

# JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

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

Update July 2016

## FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.7.16: -30.2%

30.6.16-31.7.16: -0.0%

12 months discrete:

31.7.15-31.7.16: -16.1%

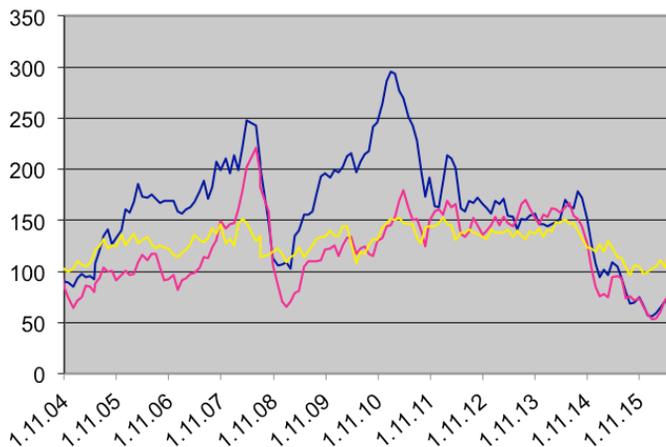
31.7.14-31.7.15: -51.0%

31.7.13-31.7.14: +7.0%

31.7.12-31.7.13: -10.5%

31.7.11-31.7.12: -25.9%

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



**Comparative Performance:**  
**10.10.04-31.7.16**  
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 "C":** £1,000 or £100 per month

**Eligible for NISAs and SIPPs**

**Benchmark:** FTSE 350 Oil & Gas Index

**Net asset value at 31 July 2016:** £11.1 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. Carnarvon Petroleum	8.7%
2. FAR Ltd	7.4%
3. Serica Energy	7.3%
4. Cooper Energy	6.2%
5. Pine Cliff Energy	5.8%
6. Yangarra Resources	5.4%
7. RMP Energy	4.4%
8. Painted Pony	4.4%
9. Gran Tierra Energy	3.8%
10. Faroe Petroleum	3.7%
Total Top 10	57.1%

As at 31 July 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 August 2016

Dear Investor,

Oil prices have felt the effects of Brexit and slowing global economic growth in July, dropping back to the low - \$40s per barrel range. OPEC has been pumping at record levels, making up for declines in North America where capital expenditure cuts have had the largest effect. Nigeria and Iran have also increased production while US and Canadian production declines are bottoming. The supply picture is, therefore, becoming steadier with a moderately growing profile into 2017. However, the greater supply uncertainty is the medium term impact on the less price elastic, larger marginal projects such as the Brazilian ultra-deep basins that were supposed to feed growth in demand over the next decade. These projects have been stalled and are unlikely to be restarted unless the oil price rises well above \$75/barrel.

On the demand side, despite economic growth challenges, slowing Chinese strategic petroleum reserve fills and Eurozone uncertainties, the IEA still forecasts 1.3m barrels per day growth for next year. The chart below indicates the reducing imbalance pointing to a potential deficit in early 2017:

	ANNUAL BALANCE [K BPD]					ANNUAL CHANGE [K BPD]				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Global Supply	93,735	96,369	96,375	97,079	98,874	2,393	2,634	6	704	1,795
Global Demand	92,877	94,731	96,083	97,458	98,800	972	1,854	1,352	1,375	1,343
S/D	858	1,638	292	(379)	74	1,421	780	(1,346)	(671)	452

Source: Macquarie Bank

Global equity markets appear to have taken Brexit in their stride, with the main US equities indices rising to new all-time highs. We believe this is driven by a combination of money printing, continued low interest rates and lack of investment alternatives. In the process, oversold oil shares have started recovering from recent weakness. The larger and mid-cap shares have performed the best in the Year To Date, discounting higher oil prices in the medium term, while the smaller caps have been more muted. As is typical in a transition from a dramatic down cycle, investors are awaiting confirmation of a trend change before smaller companies become attractive again. We believe that this process has started in the second half of the year and is likely to accelerate into 2017 as oil prices respond to a supply-demand shortfall. The Junior Oils Trust is well positioned to benefit from a general re-rating of smaller oil companies. Our top two holdings of recent new discoveries, Carnarvon Petroleum and FAR Ltd continue to re-rate as the value is proved up and are outperforming the rest of the portfolio. Our third largest, Serica Energy is closing the valuation gap with its peers as the growth in production and solid reserves becomes apparent.

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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