

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

11
YEARS
TRACK
RECORD

Update December 2015

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.12.15: **-40.5%**

30.11.15-31.12.15: **-14.4%**

12 months discrete:

31.12.14-31.12.15: **-47.6%**

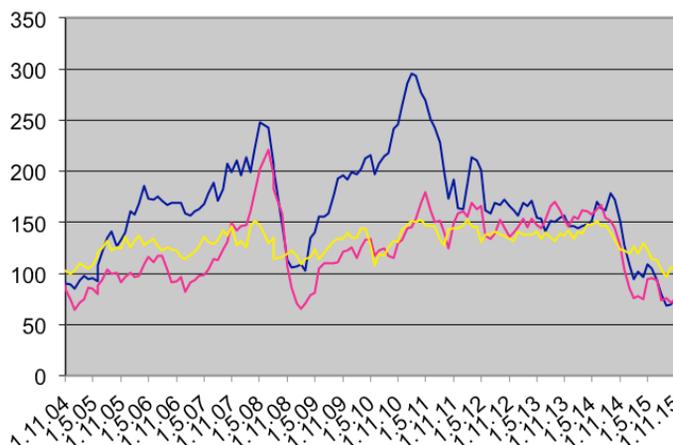
31.12.13-31.12.14: **-25.7%**

31.12.12-31.12.13: **-6.9%**

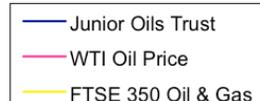
31.12.11-31.12.12: **-3.7%**

31.12.10-31.12.11: **-43.1%**

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



Comparative Performance:
10.10.04-31.12.15
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 31 December 2015: £8.3 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 despite higher short-term volatility
- Emphasis on production and proven reserves
- Avoid political and pure exploration risks

TOP 10 HOLDINGS

Company	% of Fund
1. FAR Ltd	13.5%
2. Carnarvon Petroleum	9.0%
3. Serica Energy	5.6%
4. Gran Tierra Energy	5.0%
5. Cooper Energy	5.0%
6. RMP Energy	4.5%
7. Pan Minerals Oil & Gas	4.1%
8. Bowleven	4.1%
9. Faroe Petroleum	3.9%
10. Victoria Oil & Gas	3.5%
Total Top 10	58.2%

As at 31 December 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.

15 January 2016

Dear Investor,

First of all, we would like to wish you all a very happy and prosperous New Year,

It would be an understatement to say that 2016 did not start well for oil investors. The price of the commodity plumed new 12-year lows, surpassing those at the height of the global financial crisis in 2008-9. Oil companies have been struggling throughout last year to control their capital budgets as their cash flow continued to drop as well as deal with their liabilities to creditors and suppliers. The reality of \$30 per barrel oil is likely to be savage on the leveraged entities. Banks have already started the pressure to sell assets and improve balance sheets and some oil related junk bonds trade as low as a few cents on the dollar. Even the larger, better capitalised companies have not been immune and have started cutting their dividends. It appears we are in the perfect storm for the industry.

The Junior Oils Trust has suffered in the general sell-off of oil equities but has also had some excellent news from its two largest holdings just before Christmas. Cairn Energy, the leading partner to FAR Ltd and operator in Senegal announced that its third well had found commercial oil that further strengthens the viability of the project. The news helped FAR outperform in a generally negative market. Similarly, Carnarvon Petroleum, our second largest holding, announced that the Roc-1 well in which it is fully carried had discovered liquids-rich gas in a reservoir with good permeability. Even though the result indicates that the new find is not connected with the Phoenix South-1 discovery of 2014, it demonstrates an active and potentially commercial hydrocarbon system. The rest of the fund's portfolio is concentrated in oil producing companies with quality assets. The market, nevertheless, is at present taking a dim view on the prospects of all oil companies until oil prices recover to higher levels.

In terms of the prospects for the oil price, we have been reading research from the biggest brokers and industry participants in an attempt to establish the facts that are likely to drive prices over the medium term. It is very clear to us that the longer we stay at current levels, the higher prices are likely to be in a year's time. According to our research, we believe that: (i) Big production regions have decelerated in 2015 and will start contracting in the next few months; (ii) Iran is the only potential large source of supply growth and its capacity is questionable; (iii) Base declines, historically running at 8.4% as a global average, are set to accelerate due to the cut-backs in capex; (iv) the market was oversupplied at the rate of 1.6 million barrels per day (mbpd) in 2014 and 0.9 mbpd in 2015, but demand grew by 1.8mbpd last year, far quicker than expected; (v) supply growth is likely to be flat at best in 2016 while demand could rise by a further 1.3mbpd. It is likely, therefore, that we will start seeing draws on over-bloated oil inventories by the 4th quarter and the market starting to anticipate higher prices again. This is likely to be a once in a decade buying opportunity and we are adjusting the fund's portfolio accordingly.

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.

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