

# JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

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

Update May 2016

## FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.5.16: -31.6%

30.4.16-31.5.16: -9.0%

12 months discrete:

31.5.15-31.5.16: -37.7%

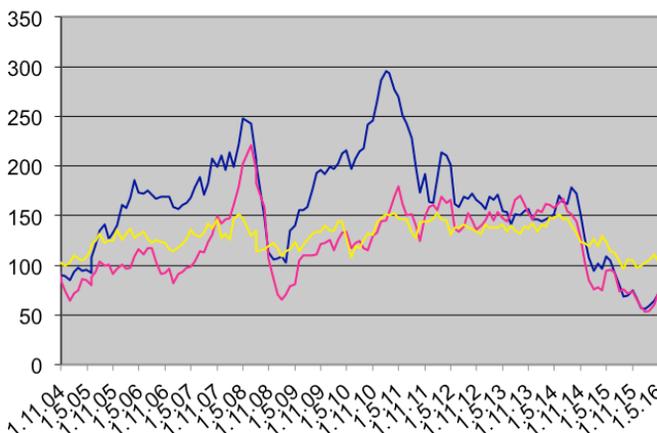
31.5.14-31.5.15: -38.4%

31.5.13-31.5.14: +10.7%

31.5.12-31.5.13: -5.2%

31.5.11-31.5.12: -35.4%

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



Comparative Performance:

10.10.04-31.5.16

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 May 2016:** £10.6 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	7.1%
2. Carnarvon Petroleum	6.8%
3. Serica Energy	6.0%
4. RMP Energy	5.3%
5. Cooper Energy	5.2%
6. Yangarra Resources	5.2%
7. Gran Tierra Energy	4.7%
8. Faroe Petroleum	4.2%
9. Pine Cliff Energy	4.1%
10. Tamarack Valley	3.9%
Total Top 10	52.5%

As at 31 May 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.

15 June 2016

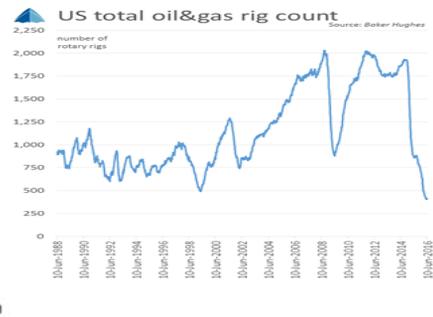
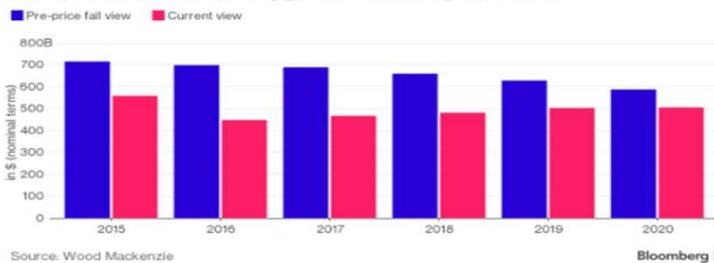
Dear Investor,

The International Energy Agency has revised its estimate for global oil demand growth in the first quarter to 1.6 million barrels per day and for the whole of 2016 to 1.3mbpd from the previous expectation of 1.2mbpd. For 2017, the IEA forecasts that growth in demand will be equal to this year's, mainly driven by non-OECD countries. On the supply side, global production fell by over 1 million barrels a day to around 95mbpd, short of the current demand rate of 96.7mbpd. This analysis was also supported by the OPEC forecast issued this week which expects its production to fall short of expected demand in the second half of 2016, for the first time in over three years.

Global oil inventories remain at record levels, nevertheless, keeping a lid on prices. In fact, with the Brexit concerns weighing on global economic growth expectations, oil prices fell back below \$50/bbl in the beginning of June. Stock builds have been slower recently but there is still a lot of oil to be delivered to market. The industry's appetite for project developments, therefore, continues to be weak. Wood Mackenzie forecasts that about US\$740 billion in development expenditure will be cut between 2015 and 2022, most of which out of North America, while exploration budgets will shrink by another \$300 billion during the same period. As a result, WoodMac's expectation of future supply is 3% less than its previous forecast. The two charts below show the dramatic adjustment in capital budgets since the oil price drop and the consequent impact on drilling rigs employment.

### Slashing Capex

Development, exploration spending gets slashed following oil price drop



These recent reports reinforce our conviction that the catastrophic price drop in the oil price is creating the conditions for significantly higher prices in the medium term, with a larger spike dependent on geopolitical events. Nevertheless, as investors, we continue to believe that the best returns will be offered by producing companies controlling the most economic projects at current prices. A few select development projects of significant size and relatively lower marginal cost are likely to attract the scarce budgets, while ambitious exploration plays will probably remain on the shelf for the foreseeable future. This is the general portfolio positioning of the Junior Oils Trust and we remain optimistic that, as the market becomes more confident of the supply-demand outlook, smaller shares will again attract attention.

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](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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