

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

11
YEARS
TRACK
RECORD

Update April 2016

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-30.4.16: -24.8%

31.3.16-30.4.16: +12.0%

12 months discrete:

30.4.15-30.4.16: -33.9%

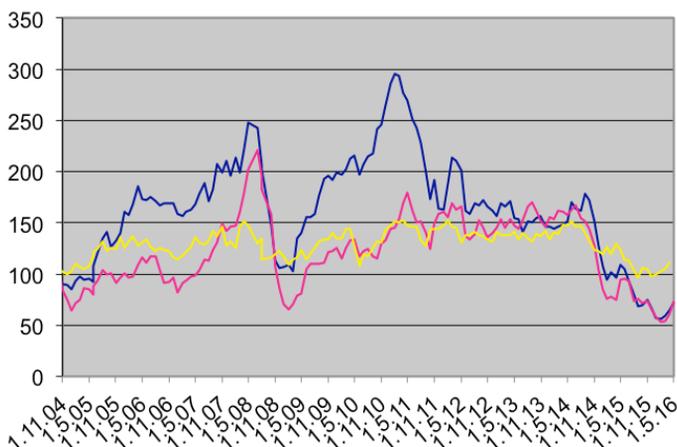
30.4.14-30.4.15: -28.3%

30.4.13-30.4.14: -1.7%

30.4.12-30.4.13: -23.4%

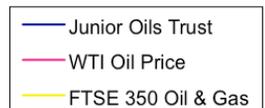
30.4.11-30.4.12: -25.5%

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



Comparative Performance:
10.10.04-30.4.16

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 SIPP's

Benchmark: FTSE 350 Oil & Gas Index

Net asset value at 30 April 2016: £11.5 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. RMP Energy	7.0%
2. FAR Ltd	6.9%
3. Serica Energy	6.3%
4. Carnarvon Petroleum	6.1%
5. Cooper Energy	5.6%
6. Gran Tierra Energy	5.0%
7. Yangarra Resources	4.8%
8. Pine Cliff Energy	4.5%
9. Faroe Petroleum	4.2%
10. Tamarack Valley	3.9%
Total Top 10	54.3%

As at 30 April 2016

HOW TO INVEST

Call Marlborough Fund Managers:

0808 145 2501

For further information and documentation visit:

www.junioroils.com or
www.sectorinvestments.com

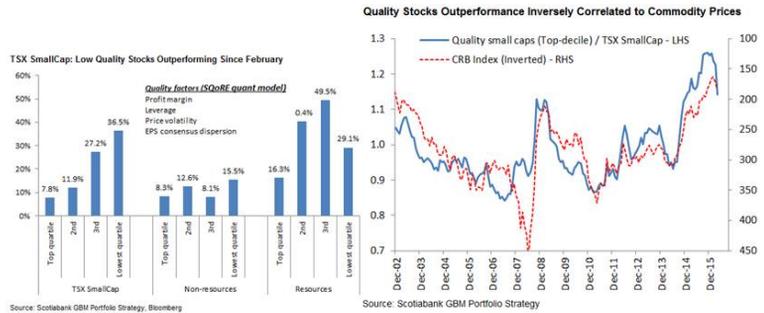
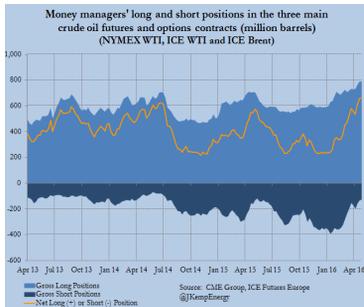
Risk Considerations:

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.

6 May 2016

Dear Investor,

Oil has recovered poise, bouncing off the lows of \$26.50 seen in February to trade some 66% higher, with WTI at \$44 today. Whilst there are reports of record long positions among hedge funds and speculators, as the chart shown below left suggests, the data on oil inventories paint a bearish picture, at least for the short-term. What is interesting is that storage appears to have shifted from on-shore to off-shore, with a record number of super-tankers employed as floating tanks. All this oil is likely to be delivered to markets in the short term, hence the reason the forward curve of oil prices is now in backwardation. Nevertheless, oil production out of North-America, the most price-elastic part of the market, continues to fall and at some point the supply-demand balance will tip, causing sustainably higher prices for the commodity. The gas prices have also rebounded off the earlier lows by a smaller 28% with the warmer spring weather dampening demand. This may be another indicator of the market adjusting the usage of hydrocarbons in the energy chain based on relative economics.



The two charts shown in the middle and right above from Scotia Bank's research team show that, historically, smaller capitalisation stocks, classified as "low quality" tend to outperform in an environment of rapidly recovering commodity prices and their performance is actually inversely correlated to the CRB index. These charts are based on Canadian stock data but provide a useful indicator of the rerating potential in our segment. Whilst this is intuitive, especially given smaller caps' underperformance in the last two years, it is challenging for investors to increase portfolio exposure in the face of so many difficult situations and insolvencies. The key selection criteria should still be balance sheet strength, growth prospects and funding availability to deliver development projects.

The Junior Oils Trust has seen some recovery in March with a rise of 12% in its value. Investors continue to be cautious on their exposure to oil companies, large and small, given the clouded picture of the forward oil price curve. The fund's exposure in Canadian shares has continued to outperform, as this most price-elastic end of the industry adjusts to the lower price curve. We remain confident in the re-rating potential of the fund's portfolio in the medium term.

Please watch our 4th February interview with IG, still relevant today, by pasting the following link to your browser:

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 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.