JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

Update May 2013

FUND PERFORMANCE

Bid to Bid since launch:

10.10.04-31.5.13: +60.8%

30.4.13-31.5.13: -0.3%

12 months discrete:

31.5.12-31.5.13: -5.2%

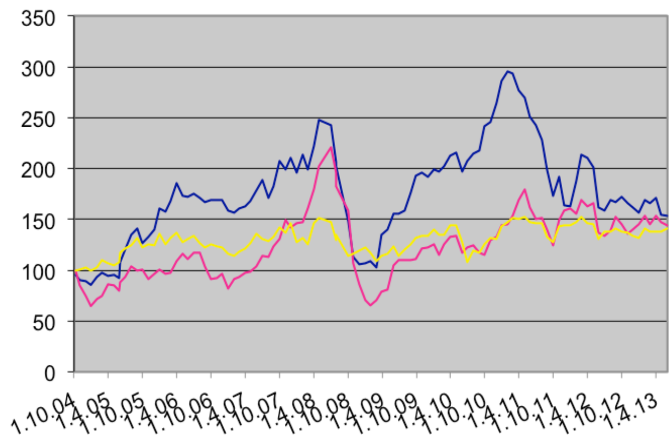
31.5.11-31.5.12: -35.4%

31.5.10-31.5.11: +27.4%

31.5.09-31.5.10: +26.7%

31.5.08-31.5.09: -37.3%

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



Comparative Performance:
10.10.04-31.5.13
Sector Investment Managers Ltd

KEY FACTS

Fund Category: Energy Specialist
Charges: "C" class: 5.25%Initial, 1.75 % Annual
"I" class: 0.5% Initial, 1.25% 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 2013: £29.5 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

TOP 10 HOLDINGS

Company	% of Fund
1. Questerre Energy	9.1%
2. Caza Oil & Gas	7.3%
3. Iona Energy	6.5%
4. Xcite Energy	5.4%
5. Cooper Energy	5.3%
6. Parex Resources	4.9%
7. Enquest	4.4%
8. Serica Energy	4.4%
9. Parkmead Group	4.4%
10. Bridge Energy	4.3%
Total Top 10	56.0%

As at 31 May 2013

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.

14 June 2013

Dear Investor,

Increased geopolitical instability has firmly underpinned oil prices in May after the sharp falls experienced in April. Interestingly, for all the talk of the shale-gas and oil revolution in America, WTI is trending higher towards $100/barrel, reducing the spread to Brent to well under $10. America may achieve energy independence in the next 15-20 years but this is likely to happen in a high price environment.

At the turn of the century, the oil industry faced its first supply challenge in 25 years. The three main sources of the 1970s supply growth, Alaska, Mexico and the North Sea, are all in steep decline. In 2000, these three areas produced 11.3 mb/d and by last year, their combined output had declined to 3.4 mb/d. As these easily accessible fields declined, the search in more challenging locations and alternative methods begun in earnest, stimulated by much higher prices for crude oil. Exploration and production capital expenditure rose from $200 billion in 2005 to $600 bn in 2012. Not surprisingly, the returns for the majors peaked in 2005 when Brent averaged $54/bbl. Newer finds have been much smaller, decline rates are quicker and newer basins have much higher marginal cost of production. With China and other emerging regions demanding ever increasing energy inputs to support their rising middle classes, demand has kept growing. In our view, as demand for oil is expected to grow by about 1 mb/d per year, the oil market will require prices to stay well above $100/barrel.

Towards the end of May, a statement by Federal Reserve chairman Bernanke that QE might be reigned-in by the end of the year raised alarm bells for the “hot” money. The realisation that the growth in liquidity which has fuelled the rally in equities in the past four years might stop, encouraged some investors to take some risk off their portfolios. Bonds across the board suffered a selling rout as the interest rate expectations rose. The Japanese markets fell by over 20% in the ensuing two weeks while the US and European indices shed between 3-8%. With the markets taking the shine off the dividend payers and bonds, oil shares appear attractive again. The larger cap oils have been performing well in the year to date and we believe the smaller ones are likely to follow with a rerating soon. Quoted oil companies continue to offer a cheaper option to acquire reserves than individual projects and corporate activity is set to continue. Last month saw Parkmead Group, one of the fund’s larger holdings, acquiring Lochard Energy which holds interests in areas highly complimentary to Parkmead’s portfolio. The skills fostered by Tom Cross are likely to generate significantly higher value in the medium term. We believe that the second half of this year is likely to see a return of investors’ interest in our sector and result in a rerating of the fund’s portfolio.

Angelos Damaskos
Chief Executive Officer

For dealing/inquiries on Junior Oils Trust call

Marlborough Fund Managers: 0808 145 2501

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www.junioroils.com or
www.sectorinvestments.com