

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow



Update May 2012

FUND PERFORMANCE

Since launch:

10.10.04-31.5.12: **+65.4%**

12 months discrete:

31.5.11-31.5.12: **-37.0%**

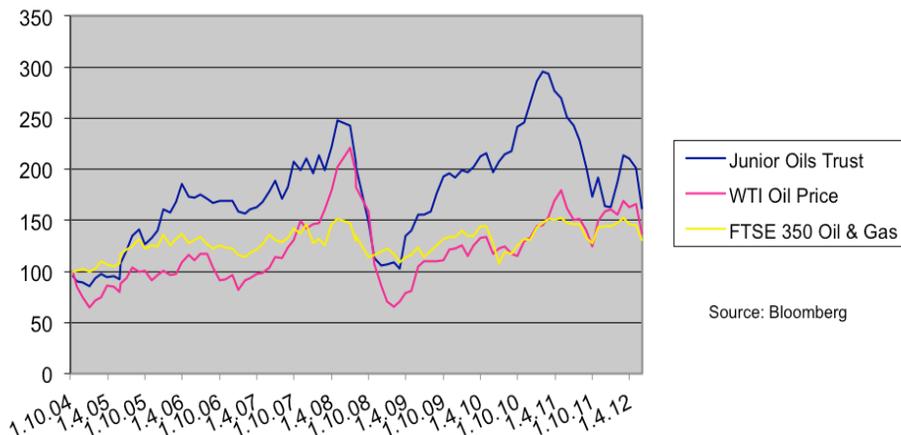
31.5.10-31.5.11: **+27.4%**

31.5.09-31.5.10: **+26.7%**

31.5.08-31.5.09: **-37.3%**

31.5.07-31.5.08: **+47.2%**

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



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 31 May 2012: £37 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

Risk Considerations:

The fund invests in smaller companies which may carry a higher degree of risk than larger companies. 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. The fund focuses on a specific sector and has a concentrated portfolio which can lead to greater volatility.

Top 10 Holdings

Company	% of Fund
1. Questerre Energy	6.6%
2. Premier Oil	5.7%
3. Cooper Energy	5.7%
4. Parex Resources	4.9%
5. Amerisur Resources	4.6%
6. Norse Energy	4.1%
7. Iona Energy	4.0%
8. Entek Energy	3.8%
9. Nautical Petroleum	3.8%
10. Valiant Petroleum	3.6%

As at 31 May 2012

14 June 2012

Dear Investor,

The dramatic socio-economic situation in Europe is likely to prolong its recession. High unemployment in the US and Europe as well as a potential slow-down in Chinese economic growth are weighing on investors' sentiment, depressing industrial commodities and global equity markets. The Brent oil price has recently dropped to around \$100/ barrel, a level that OPEC has expressed its intention to support via production cuts. In the short-term, volatility and momentum-trading can swing prices around very quickly as was evidenced in the first few trading days in June. Over the medium term, however, fundamentals are supportive of higher oil prices. In addition to Saudi-Arabia's desire for \$100/barrel oil, instability in Syria and Iran are likely to maintain a risk-premium on Brent, the leading benchmark for European, African and Middle-Eastern oil trading.

The smaller capitalisation oil shares have now lost the gains seen in the first quarter. Valuations have returned to extremely oversold levels and are set for a rebound, as seen in January to March this year. We took advantage of the strong first quarter to re-shape the portfolio of the Junior Oils Trust with the intention of benefiting fully from a general sector re-rating. Our fund is now fully invested, mostly in companies with production, cash flow and balance-sheet strength. Selective exposure to low-risk exploration and development gives us reserve-adding potential. We have focused on well-funded programmes as the capital markets are expected to remain difficult for the rest of the year.

Takeover boost

The undervaluation of smaller oil shares has been demonstrated this month with two takeovers which have benefitted our fund. Parkmead Group bid for DEO petroleum, in which the Junior Oils Trust holds approximately 2.6% of the shares. Parkmead is headed by Tom Cross who successfully developed Dana Petroleum from a small, exploration focused company into a significant producer and developer. It was then sold to KNOC for nearly £2 billion, delivering exceptional value to long-standing shareholders, including the Junior Oils Trust. Parkmead is offering an all-share transaction; our fund will own shares in Parkmead and is set to benefit from the new management's efforts to transform DEO's assets. In addition, on 13 June Cairn Energy announced the recommended takeover of Nautical Petroleum at a 51% premium to the last closing price. Our fund held a 4.2% weight in Nautical prior to the announcement, a significant position vindicated by the bid approach, which illustrates the attractions of Nautical's business.

We believe that, as in December 2011, the current mispricing of oil shares by weak, risk averse markets presents an outstanding buying opportunity. Patient investors who share our belief that oil prices will continue their long-term uptrend will be rewarded. Strategic industry players are fully aware of the opportunity and we expect takeover activity to intensify.

Angelos Damaskos
Chief Executive Officer

For dealing/inquiries on Junior Oils Trust call

Marlborough Fund Managers: 0808 145 2501

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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 Prospectus and Key Investor Information Document is available free of charge using the contact details above. Before making an investment in the fund, it is important that you read the Prospectus and Key Investor Information Document. 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 SIMs internal analysis which may have not been verified by independent sources. They are subject to change and should not be interpreted as investment advice. Sector Investment Managers Ltd and Marlborough Fund Managers Ltd are authorized and regulated by the Financial Services Authority.