

# JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

Update September 2013

## FUND PERFORMANCE

### Bid to Bid since launch:

10.10.04-30.9.13: **+62.0%**

31.8.13-30.9.13: **+2.6%**

### 12 months discrete:

30.9.12-30.9.13: **-10.4%**

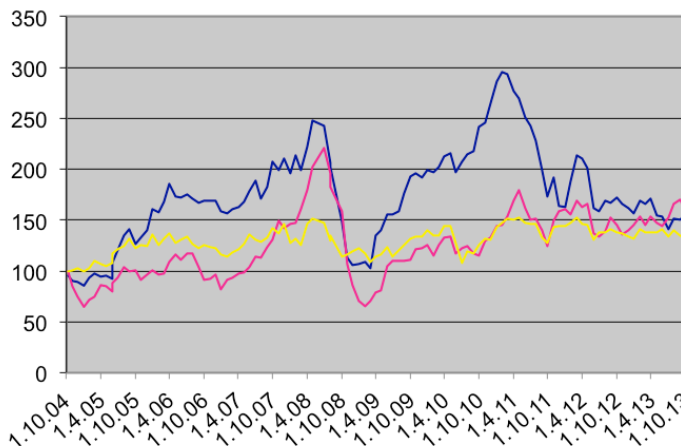
30.9.11-30.9.12: **-0.4%**

30.9.10-30.9.11: **-28.3%**

30.9.09-30.9.10: **+25.6%**

30.9.08-30.9.09: **+29.5%**

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



### Comparative Performance: 10.10.04-30.9.13

Sector Investment Managers Ltd



## 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 30 September 2013:** £27.7 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. Questerre Energy	9.5%
2. Parex Resources	6.8%
3. Iona Energy	6.0%
4. Caza Oil & Gas	5.8%
5. Cooper Energy	5.6%
6. Xcite Energy	5.6%
7. Otto Energy	4.4%
8. Circle Oil	4.3%
9. Serica Energy	4.3%
10. Parkmead Group	4.2%
Total Top 10	56.5%

As at 30 September 2013

## 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.

**16 October 2013**

Dear Investor,

The US Congress has reached an agreement, in the eleventh hour, to kick the can down the road and review America's over-indebted situation again in the New Year. Markets have largely expected this so there was not any great impact on commodity prices. Oil, in particular, has retained much of its risk premium in spite of some progress in the Syrian situation and the Iranian negotiations on nuclear capability.

We believe what is more important for the oil price is the global supply-demand situation. The International Energy Agency announced recently that the Gulf states are producing more oil than ever before despite surging production in North America from the shale revolution. It seems that production from other Opec members has dropped significantly due to political and social unrest. The IEA asserted that "the Middle East is and will remain the heart of the global oil industry for some time to come" when reporting that US crude production has increased by 50% since 2008. The increased supply appears to have been met by growing demand from China that has, this year, become the largest net importer of oil in the world. In our view, it is likely that oil prices will continue the longer-term rising trend as demand outstrips new supply.

Higher oil prices should be good news for companies controlling sizeable reserves. We have noticed a return in confidence among investors towards smaller capitalization shares. The rotation out of the larger-caps into oversold and undervalued small-caps we have been expecting for some time now may have started. This is also evidenced by corporate activity. In the Junior Oils Trust portfolio we had the take-over approach to Bridge Energy, a core holding, at a 41% premium to the last closing price. Even though we believe that the offer significantly undervalues the company, we felt that there was strong support among the Board and other shareholders so we sold our stake at a price very near the bid offer. The capital raised was re-invested in two new holdings. Africa Oil was added early in September as it has had excellent progress in its development drilling in Kenya and our new investment has performed well since with a 20% gain. Another new holding is Salamander Energy that we purchased after the shares fell to a five-year low on a disappointing drilling result. Salamander now trades at just over two times its annual cash flow and still has a highly prospective development programme for next year. Once the shock of the disappointing drilling results is overcome, its shares should recover. The fund's largest holding, Questerre Energy, has been the star performer in the last two months with a gain of about 40% as the market has started realizing its tremendous production growth potential.

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:**

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[www.sectorinvestments.com](http://www.sectorinvestments.com)

**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 Conduct Authority.