

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

10
YEARS
TRACK
RECORD

Update March 2015

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-28.2.15: +0.6%

28.2.15-31.3.15: -5.4%

12 months discrete:

31.3.14-31.3.15: -35.1%

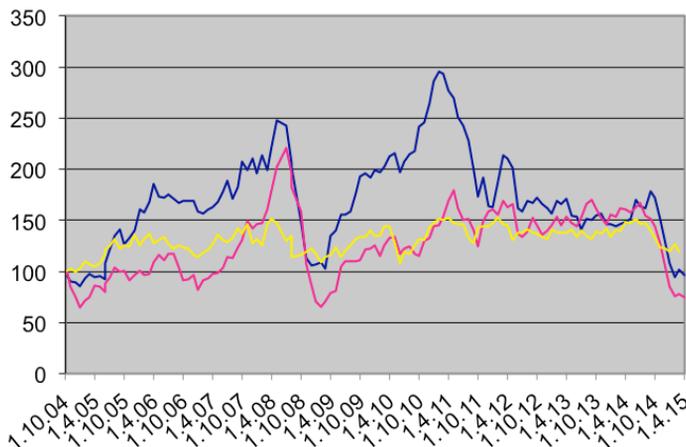
31.3.13-31.3.14: -13.8%

31.3.12-31.3.13: -18.6%

31.3.11-31.3.12: -23.9%

31.3.10-31.3.11: +30.5%

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



Comparative Performance:
10.10.04-31.3.15
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

'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 March 2015: £14.9 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. FAR Ltd	9.3%
2. Carnarvon Petroleum	6.6%
3. Otto Energy	5.3%
4. Yangarra Resources	4.9%
5. Victoria Oil & Gas	4.7%
6. Faroe Petroleum	4.6%
7. Parkmead Group	4.6%
8. Gran Tierra Energy	3.5%
9. Cooper Energy	3.5%
10. Circle Oil	3.2%
Total Top 10	50.2%
As at 31 March 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.

14 April 2015

Dear Investor,

The oil prices have now risen by about 25% from the extremely oversold levels seen in January but still remain more than 50% down from the 52-week highs in July last year. This kind of volatility, once again, indicates that today's financial markets can exaggerate moves due to the high liquidity and availability of trading instruments to momentum traders. Nevertheless, longer term fundamentals are set to prevail and restore prices to the level commanded by the global supply and demand for energy. We believe that the unprecedented build-up of oil inventories in the US is primarily due to the sharp contango that offers physical traders the opportunity to store oil and lock-in a low-risk profit by selling forward 6-12 months. With the start of the driving season in the US and the higher utilisation of refineries, these inventories will likely be drawn down substantially. Under such circumstances, the Brent oil price could recover to over \$75/barrel by year-end. Should geopolitics in the world's major oil producing regions, Russia and the Middle-East, deteriorate, we may see another large spike in oil.

The short-term weakness in the oil market was highlighted last week by the agreed takeover of BG by Royal Dutch Shell. Shell, like other integrated majors, had been suffering from low Reserves Life Index and poor potential for replacing its declining reserves. BG, on the other hand, carries substantial debt and its balance sheet deteriorated as it had to take huge write-downs on its legacy assets due to the drop in oil prices, but has attractive longer-term development prospects in emerging regions such as Brazil and Australia. Perhaps the most interesting point in this transaction is that it expects oil prices to recover to \$90/barrel by 2018. The weak commodity and energy equities markets is clearly playing in favour of cash-rich companies. It is now much cheaper to buy into proven reserves and production than spend precious dollars on risky exploration. We expect the corporate activity to intensify over the rest of the year.

The Shell-BG transaction has caused a rebound in share prices of many larger capitalisation oil shares. Part of the price moves may have been the result of shorts-covering and part a realisation by generalist investors that there may be attractive value in the sector after the extreme sell-off. As it is usual in market recoveries after some hiatus, the smaller companies' shares tend to follow and, if history is any guide, outperform in a general sector re-rating. We believe that the Junior Oils Trust (the Fund) portfolio is well positioned to benefit in such an environment. Exploration-focused companies may continue to struggle, with the exception of those that benefit from secure backing by larger industry partners. In the Fund's portfolio two of the largest positions are still in FAR Ltd and Carnarvon Petroleum. Both of these companies have been fortunate enough to have had large new oil discoveries, opening up new districts with great potential. In both cases their farm-in partners have confirmed plans for follow-on drilling to prove-up the resources of the finds and the early indications appear very positive. In the dearth of exploration and development funding caused by the low oil price, such positions are very advantageous as the budgets of even the major integrated companies are directed to the lowest risk and highest reward projects.

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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