

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

Update July 2013

FUND PERFORMANCE

Bid to Bid since launch:

10.10.04-31.7.13: +58.7%

30.6.13-31.7.13: +7.2%

12 months discrete:

31.7.12-31.7.13: -10.5%

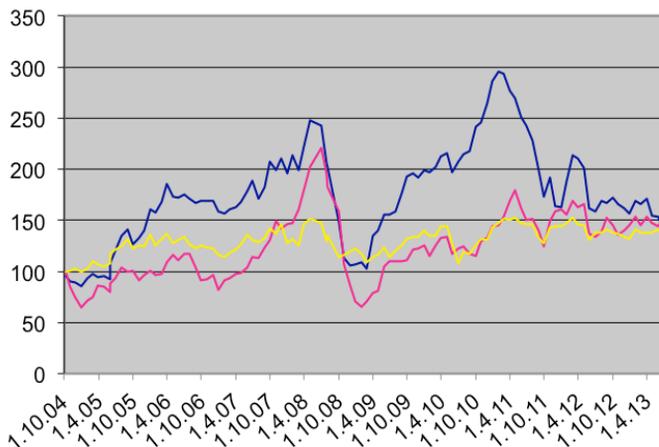
31.7.11-31.7.12: -25.9%

31.7.10-31.7.11: +6.6%

31.7.09-31.7.10: +35.2%

31.7.08-31.7.09: -23.0%

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



Comparative Performance:
10.10.04-31.7.13

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 July 2013: £28 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	11.0%
2. Iona Energy	6.5%
3. Parex Resources	6.2%
4. Caza Oil & Gas	6.0%
5. Cooper Energy	5.9%
6. Xcite Energy	5.6%
7. Sea Dragon Energy	4.6%
8. Parkmead Group	4.6%
9. Serica Energy	4.2%
10. Bridge Energy	4.1%
Total Top 10	58.7%

As at 31 July 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 August 2013

Dear Investor,

July and early August have shown some return of confidence among small-cap oil company investors. We believe that the main reason for this is the realisation that, despite all the talk about the shale revolution in the US and, potentially, elsewhere, the world needs increasing amounts of oil to power the economy. It has become apparent that demand in the United States is rising, outpacing growth in production. The price of WTI now trades less than \$5/bl below Brent after two years of discount as large as \$25/bl. At the same time, integrated majors like Exxon-Mobil and BP have been reporting a drop in reserves and production while their cost base has been rising. These reports confirm the view that the giant, mature oil fields of the world are in decline and the push into frontier areas, both technological, such as shale-fracking, as well as geological, such as the pre-salt basins offshore Brazil, come at a much higher cost. There is, indeed, potential for release of constrained production from politically unstable regions such as Iran and Iraq sometime in the future but the timing and probability of this happening is questionable. In the meantime, outages of production from countries such as Nigeria place further constrain on supply. Saudi Arabia now reportedly produces more than 10 million barrels a day, more than it has ever produced, highlighting OPEC's confidence that the supply-demand outlook is likely to sustain prices well above their "target" floor of \$100/barrel.

The Junior Oils Trust has performed well in July, gaining 7.2% during the month. One of the fund's core holdings, Caza Oil & Gas has announced a financing plan that will help it accelerate its drilling programme in its New Mexico acreage. The company's recent drilling results have confirmed the production potential from its portfolio of properties and helped its shares re-rate by more than 20%. The emphasis on oil continues with liquids accounting for 61% of production compared to 39% in the first half of 2012. The rise in gas price has contributed to a 23% growth in realised price per barrel of oil equivalent. Another significant portfolio holding that performed well in the month was FAR Ltd that managed, together with its farm-in partner Cairn Energy, to entice super-major Conoco Philips into an acquisition of a 35% carried interest in acreage offshore Senegal. FAR will be carried through two wells up to a cost of \$190m and will receive \$9.8m for past costs. These wells will target prospective resources estimated at between 1-3.5 billion barrels. As the company retains a 15% carried interest, exploration success of that measure would be transformational. FAR shares rose by more than 40% subsequent to the announcement. These results highlight the fundamental value in the fund's portfolio and its potential for re-rating as investors' interest in small-cap oil companies returns. Smaller companies focus in earlier stage projects that offer higher prospective rewards, albeit at much higher risk and have been shunned in the general quest for risk-averse investment yield stimulated by low interest rates. As the large-cap, dividend paying shares become overvalued, the possibility of rotation into higher beta plays increases. Those smaller, oversold companies that have been able to survive the last two years of bear market and secure the backing of larger peers are likely to outperform the sector and the market.

Angelos Damaskos
Chief Executive Officer

For dealing/inquiries on Junior Oils Trust call

Marlborough Fund Managers: 0808 145 2501

For further information and documentation visit:

www.junioroils.com or
www.sectorinvestments.com

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 Conduct Authority.