

Jupiter Merlin Income Portfolio

Short Interim Report – for the six months ended 15 April 2014



Investment Objective

To achieve a high and rising income with some potential for capital growth.

Investment Policy

To invest predominantly in unit trusts, OEICs, Exchange Traded Funds and other collective investment schemes across several management groups. The underlying funds invest in equities, fixed interest stocks, commodities and property, principally 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 1 May 1997 to 15 April 2014

	6 months	3 years	5 years	10 years	Since 1 May 1997*
Jupiter Merlin Income Portfolio	0.5	19.0	64.3	102.1	219.4
Mixed Investment 20-60% Shares sector position	123/140	32/122	21/95	3/31	1/8

Source: FE, Retail Units, bid to bid, net income reinvested.

*The Jupiter Merlin Income Portfolio was managed by John Chatfeild-Roberts and his team at Lazard from 1 May 1997 until March 2001. In March 2002, the management of the Fund was fully transferred to Jupiter Unit Trust Managers Limited, under the same management team.

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.

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
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I-Class Units

1	2	3	4	5	6	7
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- 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.

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:	15.04.14	15.04.13
Ongoing charges for Retail Units	2.32%	2.36%
Ongoing charges for I-Class Units	1.57%	1.61%

Portfolio Turnover Rate (PTR)

Six months to 15.04.14	Six months to 15.04.13
38.86%	11.07%

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

	Quarter to 15.01.14	Quarter to 15.04.14
	Pence per unit	
Retail Income units	0.8806	0.8853
Retail Accumulation units	1.7111	1.7320
I-Class Income units	0.8960	0.9018
I-Class Accumulation units	1.7328	1.7560

Fund Facts

Fund accounting dates		Fund payment/accumulation dates	
15 April	15 October	15 June	15 December

Additionally two further payments will be made on 15 March and 15 September each year to unitholders on the register as at 15 January and 15 July respectively.

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*
15.10.13	£4,741,071,324	126.04p	244.96p	128.18p	247.94p	1,006,176,740	1,241,210,359	109,840,318	117,636,834
15.04.14	£4,634,150,983	124.88p	246.12p	127.38p	249.87p	924,377,007	1,080,391,854	190,366,652	231,430,664

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*
2009	114.62p	197.25p	n/a	n/a	87.40p	146.24p	n/a	n/a
2010	124.77p	221.10p	n/a	n/a	106.17p	183.64p	n/a	n/a
2011	125.12p	223.51p	114.98p	208.99p	108.20p	195.68p	109.12p	197.35p
2012	128.53p	241.99p	123.37p	231.48p	112.69p	208.38p	113.61p	208.79p
2013	141.65p	271.37p	136.47p	260.27p	121.84p	229.85p	123.32p	231.55p
to 15.04.14	134.96p	264.08p	130.63p	254.47p	123.67p	242.05p	126.01p	245.45p

Income/Accumulation Record

Calendar Year	Pence per unit			
	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation*
2009	3.6200p	6.0879p	n/a	n/a
2010	3.3300p	5.7925p	n/a	n/a
2011	3.4051p	6.0988p	0.5507p	0.9960p
2012	3.8878p	7.1594p	3.8870p	7.1362p
2013	3.7964p	7.2412p	3.8383p	7.2909p
to 15.06.14	1.7659p	3.4431p	1.7978p	3.4888p

*I-Class income and I-Class accumulation units were introduced on 19 September 2011.

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 1.72% of the class' average Net Asset Value during the period under review (I-Class Units 0.97%) and constraining the class' capital performance to an equivalent extent.

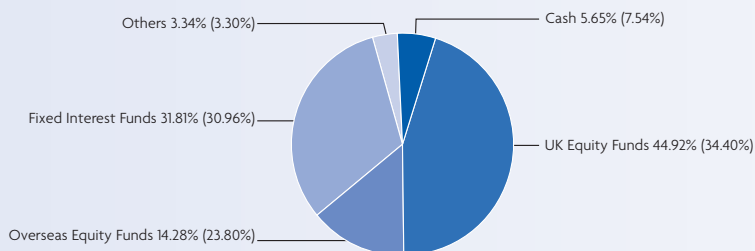
Portfolio Holdings

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

Holding	% of Fund as at 15.04.14	Holding	% of Fund as at 15.10.13
Invesco Perpetual Income Fund	14.29	M&G Global Dividend Fund	13.97
M&G Global Dividend Fund	10.96	Invesco Perpetual Income Fund	13.54
Royal London UK Equity Fund	9.22	M&G Strategic Corporate Bond Fund	8.61
M&G Strategic Corporate Bond Fund	8.97	Newton Asian Income Fund	7.01
M&G Global Macro Bond Fund	6.77	M&G Global Macro Bond Fund	6.76
GLG Strategic Bond Fund	6.60	Liontrust Global Strategic Bond Fund	6.60
Jupiter UK Special Situations Fund	6.38	Jupiter UK Special Situations Fund	6.08
Artemis Income Fund	5.57	Artemis Income Fund	5.48
Jupiter Strategic Bond Fund	4.86	Jupiter Strategic Bond Fund	4.63
Kames High Yield Bond Fund	4.61	Kames High Yield Bond Fund	4.36
Schroder UK Alpha Income Fund	4.24	Invesco Perpetual High Income Fund	4.28
ETFS Physical Gold	3.34	ETFS Physical Gold	3.30
Newton Asian Income Fund	3.32	Jupiter Income Trust	2.88
Jupiter Income Trust Fund	2.97	First State Global Umbrella – Asian Equity Plus Fund	2.82
Invesco Perpetual UK Strategic Income Fund	2.23	Cazenove UK Equity Income Fund	1.07
Mayfair Capital Commercial Property Fund	0.02	Invesco Perpetual UK Strategic Income Fund	1.07

Portfolio Information

Classification of investments as at 15 April 2014



The figures in brackets show allocations as at 15 October 2013.

Investment Review

Performance Review

For the six months to 15 April 2014 the total return on the units was 0.5%*, compared to 1.7%* for the Mixed Investment 20-60% Shares sector average and 2.0%* for the FTSE WMA Stock Market Income TR Index. The Portfolio was ranked 123rd out of 140 funds over six months, 32nd out of 122 funds over three years, 21st out of 95 funds over five years, 3rd out of 31 funds over ten years and 1st out of 8 funds since 1 May 1997*. This makes the Portfolio second quartile in its sector over three years and remains first quartile over five and ten years and since 1 May 1997*. A quarterly distribution of 0.8853 pence per unit will be paid to holders of Retail income units on 15 June 2014 (Retail accumulation 1.7320 pence per unit), bringing the total paid for the period under review to 1.7659 pence per unit for Retail income units (Retail accumulation 3.4431 pence per

unit) compared to 1.9499 pence per unit for Retail income units (Retail accumulation 3.6919 pence per unit) for the same period last year.

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

Market Review

There has been a distinct divergence in equity markets over the last six months with the Western world keeping its head above water, while Japan and the emerging markets trended down. There are a number of dynamics at play within this decoupling in markets, two of the critical drivers being the reduction in market liquidity brought about by the US Federal Reserve beginning to taper their monthly bond purchases, compounded by what

appears to be deteriorating growth in the world's second largest economy, China. Both of these factors have led to a squeeze on liquidity as capital has been withdrawn from emerging nation debt, equity markets and then being repatriated to the developed world, threatening those economies that rely on external financing. We also saw some depreciation of the Chinese currency against the US dollar, a reversal of the trend since 1994. We remain concerned about China's falling economic growth and bloated banking sector, which dampens our enthusiasm to commit capital to China or areas that have been material beneficiaries of China's fixed asset investment boom that has flattered many markets over recent years. This has all come about when the Western world appears to be gaining strength, the US and UK markets for example being close to all-time highs.

Policy Review

Having conducted a comprehensive review of the UK Equity Income sector we chose to introduce some new funds into the Portfolio, specifically Royal London UK Equity Income, Schroder UK Alpha Income and Invesco Perpetual UK Strategic Income, funded by a reduction in some of our long held UK equity holdings and by a reduction in our Asian equity exposure. We have a high degree of confidence in each of these managers and believe that their funds could transpire to have the longevity within the Portfolio that many of our long standing managers have achieved. We continued to add to these holdings during the first quarter of 2014 at the expense of our Asian and global equity exposure, these changes being yet to add value to the Portfolio, as Asian and quality global equities rebounded from oversold levels.

We redeemed the remainder of our direct emerging market debt exposure in early 2014, which had been a material drag on performance during 2013, but we continue to be vigilant for an opportunity to reintroduce a fund in this area if yields move to more attractive levels. Within the fixed interest space, we added to our strategic bond weighting in January by adding a new fund, the GLG Strategic Bond, managed by Jon Mawby, who impressed us with his risk aware, pragmatic style. Near the end of the period we made our first direct investment into commercial property through a new fund, the Mayfair Capital Commercial Property Trust, which we feel could provide an attractive income stream and the potential for capital returns from UK property. We believe this will prove to be a reliable source of performance and portfolio diversification going forward.

Investment Outlook

In our opinion, the current period of economic history is unique; we are in the midst of the largest monetary experiment our capitalist system has ever experienced and no one truly knows what the financial landscape will look like when we reach our destination. Looking ahead, the key variable is likely to be if, how and when the US authorities finally bring their monetary experiments to an end. At the time of writing, it appears to us that they will come to a halt by late autumn, making the next logical focus the withdrawal of this stimulus and a rising interest rate environment. At this point, the US economy must be self-sustaining to avoid the equity market falls that have typified the ends of previous bouts of quantitative easing. If it is a sustainable recovery, sovereign bond markets, as the greatest beneficiaries of stimulus, appear vulnerable to correction. Bonds have enjoyed an incredible secular bull market which has lasted for more than twenty years. With inflation and bond yields so low and bonds so heavily owned, investors are bound to look elsewhere for returns. If the world is recovering, albeit slowly, money should gravitate to equities and away from bonds.

Risks can be seen from many quarters, a resurgence of inflation, the escalation of political problems, the emergence of Emerging Market traumas, further European crises or simply the economic recovery stalling. In our view, there are pockets of opportunity, and areas that are definitely to be avoided. However, Spring seems to be thawing economic activity in the developed world and this positive dynamic should allow companies to enhance their earnings going forward. At this juncture the trick is to remain alive to the circumstances, be imaginative and to act accordingly.

John Chatfeild-Roberts, Peter Lawery and Aigy Smith-Maxwell
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 Merlin Income Portfolio for the period ended 15 April 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.

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