

# JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

**11**  
**YEARS**  
**TRACK**  
**RECORD**

Update August 2015

## FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.8.15: -28.3%

31.7.15-31.8.15: -13.9%

12 months discrete:

31.8.14-31.8.15: -61.6%

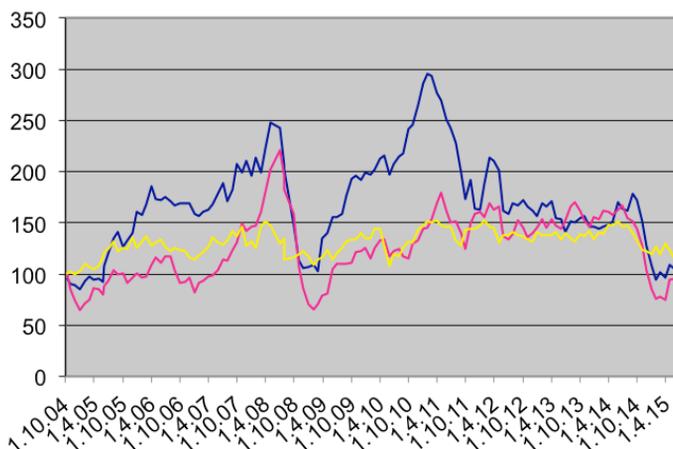
31.8.13-31.8.14: +18.2%

31.8.12-31.8.13: -9.8%

31.8.11-31.8.12: -15.8%

31.8.10-31.8.11: -8.8%

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



**Comparative Performance:**  
**10.10.04-31.8.15**  
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 SIPP's**

**Benchmark:** FTSE 350 Oil & Gas Index

**Net asset value at 31 August 2015:** £10.1 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	9.4%
2. Carnarvon Petroleum	7.0%
3. Victoria Oil & Gas	4.7%
4. Parkmead Group	4.6%
5. Xcite Energy	4.5%
6. Faroe Petroleum	4.2%
7. Cooper Energy	4.2%
8. Gran Tierra Energy	4.2%
9. Yangarra Resources	4.0%
10. Bowleven	3.8%
Total Top 10	50.6%

As at 31 August 2015

## 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.

**15 September 2015**

Dear Investor,

On 10 September, the Energy and Power Subcommittee of the U.S. House of Representatives passed a bill to repeal the 40 year old ban on U.S. oil exports. Whilst this is a first step that will form part of a wider legislative schedule that will likely take some time to be implemented, it highlights the pressure building up behind the need to liberalise U.S. oil trading. It should ultimately result in convergence of prices between Brent and WTI with any differentials reflecting quality and transportation costs. The US Gulf refineries would be incentivised to change their set-up to reduce reliance on heavier imported crudes and trade flows from the North-Sea and West Africa would be diverted towards the faster growing Chinese markets.

August has proven a turbulent month for global equities. Oil prices saw unprecedented volatility, along with all industrial commodities, as China intervened to shore up its crashing stock market. The fall of oil to six and a half year lows sparked debates about the “lower for longer” scenario and the implications for higher cost producers. Many companies have been shielding behind forward hedges that, on average, expire by early next year. Completions of wells drilled under last year’s capital programmes have kept production rates high. This is unlikely to be sustainable given the dramatic cut in capital expenditure and fall in drilling rig utilisation. The International Energy Agency now expects non-Opec production to decline by over half a million barrels a day in 2016. On the demand side, the IEA and Opec have both maintained their expectations for strong growth in demand for next year and this is likely to be revised again as lower prices have stimulated consumption.

The medium term outlook for oil prices, in our view, points to a recovery towards the world average sustainable cost of \$75/bbl. Given market volatility and speculative investment flows, recovery will not develop in a straight line but it appears that the lower point was tested in August. In the meantime, investors should stay with the better capitalised producers, with lower marginal cost of production and a sustainable model. Most of the Junior Oils Trust portfolio is invested in such companies that stand to benefit from any recovery. Our fund’s largest holding, FAR Ltd, has been a notable outperformer as its partner drilling programme offshore Senegal progresses on schedule. FAR reported it had \$43.5m in cash at the end of June and this should be enough to cover its share of costs in the next two wells. At a Market Cap of about A\$260m, its share of the two remarkable discoveries of last year looks grossly undervalued. Our second largest holding, Carnarvon Petroleum, currently has in excess of A\$100m in the bank and a royalty on the recently divested producing asset in Thailand that may be valued at about A\$30m. At a market cap of A\$102m, shareholders get the Phoenix discovery, which established a new light oil offshore province in NW Australia last year for nothing. Situations like these only present themselves in irrational, extremely stressed periods such as in the current oil market.

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:***

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.

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