

# JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

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

Update January 2016

## FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.1.16: -41.4%

31.12.15-31.1.16: -1.5%

12 months discrete:

31.1.15-31.1.16: -40.7%

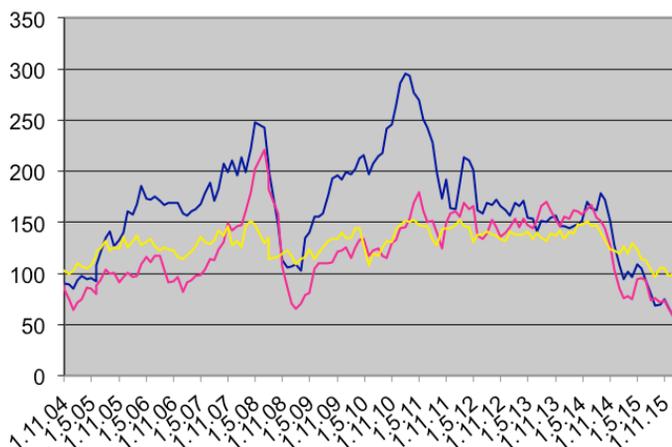
31.1.14-31.1.15: -34.5%

31.1.13-31.1.14: -14.6%

31.1.12-31.1.13: -10.2%

31.1.11-31.1.12: -36.4%

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



**Comparative Performance:**  
**10.10.04-31.1.16**  
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 January 2016:** £8.1 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 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	12.4%
2. Carnarvon Petroleum	7.8%
3. Serica Energy	6.2%
4. Gran Tierra Energy	5.7%
5. RMP Energy	4.9%
6. Cooper Energy	4.7%
7. Tamarack Valley	3.9%
8. Faroe Petroleum	3.9%
9. Bowleven	3.6%
10. Parkmead Oil	3.6%
Total Top 10	56.7%

As at 31 January 2016

## 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.

**10 February 2016**

Dear Investor,

I write this update from Calgary, the oil capital of North America. While here we meet with lots of companies, brokers and economists who are invariably in despair. Most domestic projects do not make economic sense at sub-\$30/barrel and corporates with large debts and other liabilities are struggling to keep their creditors at ease. The companies in which we hold stakes via the Junior Oils Trust appear to be in a relatively stronger position, with manageable debts and generating free cash flow. Capital expenditure budgets, nevertheless, have been slashed to the minimum required to keep operations at a reasonable level. We concur with this strategy as it does not make much sense to produce valuable reserves at the highest rate and sell to the market for a very small margin. Better to keep as much as possible behind for the times when the oil price recovers again.

There is some debate about OPEC's inscrutable strategy and whether Saudi Arabia intentionally aims to destroy higher cost North American oil supply. We disagree with this view, rather thinking that Saudi Arabia has simply decided that Opec is unable to control prices anymore. Even during the times of \$100/ barrel oil, most of its minor members overproduced, breaching their quotas. The potential drop in oil prices was probably underestimated and, at current levels, most of the economically weaker producing countries are unable to cut production as this would further damage their economic budgets.

The result of lower oil prices has been one of massive capital destruction among producers around the world. Alongside the highly leveraged American companies, countries such as Venezuela, Brazil and Russia feel the pain the most, getting closer to default on their debts. The North American shale business has not been damaged beyond repair, nevertheless. Resources are known, technology has improved with large productivity gains and the cost of extraction has dropped substantially over the past four to five years. When enough supply from the higher marginal cost fields around the world has been shut down, oil prices will rise again and fresh capital will return to North America first, as it presents the most price-elastic project opportunities, turning production back on. The question is one of timing. In the meantime, preservation of reserves and corporate flexibility is top of the agenda. It clearly is the buying opportunity of a decade for those investors with fresh capital to deploy. In the Junior Oils Trust, we constantly monitor the portfolio holdings to preserve the reserve value and the operational capacity to benefit from the rise in oil prices which should not be too far away.

Please watch our 4th February interview with IG on oil and smaller oil shares by pasting the following link to your browser:

[https://www.youtube.com/watch?v=2MQWkt2pj\\_A](https://www.youtube.com/watch?v=2MQWkt2pj_A)

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