



JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

Update 15 September 2011

FUND PERFORMANCE

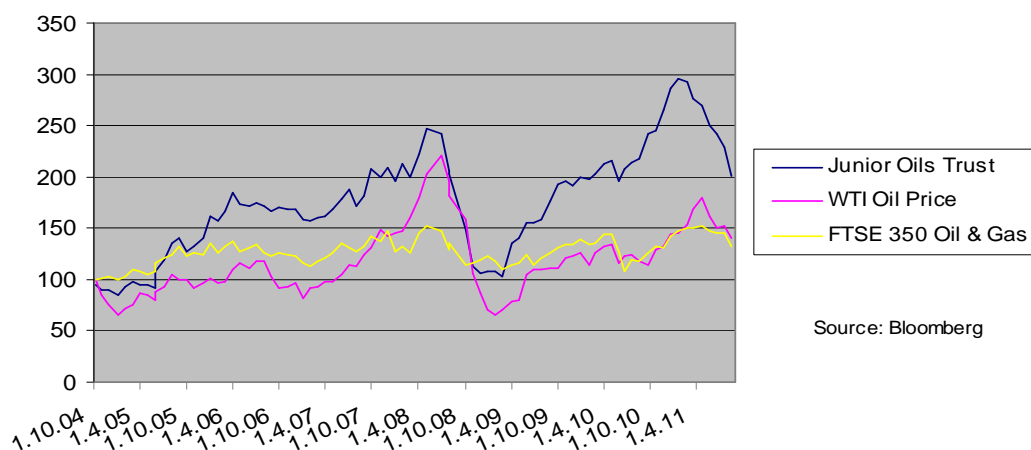
Since launch

10.10.04-31.8.11: +100.8%

12 months discrete

31.8.10-31.8.11: -7.7%

Past performance is not necessarily a guide to future performance. The value of your investment can go down as well as up.



Source: Bloomberg

KEY FACTS

Fund Category: Energy Specialist
Charges: 5.25% Initial, 1.75 % Annual
Manager: Marlborough Fund Managers Ltd
Fund Adviser: Angelos Damaskos
Minimum Investment: £1,000 or £100 per month
Eligible for ISAs and SIPPs
Benchmark: FTSE 350 Oil & Gas Index
Net asset value at 15 September 2011: £44.8 million

MACRO-ECONOMIC POSITIONING

- Demand for oil is supported by Asian industrialisation
- Smaller Oil & Gas exploration and production companies tend to outperform their larger counterparts
- Emphasis on production and proven reserves
- Avoid political and pure exploration risks

HOW TO INVEST

Call Marlborough Fund Managers: **0808 145 2501**
 For further information and documentation visit:
www.junioroils.com or
www.sectorinvestments.com

TOP 10 HOLDINGS

Company	%Fund
1. Cooper Energy	7.3%
2. Caza Oil & Gas	5.7%
3. Parex Resources	5.1%
4. Norse Energy 6.5% 2013	4.7%
5. Dragon Oil	4.6%
6. Norwegian Energy Co.	4.1%
7. Questerre Energy	3.8%
8. Entek Energy	3.8%
9. Valiant Petroleum	3.5%
10. Encore Oil	3.4%

As at 31 August 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 Marlborough Fund Managers Ltd are authorised and regulated by the Financial Services Authority

Dear Investor,

Global equity markets fell precipitously in August, gripped by fear. In July it was the possibility of US default and in August the prospect of QE3. Weak economic indicators in the US pointed to slowing economic growth causing weakness in the oil prices but Brent has stayed above \$100/bbl as geopolitical tensions support its premium over WTI.

At current oil prices, producing companies generate strong cashflow and profits which, we believe, is not discounted properly in stock valuations. A striking result of the present risk aversion among investors is the de-rating of exploration potential. Smaller companies with active drilling programmes have been sold-off indiscriminately. Even those with growing production, solid balance sheet and prospective acreage suffered in the malaise. It is clear that the larger companies are flush with cash and should, in due course, embark on an acquisition spree as it is now cheaper to buy advanced exploration and development prospects than develop them organically.

One of the fund's largest holdings is Parex Resources (PXT.TO). It has operations in Colombia and Trinidad, with growing production and reserves. Recent exploration success is likely to result in reserves upgrades and the company expects to exceed the rate of 14,000 barrels per day in 2011 with further growth in the years to come. At a sales price of \$100/ barrel the company estimates the net operating net back is over \$67/bbl. This healthy margin means PXT shares trade at a prospective P/CF multiple of between 3-4 times. With low debt on its balance sheet and a well-funded development programme, Parex should prosper in the medium term.

Angelos Damaskos
Chief Executive Officer

For dealing/inquiries on Junior Oils Trust call

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