



JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

Update 14 October 2011

FUND PERFORMANCE

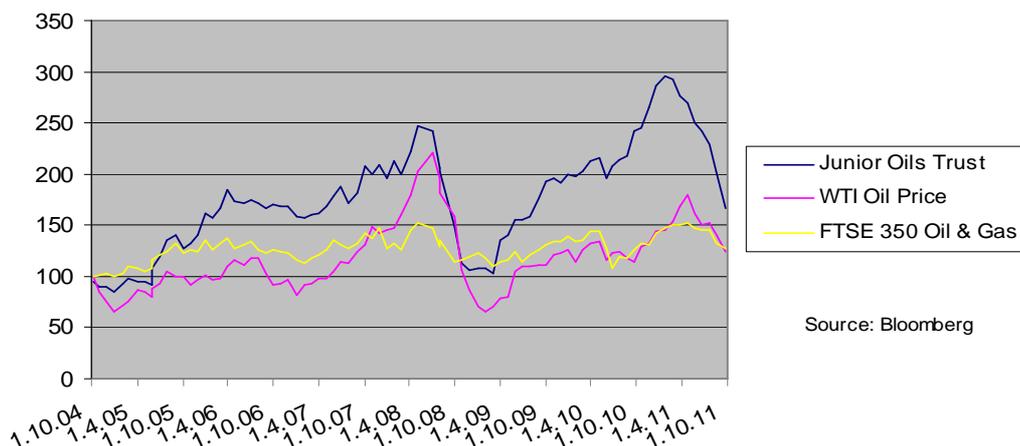
Since launch

10.10.04-30.9.11: +81.4%

12 months discrete

30.9.10-30.9.11: -28.3%

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 30 September 2011: £38 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	8.4%
2. Norse Energy 6.5% 2013	5.7%
3. Parex Resources	5.5%
4. Dragon Oil	5.1%
5. Caza Oil & Gas	4.4%
6. Encore Oil	4.1%
7. Circle Oil	3.8%
8. Valiant Petroleum	3.6%
9. Questerre Energy	3.5%
10. Entek Energy	3.2%

As at 30 September 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,

Uncertainty over a decisive plan for resolving the Eurozone debt problems seems to be the main cause of further market weakness. Smaller capitalisation companies with exploration and development projects have been sold-off almost regardless of fundamentals. Those ones with a near-term need for financing have fared the worst as the market believes conditions will remain difficult for a while.

Nevertheless, the Brent oil price has held around the \$100/barrel level which means that producing companies with a price link to Brent are making large cash flows and profits. Being cash-rich, the weak share prices of smaller companies appear too good to ignore. One of the first deals announced in early October was the agreed takeover of Encore Oil by Premier, its partner in the Catcher discovery. The price paid by Premier, which has significant production in the North Sea, is good for both parties especially as Encore carries significant tax credits that Premier can use against profits in its UK production. Junior Oils had a 4% weight in Encore pre-announcement which has now grown to a sizeable 6.2% of its value. More importantly, as the offer has the option of either cash or an exchange into Premier stock, it is a wonderful option on the market with limited downside. We had started building a small position in Premier recently after their recent slide so, post-completion of the merger the fund should emerge with about 8% of its value in Premier Oil. We believe that Premier is one of the most solid oil companies with excellent prospects to grow its production as well as highly prospective exploration potential and intend to keep this position as one of the fund's core holdings for the medium term.

With smaller companies still trading at very low multiples, acquisition activity is set to accelerate. The fund's portfolio has several holdings that can be attractive targets to larger peers and is, therefore, well positioned to recover from the present market anomaly.

Angelos Damaskos
Chief Executive Officer

For dealing/inquiries on Junior Oils Trust call

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