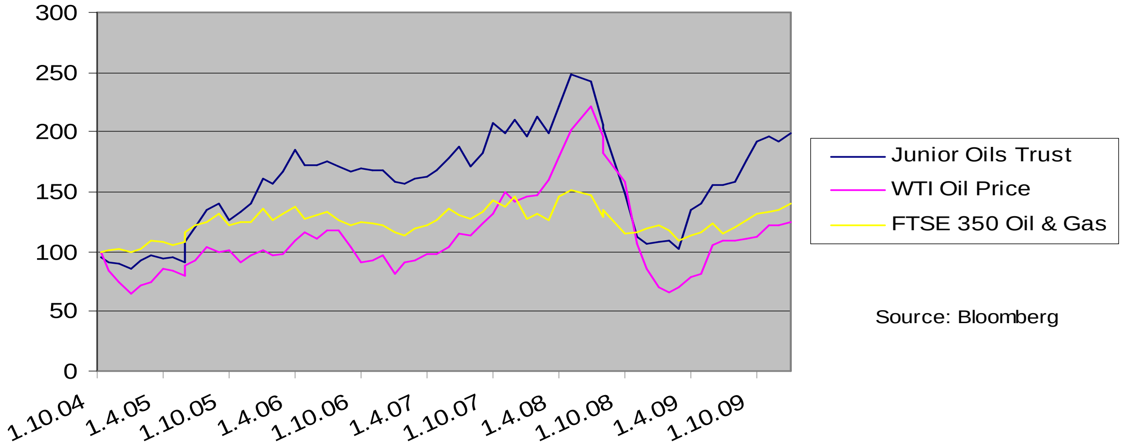
SECTOR INVESTMENT MANAGERS LIMITED

JUNIOR OILS TRUST

Performance update issued on 19 January 2010

All data as at 31.12.09

PERFORMANCE CHART



Source: Bloomberg

KEY FACTS

Fund Category: Energy Specialist
Charges: 5.25%Initial, 1.75 % Annual
Manager: Capita Financial Managers Ltd
Fund Adviser: Angelos Damaskos
Minimum Investment: £1,000 or £100 per month
Eligible for PEPs and ISAs
Benchmark: FTSE 350 Oil &Gas Index
Net asset value at 31 December 2009: £31.5 million

FUND OBJECTIVE

•JOT invests in smaller Oil & Gas exploration and production companies

•Authorised Unit Trust

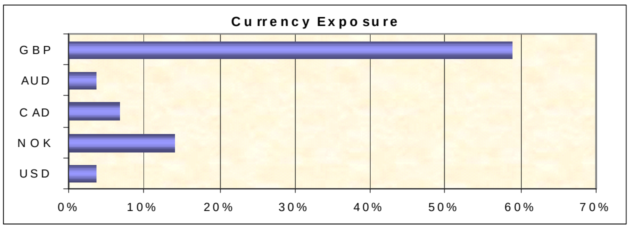
•Provides exposure to the Energy Super-Cycle

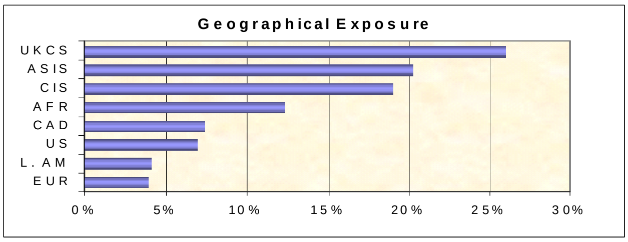
TOP 10 HOLDINGS

Company	%Fund
1. Dragon Oil	6.2%
2. Questerre Energy	5.6%
3. Amerisur Resources	4.9%
4. Entek Energy	4.6%
5. Bowleven	4.4%
6. Soco International	4.3%
7. Tullow Oil	4.2%
8. Norwegian Energy Co	3.4%
9. Nighthawk Energy	2.8%
10. Carnarvon Petroleum	2.7%

As at 31 December 2009

GEOGRAPHICAL & CURRENCY EXPOSURE





Dear Investor,

Last year was one of the most volatile periods for equity markets in modern history. 2009 began in the middle of a severe credit crisis with central banks supplying record amounts of liquidity to rescue the banking system. Investor confidence evaporated and by early March global equity markets were trading at levels not seen in decades.

In March, however, several indicators pointed to a turnaround. First, everyone was despondent, sentiment was bleak and flight from equities was faster than it had been for decades. Second, commodity prices had stabilised and started a slow rise in response to re-stocking by China and India. Third, commodity producing companies experienced a higher level of takeovers indicating that strategic investors maintained their confidence in the long-term demand for energy and basic materials. Equity markets then begun a great bear-market rally.

In such market conditions, it has become apparent that there were few successful investment strategies especially as all asset classes experienced high volatility regardless of fundamentals. One of the best would have been to be patiently invested in well-capitalised energy and basic materials producing companies which had little debt and owned solid commodity producing assets, riding the market turbulence of the last two years. The commodities sector not only produced the best returns in 2009 but recovered all of its losses of 2008 which, as we know, was a terrible year. By comparison, the largest equity market indices in the UK, US and Europe ended 2009 well below their start of 2008.
In managing the Junior Oils Trust, our approach was largely one of patiently believing in the fundamental value of our portfolio holdings. In the crisis of the last quarter of 2008, we did prune the portfolio out of those companies with weaker balance sheets and high reliance on exploration success for their progress. We invested, instead, in high-yielding convertible debt issues of companies such as Dana Petroleum, Soco International and Norwegian Energy Company. The rest of the portfolio, comprising two thirds of the fund's value, was run following the development of the markets. This strategy proved quite successful in the first quarter of 2009 when the convertible issues we had invested in three months earlier at deep discounts quickly re-rated to near par values. As their future yield potential was reduced, in March 2009, we switched that part of the portfolio back to some fundamentally undervalued companies which had been oversold in the dramatic market conditions. In particular, we bought into Afren, which the market thought might be close to default on its debt, after we met with the management and analysed this risk to be very low. We also invested in Bowleven believing in the underlying value of its development areas and the strong possibility of an approach by a larger investor as the company was trading near its cash levels – it subsequently received such an approach which, nevertheless, failed to proceed. Another successful investment made in the first quarter was in Questerre Energy, a company where we have had a small interest for some time, but which had made great progress in proving up and developing its shale gas business in Canada. These three were the star perfomers in 2009 but the rest of the portfolio also produced good recovery. Holdings in Tullow, Venture Production (which was taken over by Centrica) and Dragon Oil (also approached for takeover) recovered all of their losses of 2008 and more.

Looking into the future, it is difficult to make any prediction. Whilst we still believe that oil prices will trend higher as demand recovers, there are so many fundamental problems with the global economy casting doubts on the rate of future global economic growth. Unemployment rates in the major developed economies are at very high levels. The banking system is still weak with a large overhang of doubtful debts in the real estate and corporate sectors. Massive government indebtedness raised to bail out the banks and provide liquidity to the markets is creating problems to smaller countries. Finally, the recovery of commodity prices is certain to creep into higher CPI inflation. What is obvious to us, nevertheless, is that assuming oils prices trade around the current levels, there are many opportunities for the re-rating of smaller oil and gas companies' shares. In particular, those with significant reserves in the ground, strong cashflow, little or no debt and competent management teams that continue to explore and add to their reserves base, should outperform the market and the sector. In 2009 investors focused on the middle-capitalisation companies with trading liquidity that would enable a swift switch in strategy. In 2010, it is likely that focus will shift to the smaller capitalisation companies which did not benefit as much last year. Also, junior oil companies are more likely to be taken over as the majors try to add to their reserves and the industry continues to consolidate.

Angelos Damaskos
Chief Executive Officer

For dealing/inquiries on Junior Oils Trust call
Capita Financial Managers Ltd tel: 0845 601 7637
Junior Oils Trust qualifies for PEPs and ISAs
Further information on JOT at www.junioroils.com