# JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

**Update May 2014**

## FUND PERFORMANCE

**Bid to Bid since launch:**

**10.10.04-31.5.14: +78.0%**

**30.4.14-31.5.14: +12.2%**

**12 months discrete:**

**31.5.13-31.5.14: +10.7%**

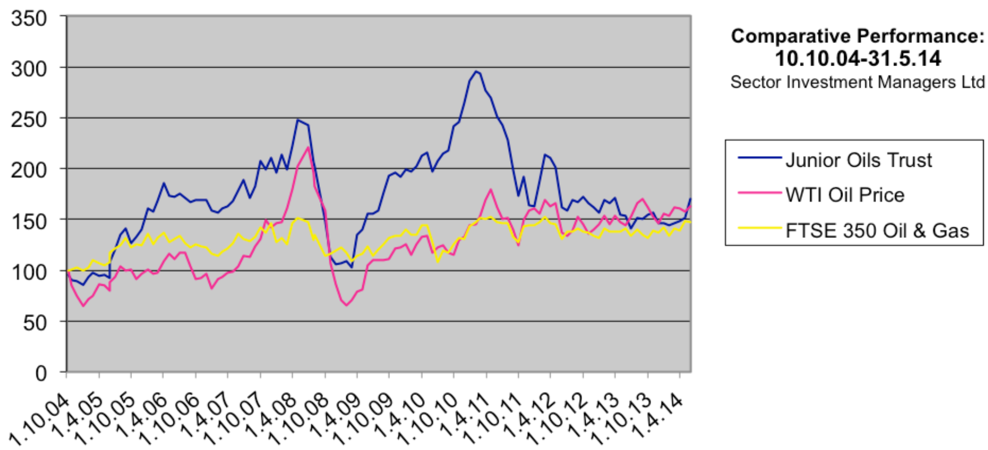
**31.5.12-31.5.13: -5.2%**

**31.5.11-31.5.12: -35.4%**

**31.5.10-31.5.11: +27.4%**

**31.5.09-31.5.10: +26.7%**

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




**Comparative Performance:**
**10.10.04-31.5.14**
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
**"P" class:** 0.5% Initial, 1.10% 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 2014:** £25.9 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. Caza Oil & Gas | 13.3% |
| 2. Questerre Energy | 7.6% |
| 3. Cooper Energy | 5.9% |
| 4. Salamander Energy | 5.8% |
| 5. Parkmead Group | 5.3% |
| 6. Faroe Petroleum | 4.5% |
| 7. Pacific Rubiales | 4.4% |
| 8. Xcite Energy | 4.3% |
| 9. FAR Ltd | 4.1% |
| 10. Carnarvon Petroleum | 3.9% |
| Total Top 10 | 59.1% |

As at 31 May 2014

## 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.

**16 June 2014**

Dear Investor,

Geopolitical tensions continue to rise in the world's major oil producing regions endangering global supply. Iraq's situation now appears increasingly fragile with its government finding it hard to contain the fundamentalist uprising in the north. Iraq is the OPEC's second largest producer, currently at over 3 million barrels a day representing approximately 3.5% of global daily consumption. Some of its production has already been disrupted and the rebel forces seem to be making rapid progress towards the oil rich south. Neighbouring Kurdistan has increased military security forces at its borders fearing an attack on its oil reserves. The continued rise of militancy in the region is a big worry to Saudi Arabia as well as the international oil market. The shale boom is, therefore, a very welcome development for the United States in spite of the higher costs of production. It is likely to significantly reduce dependence on OPEC supplies. The European Union, on the other hand, appears to be increasingly at risk of supply disruptions and this continues to support a risk-premium on Brent crude.

Global demand for oil and gas is growing. In addition to China and the industrialising Asian economies, Africa is experiencing its own economic transformation and its domestic energy needs are rising rapidly. There are no signs that the growth in production from shales and other new areas is enough to match growth in demand, supporting the rising trend in prices. Confirmation of this trend combined with the geopolitical instability in major sources of oil is now highlighting the importance of the need to develop new supply from politically stable regions. As a result, there is resurgent investor interest in smaller development oil companies with existing production and healthy growth prospects. Companies with Canadian operations also benefit from the situation, especially those that have successfully developed lower cost, scaleable projects.

The Junior Oils Trust has been at the top of the performance tables among energy funds in the year to date. A major contributor to its performance has been Caza Oil & Gas whose growth in production and cash flow has exceeded expectations. With a low-risk drilling programme and good positioning in areas that are becoming the focus of the majors, we believe that its corporate valuation is set to rise further. We have added a new position in Pacific Rubiales last month partially switching out of Parex Resources that we felt has reached fair value. Despite its larger capitalisation, Pacific Rubiales' status as a rapidly growing mid-tier Colombian producer places its valuation multiples at the low-end of its peer group, trading at just 3 times prospective cashflow at the time of our entry. We continue to be optimistic for the prospects of your fund during the rest of this year and beyond.

Angelos Damaskos
Chief Executive Officer

***For dealing/inquiries on Junior Oils Trust call***

**Marlborough Fund Managers: 0808 145 2501**

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**www.sectorinvestments.com**

***Risk Warning:***
Past performance is not necessarily a guide to the future. The value of investments and the income from them may go down as well as up. Investors may not get back their original investment. The fund invests in smaller companies and 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.