

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

10
YEARS
TRACK
RECORD

Update October 2014

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.10.14: +59.1%

30.9.14-31.10.14: -12.0%

12 months discrete:

31.10.13-31.10.14: -3.2%

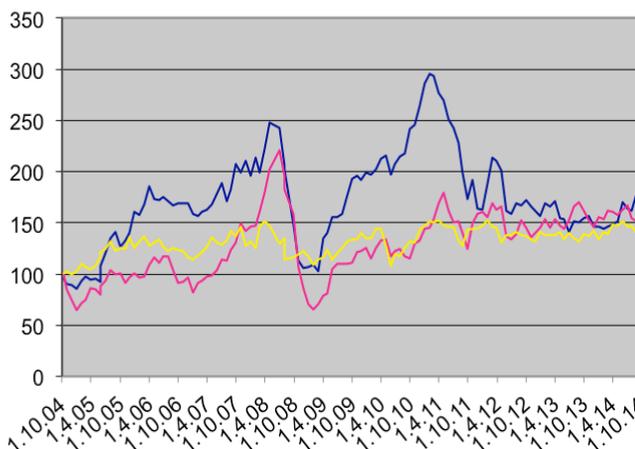
31.10.12-31.10.13: -5.5%

31.10.11-31.10.12: -13.6%

31.10.10-31.10.11: -21.9%

31.10.09-31.10.10: +25.2%

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



Comparative Performance:
10.10.04-31.10.14
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 NISAs and SIPPs

Benchmark: FTSE 350 Oil & Gas Index

Net asset value at 31 October 2014: £22.0 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. FAR Ltd	8.9%
2. Carnarvon Petroleum	8.2%
3. Caza Oil & Gas	8.0%
4. Cooper Energy	5.2%
5. Questerre Energy	5.1%
6. Parkmead Group	4.9%
7. Otto Energy	4.8%
8. Salamander Energy	4.6%
9. Pacific Rubiales	4.4%
10. Serica Energy	4.2%
Total Top 10	58.3%

As at 31 October 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.

14 November 2014

Dear Investor,

It is astonishing to see the oil prices collapse by 30% in just the last four months. Brent crude traded in a stable range between \$100 to \$120/barrel for over three years prior to the recent decline and all indicators currently point to a fairly stable global economy with the US, in particular, showing signs of improvement. We, therefore, believe that it is unlikely that demand has declined so dramatically over recent months to justify the severe drop in oil prices.

There are three prominent theories currently being discussed by most analysts, without much evidence or substantiation given the opacity in the market. The first suggests that Saudi Arabia might be over-producing to encourage the oil price lower and thus hurt growth in the American shale oil industry. Many shale oil deposits are probably marginal at around \$75-80/bbl. The second theory argues that Saudi Arabia may be over-producing in order to starve the ISIS uprising of funds, via the lower oil prices they would receive on oil confiscated from Syria and Iraq. In this scenario, America would not object much as the oil price fall also hurts Russia and Venezuela both of which have shown increasingly aggressive and nationalistic tendencies. The third theory, which appears much more credible to us, is that China has recently introduced tight credit controls over its shadow-banking sector to reduce the risk of a crisis. Chinese institutions have been allegedly using stocks of commodities as collateral to leverage operations, one of the elements stimulating a dangerously over-heated property market. As Chinese industry draws-down its inventories of commodities, the lack of new orders from the world's fastest growing economy has caused a wide-spread slump in prices of oil, coal and base metals such as copper, aluminium, zinc and especially iron-ore, which is now at a multi-year low.

Whichever theory might explain the slump in prices, it is clear that they are all unlikely to last over the medium term. In our view, the super-cycle for demand in oil is still intact. China now accounts for 11% of global consumption versus 21% in the U.S. However, China has 1.3 billion people versus 360 million in the U.S. Furthermore, China represents 19% of the global population and its GDP per capita has risen by 350% from 2000 to 2013, versus a rise in the U.S. of only 7.5%. As China develops a middle class that demands a higher standard of living, they will require higher energy consumption.

Looking at the global supply picture, the IEA estimates that shale oil has added between 2-2.5 million barrels per day incremental production in the U.S. over the last five years. However, conventional oil production from areas such as the North Sea, Mexico, North Africa and the Middle East has fallen by an equivalent volume maintaining global production more or less stable. The recent oil price drop, therefore, is clearly temporary.

The Junior Oils Trust continues to be the best performing fund, in the year to date (YTD), among the 20 energy funds monitored by the Morningstar database. At the time of writing it is up by 4.1% YTD versus a fall of -6.4% in its benchmark and a fall of -11.63% in the price of WTI crude. Importantly, our fund's performance is in stark contrast to the fall in the AIM Oil & Gas index of -32.5% YTD, an index comprising 114 oil shares listed in the London market and a good indicator of investor sentiment towards smaller oil companies. We believe that our fund's outperformance is attributed to the superior fundamental value of our holdings and the fact that many of our holdings demonstrate rapid growth patterns expected over several years in the future, thus reducing the impact of lower oil prices over the short-term. Our performance gives us confidence in our investment approach and positioning.

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:

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.

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