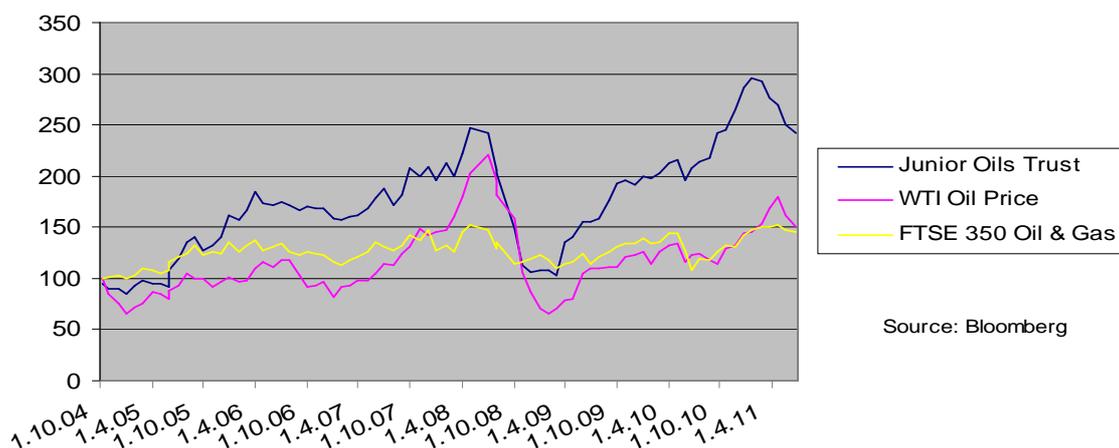


# JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

Performance Update as at 12 July 2011 (all data as at 30 June 2011)

## PERFORMANCE CHART



## 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 30 June 2011:** £56.0 million

## FUND OBJECTIVE

- JOT invests in smaller Oil & Gas exploration and production companies
- Authorised Unit Trust
- Provides exposure to the Energy Super-Cycle

## HOW TO INVEST

Call Capita Financial Managers: **0845 601 7637**  
[www.junioroils.com](http://www.junioroils.com) or  
[www.sectorinvestments.com](http://www.sectorinvestments.com)

## TOP 10 HOLDINGS

Company	%Fund
1. Norse Energy 6.5% 2011	6.2%
2. Caza Oil & Gas	5.5%
3. Soco International	5.3%
4. Cooper Energy	5.2%
5. Noreco	4.7%
6. Dragon Oil	3.8%
7. Circle Oil	3.6%
8. Encore Oil	3.5%
9. Parex Resources	3.5%
10. Rocksource	3.3%

As at 30 June 2011

**Risk Warning:** This material is directed only at persons in the UK and is not an offer or invitation to buy or sell securities. The fund invests in smaller companies some of which are listed on the Alternative Investment Market which may carry a higher degree of risk. The shares of smaller companies may be less liquid and more volatile over shorter term periods. Changes in exchange rates between currencies may cause the value of investments to diminish or increase. Opinion expressed whether in general or both on the performance of individual securities and in a wider economic context represents the views of Sector Investment Managers Ltd at the time of preparation based on SIM's internal analysis which may have not been verified by independent sources. They are subject to change and should not be interpreted as investment advice. Before making an investment in the fund, it is important that you read the Simplified Prospectus which is available free by visiting the websites above. Sector Investment Managers Ltd and Capita Financial Managers Ltd are authorised and regulated by the Financial Services Authority

Dear Investor,

The International Energy Agency (IEA) published its monthly oil market report today. It estimates that Saudi Arabia has raised its oil production by 700,000 barrels per day to reach 9.7mbpd last month as the kingdom took unilateral action to meet rising demand. This report provides evidence that Saudi Arabia wishes to demonstrate its leading position in OPEC following the cartel's last meeting where members failed to agree on raising the quotas. According to the IEA, nevertheless, the reason for the rise in Saudi output may be domestic demand rather than international supply-demand considerations. The IEA report has increased its expectation for global oil demand growth in 2012 to 1.6% entirely because of growth in the developing world, particularly Asia.

The announcement of the IEA's decision to release strategic reserves was enough to send oil prices plummeting. Since then, nevertheless, oil has climbed back up to the pre-release levels with Brent crude maintaining a large premium over WTI. History teaches us that it is very rare for central intervention in either the commodity or currency markets to succeed in changing the medium term market sentiment. The power of modern financial markets is far greater as global investors combine to form a view of the future, however imperfect or inefficient this may be. Today's markets believe that supply barely covers current demand and future growth is likely to outstrip it and push prices to higher levels.

We were particularly defensive at the beginning of the year with about 30% of the fund's assets in cash and corporate bonds. This strategy provided some cover to the excessive volatility due to the Japanese natural disaster and, subsequently, the market weakness due to the Eurozone debt crisis. Oil equities have been weak as a sector but weakness has been particularly pronounced in the smaller capitalisation shares. This market-induced weakness has opened a large valuation gap in relation to the price of crude. We estimate that oil equities as a sector discount oil prices in the \$75/barrel area indicating that either the oil price is expected to drop significantly or that now is a good buying opportunity for those who believe oil prices are supported at current levels. We have taken this opportunity to liquidate one third of the bond portfolio and invest the proceeds and any available cash back into equities. Regardless of what the general market does as the European financial crisis evolves, the companies we have invested in should survive and prosper in an environment of growing demand for oil.

Some examples of companies we invested in recently include our long-term favourite, Caza Oil & Gas that has healthy cash reserves, growing production and an active drilling programme targeting mainly low-risk shallow fields. Management have proven their ability to implement a prudent and effective capital investment programme and the company's land position could be very valuable when compared to neighbouring transactions involving larger oil companies. We also added a few new positions such as Otto Energy, an Australian company focusing in the Philippines. It is strategically placed with growing production that can support its drilling programme for the development of some highly prospective acreage. Both of these companies fulfil our criteria of low political risk, large proven and prospective reserves, competent management teams, strong balance sheets and active exploration programmes capable of transforming their market value. We believe that our best hedge against the present economic uncertainties is the value embedded in the companies we have invested in that should survive global financial debacles and weak currencies. We also believe that valuable commodities such as oil are a better investment than paper issued by any government under the present economic circumstances.

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](http://www.junioroils.com)

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