

JUNIOR OILS TRUST

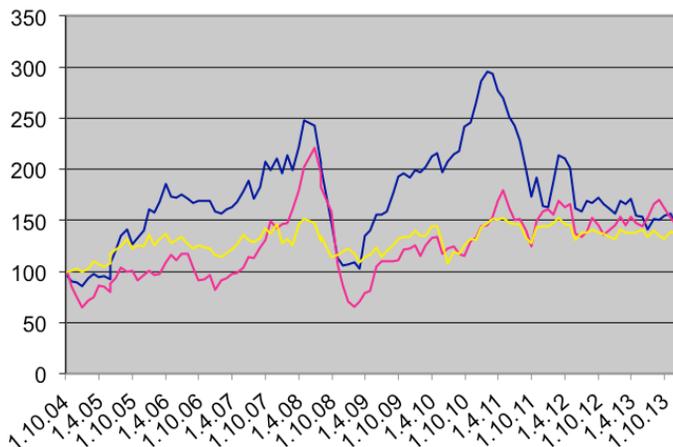
Investing in the oil giants of tomorrow

Update December 2013

FUND PERFORMANCE

Bid to Bid since launch:
10.10.04-31.12.13: +52.8%
30.11.13-31.12.13: +0.1%
12 months discrete:
31.12.12-31.12.13: -6.9%
31.12.11-31.12.12: -3.7%
31.12.10-31.12.11: -43.1%
31.12.09-31.12.10: +43.7%
31.12.08-31.12.09: +85.3%

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



Comparative Performance:
10.10.04-31.12.13
Sector Investment Managers Ltd

— Junior Oils Trust
— WTI Oil Price
— FTSE 350 Oil & Gas

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 December 2013: £24.1 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	8.8%
2. Parex Resources	7.8%
3. Cooper Energy	6.7%
4. Parkmead Group	6.5%
5. Caza Oil & Gas	5.9%
6. Iona Energy	4.7%
7. Circle Oil	4.6%
8. Otto Energy	4.5%
9. Serica Energy	4.1%
10. Xcite Energy	4.0%
Total Top 10	57.6%

As at 31 December 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.

15 January 2014

Dear Investor,

Oil prices have traded in remarkably stable patterns during last year. In spite of the shale oil and gas boom in North America, the price of West Texas Intermediate rose by 7.5% in 2013, closing the differential with Brent to \$12/barrel. Brent crude, that has attracted a risk premium since geopolitical instability emerged in North Africa three years ago, ended the year almost unchanged. American exports of refined products, shipped mostly to Europe where the refining industry has been consolidating, have been growing at a fast pace. The rapid adoption of gas usage in industrial applications has helped the Henry Hub price of gas rise by 26% in the year. This rise in price will help the economics of expensive shale projects that experience rapid decline rates in their production.

The recent trading patterns of oil and gas prices confirm the view that the shale revolution is likely to be a stabilising factor in global consumption patterns without depressing prices. Lower imports of crude to America from West Africa and the Middle East, are being diverted to the Far East where demand keeps growing at more rapid rates. Oil prices will likely remain well above \$100/barrel for Brent as geopolitics conspire to add a risk premium but it seems unlikely we will see the super-spike of 2008 get repeated unless there is a significant deterioration in the Middle-Eastern situation. The revolt of previously suppressed people keeps gathering strength generating further instability that is unlikely to be resolved in the near-future.

An environment of stable, gently higher-trending prices is great news for oil companies involved in exploration and production. Steadily growing revenues mean better planning ability and financing conditions. The recent problem has been investment appetite and risk aversion in global markets. Quantitative easing and negative real rates have encouraged investors to look at larger, dividend-paying stocks at the expense of smaller, less-liquid shares. American listed large cap oils outperformed all others last year, while the depreciation of the Canadian Dollar has impacted Toronto listings. We believe that this is likely to change this year. As the Fed starts to taper its stimulus programmes, US treasury yields are rising introducing a negative factor to US markets. It is likely that a rotation from over-valued US stocks to undervalued international oil companies starts to take place. After all, North-Sea operations benefit from higher margins through the risk premium of Brent and so do many other geographies that use it as their benchmark.

The Junior Oils Trust portfolio holds approximately 25% of its weights in North Sea operators like the Parkmead Group, that has recently outperformed to rise to 6.5% of the fund. Elsewhere, our Colombian exposure in Parex Resources is going from strength to strength beating all expectations in production volumes and reserves growth. We are optimistic for better performance in 2014 after a three-year bear market in small cap oil shares.

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:

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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.