Class Income*
2009	4.9400p	n/a
2010	4.4500p	n/a
2011	5.0400p	n/a
2012	5.0100p	0.0813p
2013	4.9600p	5.1000p
to 31.05.14	2.5100p	2.6000p

*I-Class income units were introduced on 17 September 2012.
All of the Fund's annual periodic charge is charged to capital. This has had the effect of increasing the distributions paid on an annualised basis on Retail Units by up to 1.50% (I-Class Units 0.75%) of the class' average Net Asset Value during the period under review and constraining the class' capital performance to an equivalent extent.

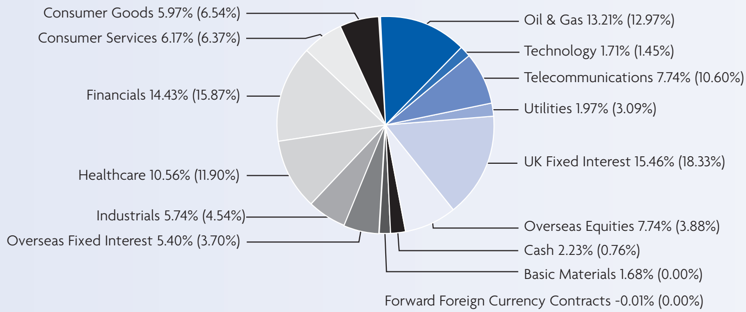
Major Holdings

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 31.03.14	Holding	% of Fund as at 30.09.13
Royal Dutch Shell 'B'	6.00	GlaxoSmithKline	7.31
GlaxoSmithKline	5.74	Vodafone	6.23
BP	5.35	HSBC	5.87
HSBC	4.93	Royal Dutch Shell 'B'	5.52
BT	4.27	BP	4.89
AstraZeneca	4.27	AstraZeneca	4.00
Vodafone	2.85	BT	3.79
British American Tobacco	2.84	British American Tobacco	3.13
WPP	2.52	WPP	2.43
British Sky Broadcasting	2.16	British Sky Broadcasting	2.24

Portfolio Information

Classification of investments as at 31 March 2014



The figures in brackets show allocations as at 30 September 2013.
The sectors are based on the Industry Classification Benchmark (see page 4).

Investment Review

Performance Review

For the six months ending 31 March 2014 the total return on the units was 6.3%* compared to a return of 4.8%* for the FTSE All-Share Index and a return of 2.6%* for the iBoxx Sterling Corporates Index. The average return for the IMA UK Equity & Bond Income sector was 5.6%*. Over five years the Fund has returned 96.9%* against a return of 113.3%* for the FTSE All-Share Index and a return of 73.2%* for the iBoxx Sterling Corporates Index. The sector average over five years has been 93.7%.*

An interim distribution of 2.51 pence per unit will be paid to holders of Retail income units on 31 May 2014, compared to 2.40 pence per unit for the same period last year. Holders of I-Class income units will be paid a distribution of 2.60 pence per unit, compared to 2.46 pence per unit for the same period last year.

The Fund was ranked 5th out of 13 funds over the six month period, 5th out of 13 funds over one year, 7th out of 12 funds over five years and 1st out of 8 funds since launch in the IMA UK Equity & Bond Income sector.*

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

Market Review

Global markets were held back at the beginning of the period under review, as a US government shutdown came into effect after politicians failed to reach agreement about the national budget. Once this was resolved, equity markets resumed their upward trajectory, but the tone was set for a period which, in the absence of an increase in corporate earnings, was dominated by central bank actions and politics. In January, the US Federal Reserve started 'tapering'. It initially reduced asset purchases to $75bn in January and reduced purchases by $10bn in each subsequent month. Developed world markets took this in their stride, but emerging markets struggled. In March, Yellen stated that interest rates could potentially be raised as soon as six months after purchases have been tapered down to zero.

In March, the Office for Budget Responsibility revised up its 2014 forecast for UK GDP growth to 2.7%. Since then, the Office for National Statistics announced that UK unemployment had dropped to 6.9%. Chancellor George Osborne announced in his annual Budget statement that there would no longer be a requirement to buy an annuity to protect the tax-exempt status of pension savings. This had a negative effect on life insurers and raised speculation as to the impact on long-term demand for long-dated bonds. He also announced that the tax on fixed odds betting terminals would be raised, which had a negative impact on bookmakers. Government bond yields rose slightly over the period under review, while corporate bond spreads remained tight.

Policy Review

The Fund's cash position over the period has grown to 2.2% from 0.8%, reflecting a more cautious stance in relation to valuations and the market backdrop. Nevertheless, more than 76% of the Fund is still allocated to equities, in light of supportive monetary policy, improving leading economic indicators and the ongoing strength of the UK economic recovery. We also believe that, by maintaining a higher weighting in equities than bonds, we may be better able to grow the Fund's yield over the longer term than if we simply targeted high yield bonds, which may currently be generating high income, but usually lack the prospect of income growth.

For most of the period under review, the fixed income portion of the Fund had a relatively high weighting towards subordinated financials and high yield bonds. At the turn of the year, we decreased the weighting to these higher credit risk bonds and shifted into more traditional investment grade bonds. This was in part due to the contraction in yields being offered for assuming credit risk, while the yields available from government bonds shifted upward. We also bought Australian government bonds; we believe low growth, low inflation and excessive private sector debt, coupled with a reliance on the weakening Chinese economy, should put downward pressure on yields, relative to other sovereign bond markets. New corporate bond investments include Topaz Marine and FTE Automotive.

In the equity portion of the Fund, we added new positions to increase diversification, funded in part by reducing exposure to pharmaceuticals. We added exposure to both aerospace and auto manufacturers with holdings such as Renault, GKN and BAE Systems. We increased our exposure to the airline industry, which we believe benefits from good capacity discipline; we now hold easyJet, Ryanair and International Consolidated Airlines. We added to our position in Galliford Try and opened a new position in Crest Nicholson. We believe these are well placed to benefit from the UK housing recovery. We exited our position in SABMiller and reduced positions in Diageo and HSBC to limit our emerging market exposure. We participated in the Royal Mail IPO, but exited after valuations surged. After completing one of the biggest deals in corporate history by selling its stake in its joint venture with Verizon, Vodafone returned more than £54bn to its shareholders in cash and shares; we chose to retain our allocation of Verizon shares. We believe this has the best mobile business in the world and, as it sold off ahead of the deal completing, now looks undervalued.

Investment Outlook

Geopolitical tension over developments in Ukraine, alongside weak economic data from China, has led to increased risk for companies with exposure to emerging markets. In the developed world, companies have so far failed to deliver anticipated earnings increases, and we believe markets will increasingly favour those companies with the strongest potential to deliver earnings growth, especially where accompanied by growing dividends.

The high yield bond market remains an important source of income for the Fund. Nevertheless, our concerns surrounding valuations for the asset class has resulted in a lower allocation relative to historical positioning. We favour the dividend growth available from equities and the portfolio construction benefits of investment grade bonds. Political risks remain elevated in both the US and UK with regards to debt reduction and populist policies that we believe could damage industry growth. In spite of these risks, we continue to expect the macroeconomic picture to improve.

Alastair Gunn and Rhys Petheram*
Fund Managers

* Rhys Petheram took responsibility for the fixed income portion of the Jupiter High Income Fund from Ariel Bezalel on 1st January 2014.

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 High Income Fund for the period ended 31 March 2014. The full Report and Accounts of the Fund is available on our website **www.jupiteronline.com** or upon written request to the Report & Accounts Department, 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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