JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

10 YEARS TRACK RECORD

Update December 2014

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.12.14: +13.5%

30.11.14-31.12.14: -15.1%

12 months discrete:

31.12.13-31.12.14: -25.7%

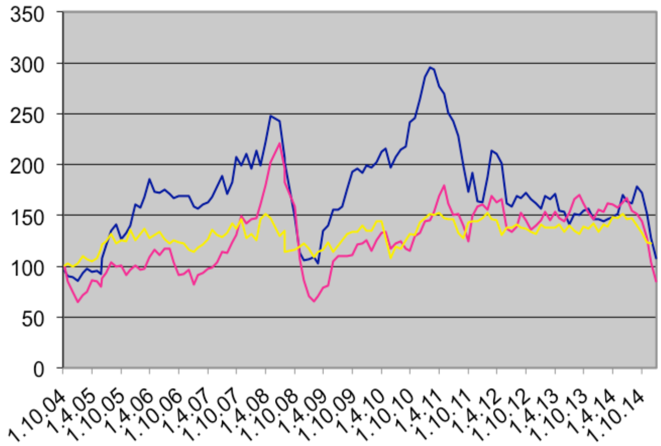
31.12.12-31.12.13: -6.9%

31.12.11-31.12.12: -3.7%

31.12.10-31.12.11: -43.1%

31.12.09-31.12.10: +43.7%

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



Comparative Performance: 10.10.04-31.12.14

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 December 2014: £15.5 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. FAR Ltd	10.4%
2. Carnarvon Petroleum	7.3%
3. Otto Energy	6.5%
4. Caza Oil & Gas	5.7%
5. Salamander Energy	5.4%
6. Cooper Energy	5.3%
7. Parkmead Group	5.2%
8. Questerre Energy	4.0%
9. Victoria Oil & Gas	4.0%
10. Circle Oil	4.0%
Total Top 10	57.8%
As at 31 December 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 January 2015

Dear Investor,

The year 2014 was one of the most calamitous for the oil markets in recent history. At the time of writing, Brent crude trades at $45/ barrel, more than 60% less than its recent high of $115 in July last year. After three years of high and stable oil prices, neither economists, investors or operators expected this magnitude of fall. Most importantly, the market's confidence in pursuing current plans and new projects has been severely dented. Availability of financing has been curtailed causing stress to highly indebted and early-stage companies. Operational flexibility is now the key determinant of business viability for oil companies. Those companies able to balance capital expenditure with organic cash flow will likely outperform and take advantage of equity values trading at distressed levels to embark on acquisitions. Future supply sources of oil are being critically tested.

The reasons of this oil shock are being interpreted in many different ways and some argue that there is little evidence that China has been the main cause of falling oil prices. Saudi Arabia, as the leading member of OPEC, has certainly played a role in exacerbating the fall with its firm rhetoric against supply management but that now seems like justification of a situation which they cannot control. The easy availability of trading instruments and ample market liquidity has enabled huge speculative short bets that resulted in oil and share prices falling this hard. Nevertheless, the equally dramatic fall in other leading industrial commodities, such as iron-ore and copper, indicate that the demand shock may have started in the industrialising parts of the world. Some economists have said the oil price now reflects an adverse demand shock in the economy, therefore, it would mean much slower economic growth. There is also the argument of a severe and destabilising effect from Russia and other oil producers in the emerging world that got used to high oil prices and fixed their budgets accordingly.

A reality in the middle of this crisis is that the world has neither reduced its use of oil as the primary transportation fuel nor has it turned away from using natural gas as a cleaner, accessible and convenient energy source. The demand shock, whatever it is that caused it, is likely to be temporary. The Energy Information Administration (EIA) has just published its latest Short Term Energy Outlook, including forecasts for 2016. Demand for 2015 is forecast to grow by 1mmbd, to 92.4mmbd, up 0.1mmbd on the previous projection, to be followed by a further 1mmbd of growth for 2016. The call on OPEC crude was cut to 29.1mmbd for 2014 but increases by 0.1mmbd to 29.3mmbd for 2015 and reaches 29.6mmbd in 2016. US production is still expected to grow in 2015, reaching 14.8mmbd and 15.37mmbd in 2016. The 2015 estimate has been cut by 0.1mmbd. The world's population is still growing, adding some 200,000 new energy users every day. Newly affluent middle classes, particularly in Asia, demand a higher standard of life requiring more energy. China has been reported to be accelerating 300 infrastructure projects in 2015 as part of a broader 10 trillion yuan ($1.6 trillion) stimulus plan. We continue to believe the long-term oil super-cycle is intact and prices will recover to much higher levels in the near future.

The Junior Oils Trust took a severe beating over the last quarter of the year, along with the oil sector. In spite of its great performance up until September, it managed to drop by 25.7% in the calendar year 2014 compared to a fall of 13.8% in its benchmark (FTSE 350 Oil & Gas index) that is overweight in the major integrated companies and a fall of 45.6% in the price of WTI oil. In sharp contrast, and an indication of market conditions for smaller capitalization oil shares, the AIM Oil & Gas index fell by 52.4% during the year. In times of crisis, lack of visibility and confidence, markets tend to over-shoot on the downside. When some stability returns, the better quality shares are likely to out-perform again. We wish all our investors a happy and prosperous New Year.

Angelos Damaskos
Chief Executive Officer

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***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.