



Junior Oils Trust

Short Report

For the period from 1st September 2012 to 31st August 2013

Fund Details

Junior Oils Trust

Manager and Registrar

Marlborough Fund Managers Limited
Marlborough House
59 Chorley New Road
Bolton
BL1 4QP

Customer Support: 0808 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority

Trustee

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Authorised and regulated by the Financial Conduct Authority

Investment Adviser

Sector Investment Managers Limited
67 Grosvenor Street
London
W1K 3JN

Authorised and regulated by the Financial Conduct Authority

Auditors

Barlow Andrews LLP
Carlyle House
78 Chorley New Road
Bolton
BL1 4BY

JUNIOR OILS TRUST

GENERAL INFORMATION

Investment Objective	To provide long-term capital growth from a global portfolio of small to medium capitalisation companies specialising in oil exploration and production. There may be occasions in light of adverse market conditions where the Investment Manager chooses to hold high levels of bonds and government securities.
Risk Profile	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.
Risk Warning	The past is not necessarily a guide to future performance. Investments and the income derived from them can fall as well as rise and the investor may not get back the amount originally invested. The fund is subject to an initial charge and consequently charges are not made uniformly throughout the period of the investment. Changes in exchange rates between currencies may cause the value of the investment to diminish or increase. The Fund invests in smaller companies which carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and their performance more volatile over shorter time periods. The Fund has a concentrated portfolio which means greater exposure to a smaller number of securities than a more diversified portfolio. The Fund focuses on a specific sector which can lead to greater volatility.
Reports and Accounts	The purpose of sending this Short Report is to present you with a summary of how the fund has performed during the accounting period in accordance with the FCA rules. If you wish to request further information, the more detailed long form report is available. For a copy please write to Marlborough Fund Managers Ltd, Marlborough House, 59 Chorley New Road, Bolton BL1 4QP or telephone customer services on 0808 145 2500.
Change in Prospectus	<p>From 31 December 2012, the manager's periodic charge and trustee's fees are calculated on a daily basis.</p> <p>Up to date key investor information documents, the full prospectus and manager's reports and accounts for any fund within the manager's range, can be requested by the investor at any time.</p>

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AUTHORISED INVESTMENT ADVISER'S REPORT

For the year ended 31 August 2013

Percentage change to 31 August 2013

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch**</u>
Junior Oils Trust	-9.31%	-9.84%	-30.72%	-25.58%	50.80%

External Source of Economic Data: Morningstar (bid to bid, net income reinvested)

** launched 10.10.2004

The twelve months reported on have been poor for smaller oil companies investors. The market favoured larger capitalization, dividend-paying companies and avoided the resources sector including oil and gas. The Junior Oils Trust had another weak year losing 9.8% of its value while its benchmark, the FTSE 350 Oil & Gas Index, dropped by 4.1% during the same period. July and early August, nevertheless, showed some return of confidence among small-cap oil company investors. We believe that the main reason for this is the realisation that, despite all the talk about the shale revolution in the US and, potentially, elsewhere, the world needs increasing amounts of oil to power the economy. It has become apparent that demand in the United States is rising, outpacing growth in production. The price of WTI now trades less than \$5/bl below Brent after two years of a discount as large as \$25/bl. At the same time, integrated majors like Exxon-Mobil and BP have been reporting a drop in reserves and production while their cost base has been rising. These reports confirm the view that the giant, mature oil fields of the world are in decline and the push into frontier areas, both technological, such as shale-fracking, as well as geological, such as the pre-salt basins offshore Brazil, come at a much higher cost. There is, indeed, potential for release of constrained production from politically unstable regions such as Iran and Iraq sometime in the future but the timing and probability of this happening is questionable. In the meantime, outages of production from countries such as Nigeria place further constrain on supply. Saudi Arabia now reportedly produces more than 10 million barrels a day, more than it has ever produced, highlighting OPEC's confidence that the supply-demand outlook is likely to sustain prices well above their "target" floor of \$100/barrel.

The fund's portfolio focuses primarily in companies with some production and sustainable cash flow that supports an active exploration and development programme. It has been apparent during the past year that the shortage of capital has driven some exploration companies to virtual hibernation and a frantic search for industry partners. Smaller companies focus in earlier stage projects that offer higher prospective rewards, albeit at much higher risk and have been shunned in the general quest for risk-averse investment yield stimulated by low interest rates. As the large-cap, dividend paying shares become overvalued, the possibility of rotation into higher beta plays increases. Those smaller, oversold companies that have been able to survive the last two years of bear market and secure the backing of larger peers are likely to outperform the sector and the market. We therefore believe that due to the Junior Oils Trust portfolio positioning the fund has significant potential for re-rating as investors' interest in small-cap oil companies returns.

Angelos Damaskos
Investment Adviser
8 October 2013

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Portfolio Changes

For the year ended 31 August 2013

Purchases	Cost (£)	Sales	Proceeds (£)
Enquest	1,247,131	Amerisur Resources	3,450,493
Parkmead Group	980,000	Premier Oil	2,272,753
Long Run Exploration	845,942	Norse Energy	1,826,976
Faroe Petroleum	752,734	Valiant Petroleum	1,323,320
Africa Oil	448,166	Enquest	1,211,369
Carnarvon Petroleum	392,962	Xcite Energy	717,415
Trap Oil Group	309,491	Questerre Energy (NOK)	692,369
Rialto Energy	198,001	Cooper Energy	379,583
FAR	185,970	Petroceltic International	301,395
PA Resources	116,267	Ithaca Energy	258,607
Pan Minerals Oil & Gas	56,738	Roc Oil	183,628
		Sterling Resources	164,034
		Iona Energy	86,140
		Panoro Energy	61,732
		Sterling Energy	36,985
		Santa Maria Petroleum	32,546
		Zeta Petroleum	19,469
		Geopetro Resources	9,596
		Resaca Exploitation	3,054
		Front Exploration	1,927
Total purchases for the year	5,533,402	Total sales for the year	13,033,391

TOP TEN HOLDINGS AS AT 31 AUGUST 2013

	%
Parex Resources	6.54
Iona Energy	6.25
Caza Oil & Gas	6.22
Cooper Energy	6.08
Xcite Energy	5.47
Questerre Energy (NOK)	4.74
Serica Energy	4.55
Parkmead Group	4.54
Faroe Petroleum	4.29
Questerre Energy (CAD)	4.22

TOP TEN HOLDINGS AS AT 31 AUGUST 2012

	%
Amerisur Resources	7.36
Norse Energy	6.46
Cooper Energy	6.10
Premier Oil	5.93
Xcite Energy	5.69
Questerre Energy	5.58
Serica Energy	4.22
Parex Resources	3.65
Valiant Petroleum	3.58
Entek Energy	3.18

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FUND FACTS

Launched Accumulation Units 10 October 2004 at 100p
On 12 March 2012 the Class I units became available for purchase.

Accounting Dates	(Final)	31 August
	(Interim)	last day of February

Distribution Dates	(Final)	31 October
	(Interim)	30 April

Minimum Investment	Class C	£1,000
	Class I	£50,000

IMA Sector	Specialist
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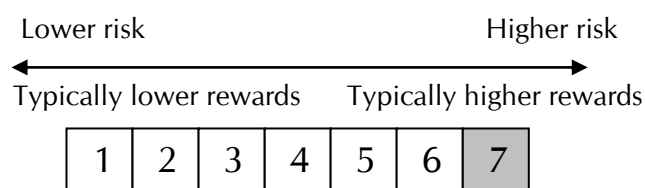
Ongoing Charge Figure as at 31 August 2013	Class C 1.84%	Class I 1.33%
Ongoing Charge Figure as at 31 August 2012	Class C 1.82%	Class I 1.27%*

* period 4 April 2012 to 31 August 2012

The ongoing charge figure is based on expenses for the year, except as indicated above. The ongoing charge figure has been annualised to give a more accurate representation of the true costs over one year. This figure may vary from year to year. It excludes:

- Performance fees
- Portfolio transaction costs, except in the case of an entry/exit charge paid by the fund when buying or selling units in another collective investment scheme.

SYNTHETIC RISK AND REWARD INDICATOR



The risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the fund. It is calculated based on the volatility of the fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used.

This Fund has been measured as 7 because it has experienced very high volatility historically.

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SUMMARY OF FUND PERFORMANCE

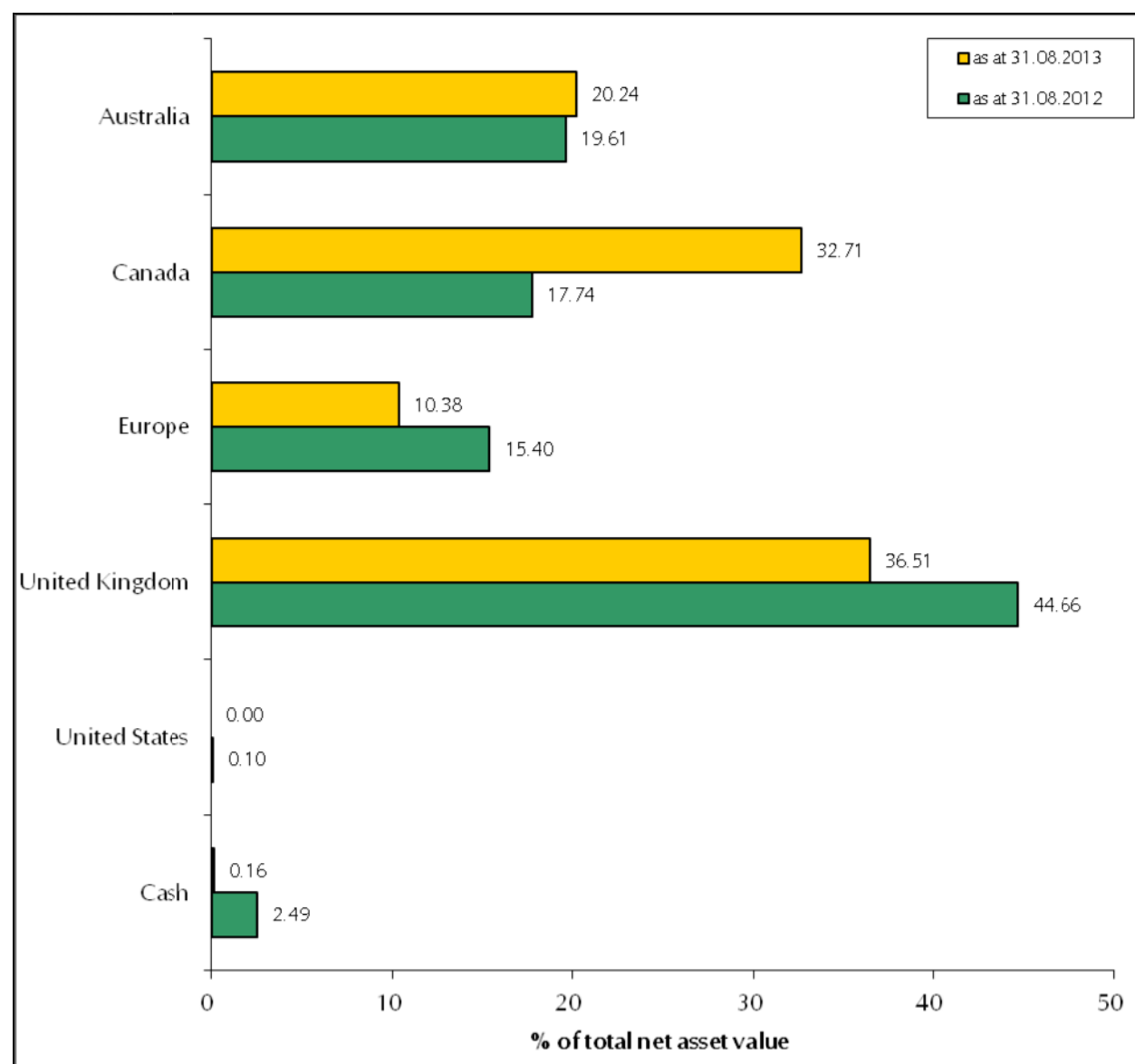
Year	Unit Type	Highest Price	Lowest Price	Distribution Per Unit
<u>Class C</u>				
2008	Accumulation	269.94p	94.51p	-
2009	Accumulation	218.04p	98.73p	-
2010	Accumulation	302.40p	187.87p	-
2011	Accumulation	324.54p	153.51p	-
2012	Accumulation	229.82p	153.82p	-
2013*	Accumulation	187.61p	135.87p	-
*up to 31 August 2013				

Year	Unit Type	Highest Price	Lowest Price	Distribution Per Unit
<u>Class I</u>				
2012	Accumulation	218.80p	161.52p	-
2013*	Accumulation	195.49p	146.42p	-
*up to 31 August 2013				

Date	Unit Type		Net Asset Value of Scheme Property	Net Asset Value Per Accumulation Units
31 August 2011	Accumulation		£43,401,850	193.93p
31 August 2012	Accumulation	Class C	£37,538,443	167.50p
31 August 2012	Accumulation	Class I	£503,963	173.39p
31 August 2013	Accumulation	Class C	£26,534,743	150.96p
31 August 2013	Accumulation	Class I	£494,242	157.77p

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GEOGRAPHICAL PORTFOLIO BREAKDOWN



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Intermediary

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