

# JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

Update 16 November 2011

## FUND PERFORMANCE

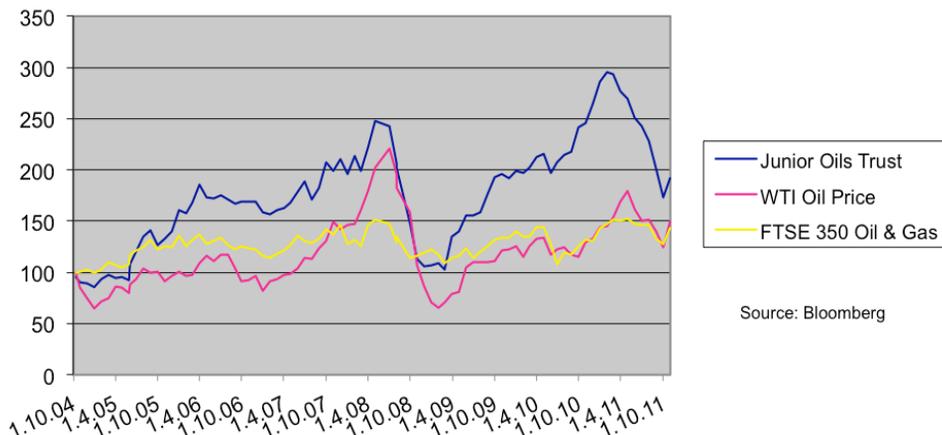
Since launch

10.10.04-31.10.11: +101.2%

12 months discrete

31.10.10-31.10.11: -21.9%

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



Source: Bloomberg

## Key facts

**Fund Category:** Energy Specialist  
**Charges:** 5.25% Initial, 1.75 % Annual  
**Manager:** Marlborough Fund Managers Ltd  
**Fund Adviser:** Angelos Damaskos  
**Minimum Investment:** £1,000 or £100 per month  
**Eligible for ISAs and SIPPs**  
**Benchmark:** FTSE 350 Oil & Gas Index  
**Net asset value at 31 October 2011:** £43 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

## How to invest

Call Marlborough Fund Managers: **0808 145 2501**  
 For further information and documentation visit:  
[www.junioroils.com](http://www.junioroils.com) or  
[www.sectorinvestments.com](http://www.sectorinvestments.com)

## Top 10 Holdings

Company	%Fund
1. Cooper Energy	7.2%
2. Caza Oil & Gas	6.2%
3. Parex Resources	6.0%
4. Encore Oil	5.6%
5. Dragon Oil	5.2%
6. Questerre Energy	4.9%
7. Victoria Oil & Gas	3.9%
8. Circle Oil	3.8%
9. Norse Energy 6.5% 2013	3.6%
10. Entek Energy	3.5%

As at 31 October 2011

**Risk Warning:** This material is directed only at persons in the UK and is not an offer or invitation to buy or sell securities. The fund invests in smaller companies 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. 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 Simplified Prospectus which is available free by visiting the websites above. Sector Investment Managers Ltd and Marlborough Fund Managers Ltd are authorised and regulated by the Financial Services Authority

Dear Investor,

Global markets remain volatile seemingly undecided on whether the economic situation is more negative than positive for equities; debt problems and austerity measures slowing growth versus inflationary quantitative easing supporting equities and commodities. Despite Europe's political turmoil over its debt problems, nevertheless, and a general expectation that world economic growth will slow in the short-term, oil prices remain strong.

In our view, demand for oil is underpinned by three factors that are independent to growth in the world economy: (i) the Japanese disaster earlier this year has resulted in that nation's greater dependency on oil and coal for power generation; (ii) Short supply - Libyan oil is still 70% off-line and its political instability is unlikely to allow full production to resume in the near future; (iii) the so-called "Arab spring" has destabilized the Middle East so both governments and monarchies are increasing spending to keep their population happy – they say they need oil prices to stay above \$100/bbl to be able to continue. On this basis, even if we assume Asian growth slows, oil prices are likely to be supported at current levels.

This, of course, is good news for exploration and production companies controlling significant reserves. Their share prices may have been weak due to the general market sentiment and risk-aversion, but their operations continue to generate growing cashflow and profits. For those companies that are at a development stage, industry majors and specialist investors are bound to seize the opportunity and inject much-needed capital. In the current 10-year secular uptrend for oil, there have only been two or three such times when stock-market valuations have undervalued real assets by a large margin. The difficulty for investors will be to select those companies with real recovery prospects among the many that may find it difficult to raise financing for marginal projects.

Angelos Damaskos  
Chief Executive Officer

***For dealing/inquiries on Junior Oils Trust call***

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