

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

10
YEARS
TRACK
RECORD

Update May 2015

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.5.15: +9.7%

30.4.15-31.5.15: -3.5%

12 months discrete:

31.5.14-31.5.15: -38.4%

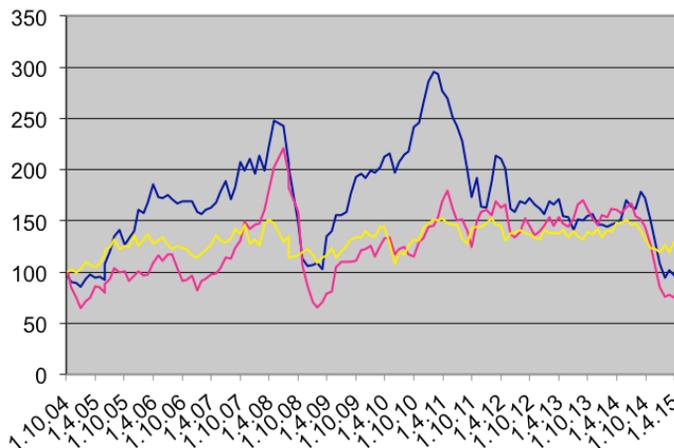
31.5.13-31.5.14: +10.7%

31.5.12-31.5.13: -5.2%

31.5.11-31.5.12: -35.4%

31.5.10-31.5.11: +27.4%

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



Comparative Performance:
10.10.04-31.5.15
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 May 2015: £17.0 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	8.1%
2. Yangarra Resources	5.1%
3. Carnarvon Petroleum	5.0%
4. RMP Energy	4.7%
5. Parkmead Group	4.2%
6. Victoria Oil & Gas	4.2%
7. Faroe Petroleum	4.2%
8. Cooper Energy	4.0%
9. Circle Oil	4.0%
10. Otto Energy	3.8%
Total Top 10	47.3%

As at 31 May 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.

4 June 2015

Dear Investor,

The oil price has recovered significantly from the lows of January but still trades 43% lower than the highs of 2014. Whilst the International Energy Agency has confirmed that demand grew by 1% last year and is forecast to grow by another 1.2% this year, the rapid growth in production from North American operations keeps pressure on oil prices. The cuts in capital expenditure across the oil industry have reduced drilling activity, evidenced by a drop of over 60% in drilling rigs employment in the last six months. We expect it might take another three to six months before production rates drop significantly. According to Shell, the international oil major, the medium-term supply needs to grow by at least 4 million barrels each year to satisfy the projected growth in demand whilst compensating for the drop in production from existing fields. Lower oil prices increase demand and constrain investment in new projects.

A restored supply-demand balance would have a positive effect on investors' sentiment towards smaller oil companies. In the last nine months we have been restructuring the Junior Oils Trust portfolio concentrating on companies with healthy margins at lower oil prices with strong balance sheets as well as operational flexibility to cut expenditure without damaging their growth prospects when oil prices recover. We believe that these companies will not only survive the downturn but will outperform when market conditions change. Among portfolio holdings, we have had two new corporate actions in the takeovers of Pacific Rubiales and Legacy Oil+Gas. The transactions yet again demonstrate the industry's longer-term confidence in the oil price and the opportunity presented to investors by the indiscriminate sell-off in oil public equities. Both companies were burdened by heavy debt that became difficult to refinance in the lower price conditions. Nevertheless, their creditors were accommodating and keen to relax their terms to allow the companies operational flexibility. We had added these positions at the distressed levels traded in January and February, believing that the real enterprise value by far exceeded market estimates and making an exception to our balance sheet strength rule as default was unlikely, in our view. In the event of the announcement of the takeovers, we liquidated the fund's positions in both of these companies and are currently re-investing the proceeds in new opportunities. For example, we have significantly increased our position in RMP Energy, a company that continues to deliver industry-leading operational results and growth in reserves whilst maintaining a robust balance sheet.

It is very indicative of market conditions that one of the early supporters of our fund, Hargreaves Lansdown, has decided to remove four small-cap oriented resources-specialist funds from the high conviction Wealth 150 list. This move could indicate the final capitulation of retail interest in resources-focused shares and, therefore, be a contrarian buying signal.

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.

This material is directed only at persons in the UK and is not an offer or invitation to buy or sell securities. Opinion expressed whether in general or both on the performance of individual securities and in a wider economic context represents the views of Sector Investment Managers Ltd at the time of preparation based on SIM's internal analysis which may have not been verified by independent sources. They are subject to change and should not be interpreted as investment advice. Before making an investment in the fund, it is important that you read the Key Investor Information Document. Prospectus and Key Information Document are available free by visiting the websites above. Sector Investment Managers Ltd and Marlborough Fund Managers Ltd are authorised and regulated by the Financial Conduct Authority.