

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

11
YEARS
TRACK
RECORD

Update September 2015

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-30.9.15: -27.6%

31.8.15-30.9.15: +1.0%

12 months discrete:

30.9.14-30.9.15: -60.0%

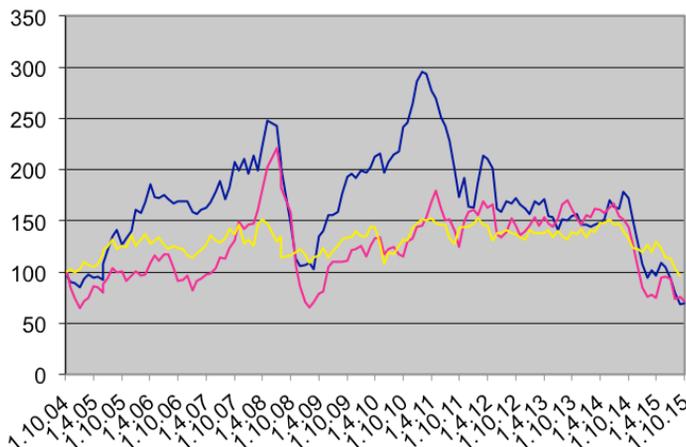
30.9.13-30.9.14: +11.6%

30.9.12-30.9.13: -10.4%

30.9.11-30.9.12: -0.4%

30.9.10-30.9.11: -28.3%

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



Comparative Performance:
10.10.04-30.9.15
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

'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 SIPPs

Benchmark: FTSE 350 Oil & Gas Index

Net asset value at 30 September 2015: £10.0 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	10.6%
2. Carnarvon Petroleum	7.3%
3. Serica Energy	6.0%
4. Victoria Oil & Gas	5.8%
5. Parkmead Group	4.8%
6. Gran Tierra Energy	4.6%
7. Faroe Petroleum	4.2%
8. Cooper Energy	4.0%
9. Yangarra Resources	3.9%
10. Bowleven	3.7%
Total Top 10	54.9%

As at 30 September 2015

HOW TO INVEST

Call Marlborough Fund Managers:

0808 145 2501

For further information and documentation visit:

www.junioroils.com or
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.

12 September 2015

Dear Investor,

In the second quarter of the year, oil executives were confident that the worst was behind and reviewed their business in a new, lower oil price environment, expected to remain around \$60/ barrel for the foreseeable future. August and September brought renewed volatility and a dramatic dip to the \$40/bbl level, introducing bewilderment and great uncertainty in the industry. Capital expenditure plans are now being re-worked, bankers have drawn firm lines on debt availability and some companies are scrambling to sell assets to shore up their balance sheets. Nevertheless, most Acquisition and Divestiture brokers indicate that the gap between what investors are willing to pay and the valuations expected by oil companies is wide.

The valuation conundrum is most pronounced in the public equities space. With share prices trading at extreme low levels, investors seem to have thrown out the baby with the bath water. A notable example among the holdings in the Junior Oils Trust portfolio is Serica Energy. Having closed the Erskine acquisition in June, it was evident that the company had secured significant, low risk production at a very attractive multiple. Nevertheless, its shares remained languishing until September when the company announced the official production volumes for the first four months of its beneficial ownership. Realising the obvious undervaluation, investors poured in more than doubling the share price in less than a month. Two other examples of deep undervaluation exist, in our view, among the fund's two largest holdings. Our largest position, FAR Ltd, is expecting results of a two well appraisal programme on last year's large discoveries off shore Senegal. Notwithstanding the fact that, at some point in the future, the company will need to raise more equity to finance its share of development costs, its share price grossly undervalues the economic interest in such world-class oil finds. The near term drilling results will hopefully demonstrate the economic significance with more precise oil-in-place estimates. Our second largest position, Carnarvon Petroleum, currently trades at a Market Capitalisation of about A\$110 million. Perhaps investors have overlooked that the company has approximately A\$100m in cash, a royalty on the recently divested producing assets in Thailand that we value at about \$30m, and a fully carried \$70m appraisal drilling programme in last year's Phoenix discovery offshore NW Australia which opened up a new, light oil district. Such opportunities, it seems to us, only present themselves in deeply stressed market conditions.

Our outlook for the oil price remains constructive. Despite lower economic growth expectations from China, the IEA still expects Chinese oil demand to grow over the next two years. Low oil prices have started a supply crunch, with North American volumes dropping rapidly and even Opec expects its members' production to drop in the next year. In our view, it will not be long before oil regains the longer-term sustainable level of \$75/bbl. During the evolution of pricing, the over-sold, unloved and misunderstood smaller oil shares are likely to stage a significant re-rating rally.

Please watch our latest interview on oil, China and smaller oil shares by pasting the following link to your browser:

<https://www.youtube.com/watch?v=EdoJMIrqNpc>

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: www.junioroils.com or www.sectorinvestments.com

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.

This material is directed only at persons in the UK and is not an offer or invitation to buy or sell securities. 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 Key Investor Information Document. Prospectus and Key Information Document are available free by visiting the websites above. Sector Investment Managers Ltd and Marlborough Fund Managers Ltd are authorised and regulated by the Financial Conduct Authority.