

# JUNIOR OILS TRUST

Investing in the oil giants of tomorrow



Update October 2012

## FUND PERFORMANCE

Since launch:

10.10.04-31.10.12: +73.9%

30.9.12-31.10.12: -3.8%

12 months discrete:

31.10.11-31.10.12: -13.6%

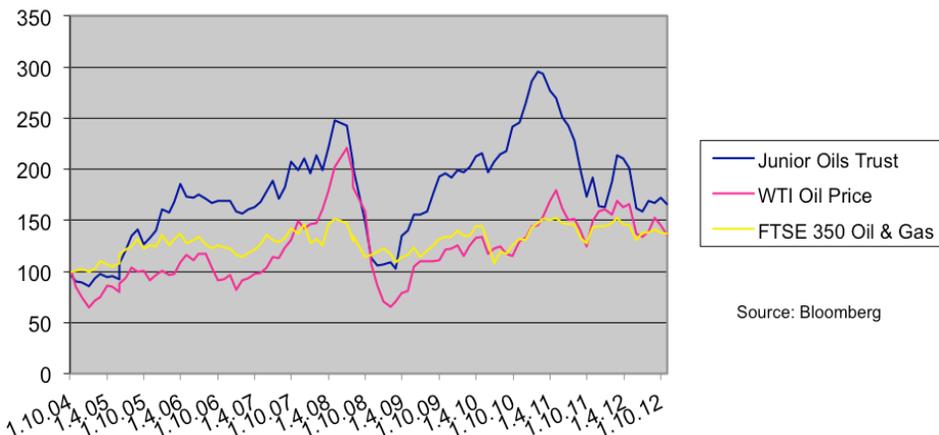
31.10.10-31.10.11: -21.9%

31.10.09-31.10.10: +25.2%

31.10.08-31.10.09: +74.3%

31.10.07-31.10.08: -45.7%

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:** "C" class: 5.25% Initial, 1.75 % Annual

"I" class: 0.5% Initial, 1.25% 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 2012:** £36.9 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

## 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)

## 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.

## Top 10 Holdings

Company	% of Fund
1. Amerisur Resources	7.5%
2. Cooper Energy	6.5%
3. Questerre Energy	5.9%
4. Xcite Energy	5.7%
5. Norse Energy	5.5%
6. Serica Energy	4.1%
7. Parex Resources	4.0%
8. Iona Energy	3.6%
9. Valiant Petroleum	3.3%
10. Circle Oil	3.3%

As at 30 September 2012

**19 November 2012**

Dear Investor,

The International Energy Agency this month forecast that the US is set to overtake Saudi Arabia and Russia as the world's largest global oil producer in the second half of this decade and be self-sufficient in energy by 2035. New extraction techniques, notably hydraulic fracturing and horizontal drilling have unlocked huge hydrocarbon resources and have, this year, depressed gas prices close to 20-year lows. This reversal in trade of oil could have a material effect on its price as well as the geopolitics of energy. However, the IEA also acknowledged that the US oil boom is still in its infancy and a drop in the domestic oil price could affect production as many of the techniques are expensive and need high market prices to be economic.

We believe that the prospects of US energy independence have been understood by the market for a while. The potential decline in US imports is counter-balanced by other regions where opposite forces are at work. The decline in imports in Europe and Eurasia appears to have stopped and have recently shown signs of recovery. Imports continue to grow in Asia due to its continued industrialization and exports from the Middle East, Africa and Latin America appear to be declining as domestic demand grows. The wild card for future production growth remains Brazil but the sub-salt basin development is so early that it is some 8-10 years away from production and its marginal costs are expected to be very high.

Despite recent weakness in oil, that seems to have followed weaker equity markets, the outlook for the oil price remains strong, especially for non-US production such as Brent crude. With this in mind, it is interesting to see smaller oil companies' shares trade near five-year lows and those of earlier stage, development stories being ignored by investors. The global risk aversion towards smaller resources equities is nearly two years old. Markets can stay irrational and decoupled from fundamentals for long periods but, at some point, it is likely that fair value will be recognized and shares get re-rated.

Angelos Damaskos  
Chief Executive Officer

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

**Marlborough Fund Managers: 0808 145 2501**

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***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 Prospectus and Key Investor Information Document is available free of charge using the contact details above. Before making an investment in the fund, it is important that you read the Prospectus and Key Investor Information Document. 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 SIMs internal analysis which may have not been verified by independent sources. They are subject to change and should not be interpreted as investment advice. Sector Investment Managers Ltd and Marlborough Fund Managers Ltd are authorized and regulated by the Financial Services Authority.