JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

10 YEARS TRACK RECORD

Update February 2015

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-28.2.15: +6.3%

31.1.15-28.2.15: +7.6%

12 months discrete:

28.2.14-28.2.15: -30.8%

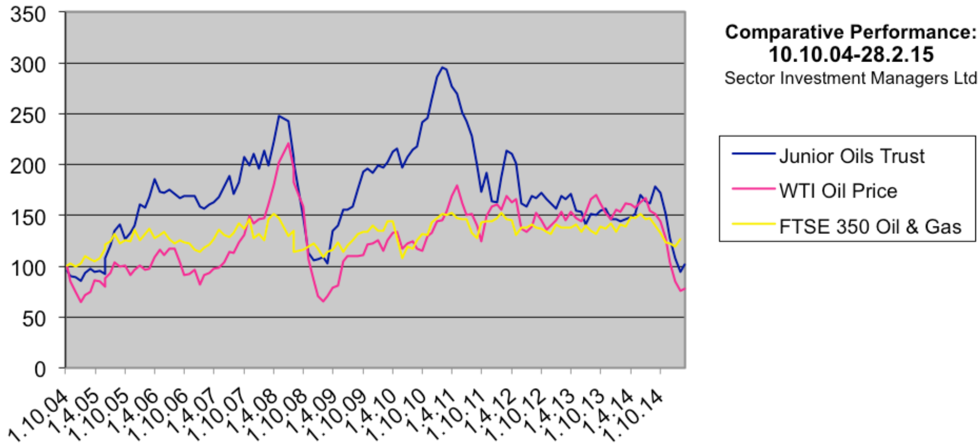
28.2.13-28.2.14: -11.8%

29.2.12-28.2.13: -22.2%

28.2.11-29.2.12: -27.1%

28.2.10-28.2.11: +45.1%

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



Comparative Performance: 10.10.04-28.2.15
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 28 February 2015: £15.6 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	9.1%
2. Carnarvon Petroleum	7.2%
3. Otto Energy	4.9%
4. Yangarra Resources	4.6%
5. Parkmead Group	4.5%
6. Faroe Petroleum	4.1%
7. Victoria Oil & Gas	4.0%
8. RMP Energy	3.9%
9. Caza Oil & Gas	3.8%
10. Cooper Energy	3.7%
Total Top 10	49.8%

As at 28 February 2015

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.

12 March 2015

Dear Investor,

The recent sharp drop in oil prices raised questions on the supply-demand balance around the world. Whilst it is widely accepted that US domestic production has grown remarkably rapidly over the last five years, it is not clear why the price of WTI trades at such a sharp discount to Brent given that the US still imports large volumes. The main reason appears to be the current set-up of US refining capacity, based primarily in the Gulf of Mexico, that is geared to medium gravity crude such as that produced by North Sea, West African and Latin American sources. As refineries need to run at near full-capacity to be efficient, heavier imported crudes continue to take priority over plentiful domestic light oil. The situation is further complicated by the legislative ban on exports of crude oil which was established when America crucially depended on imports while its domestic production was in decline. The current trend in the US oil industry, therefore, is to export refined products, and seek a lifting of the ban on exports so that light crude and condensates can find their way to the global market. The situation is further complicated by the established transportation infrastructure, especially pipelines, that are very slow to adapt to changes in the producing landscape. Until these refining and logistical imbalances are resolved, the US benchmark WTI is likely to trade at a discount to the internationally used Brent.

Nevertheless, many north American oil regions command a competitive advantage. Several companies that have established operations in shallower, geologically easy to interpret and understand light oil territories, are remarkably flexible. Developments in drilling and fracking technologies, in the mobility of pressure capacity and labour specialisation, have lowered marginal costs of production to a fraction of those only a few years ago. These advances in efficiency have resulted in a remarkably flexible production model in which there is an almost linear relationship between capital expenditure and production. As the refining, infrastructure and trading constraints get re-balanced, the WTI-Brent differential is set to narrow improving the profit margins of many north American companies. As long as such operations are run with primary objective capital efficiency and production flexibility, returns to shareholders will be maximised whilst reducing the risks of failure.

In the recent indiscriminate sell-off in smaller capitalisation oil companies, we have taken the opportunity to re-position the Junior Oils Trust portfolio. The exposure to Toronto listed companies and consequently the Canadian Dollar, was increased to about 31% from the historical level of 10%. The balance of FX weighting is now 30% GBP and 29% AUD. Exits from some large holdings, such as Salamander Petroleum post its take over by Ophir, provided some of the liquidity. Cash raised from part-profit taking in some of last year's exceptional performers, including Carnarvon Petroleum, FAR Ltd and Caza Oil & Gas, realised at the time of price peaks in the middle of last year, was a useful store of value in the extreme turbulence of the past six months and has been deployed to new positions. One of the new core holdings is Yangarra Resources, that operates primarily in the Cardium, one of western Canada's most economic oil regions. The company has just announced a 114% increase in 2014 reserves, whilst keeping finding and development costs of Developed Producing Reserves at $26.36/boe resulting in a recycling ratio of 1.6 times. Last year's production replacement ratio was 179%, while the 2P Reserve Life Index (RLI) was increased to 34 years. These results were achieved utilising low gearing with full year debt to cashflow in 2014 at 1.5 times. By comparison, Shell, the international integrated oil major, today reported that its reserves replacement ratio was weak last year at 49% with just 17% replacement from exploration. Shell's RLI fell to 11 years from 12.3 years in 2013. Companies such as Yangarra are not only viable at very low oil prices but are likely to outperform when recovery starts. We believe that the fund's model is well positioned to benefit from a general re-rating of over-sold smaller oil shares that have viable operations.

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.

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