

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

12
YEARS
TRACK
RECORD

Update August 2016

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.8.16: -23.6%

31.7.16-31.8.16: +9.4%

12 months discrete:

31.8.15-31.8.16: +6.6%

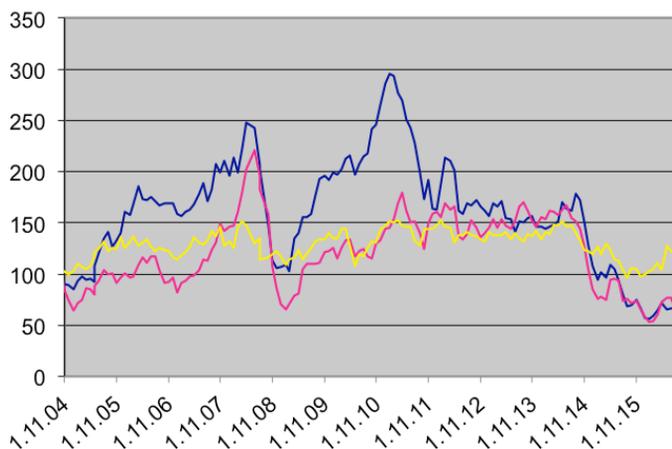
31.8.14-31.8.15: -61.6%

31.8.13-31.8.14: +18.2%

31.8.12-31.8.13: -9.8%

31.8.11-31.8.12: -15.8%

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



Comparative Performance:
10.10.04-31.8.16
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 August 2016: £12.1 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. Serica Energy	7.8%
2. Carnarvon Petroleum	7.4%
3. Cooper Energy	7.1%
4. FAR Ltd	6.4%
5. Yangarra Resources	5.8%
6. Africa Oil	5.0%
7. Bowleven	4.7%
8. Painted Pony	4.2%
9. Gran Tierra Energy	3.7%
10. Tamarack Valley	3.5%
Total Top 10	55.6%

As at 31 August 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:

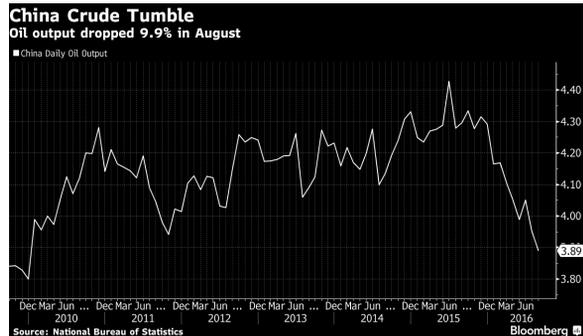
The fund invests in smaller companies which may carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and more volatile over shorter term periods. Changes in exchange rates between currencies may cause the value of investments to diminish or increase. The fund focuses on a specific sector and has a concentrated portfolio which can lead to greater volatility.

14 September 2016

Dear Investor,

This month we are celebrating the 12th anniversary of our Junior Oils Trust. Whilst it has been disappointing that smaller capitalisation companies have suffered such extreme share price falls following the catastrophic collapse of oil since 2014, we remain committed to our model of investing in exploration and production companies operating in politically safe territories. As the global oil industry rebalancing develops, we expect oil prices to rise significantly from current levels, offering improved profitability to our portfolio companies and a strong re-rating in their share prices.

Bloomberg recently reported that Chinese crude output last month fell by nearly 10% to the lowest level in six years as many of its higher cost fields get shut-in. The world's fifth biggest producer expects its domestic oil production to decline further while its imports rose to a four-month high in August according to data from the National Bureau of Statistics. The report supports our belief that the massive cuts in capital expenditure across the world are likely to have a longer-lasting impact on future supplies. Oil fields that are shut-in are difficult to re-start, with potential issues on productivity and well performance. In our view, as supply drops and demand continues to grow, the world will likely face a new shortage of oil, propelling prices higher. We believe that the supply response to a rise in oil prices will be, at that time, held back for two reasons (i) the natural time lag between an increase in capital expenditure and the rise in production that can take years and (ii) the human reluctance to take excessive risks in the aftermath of such catastrophic damage inflicted on the industry in the last couple of years. Management teams will likely be pushed back by cautious Boards and banks will not allow leveraging to the same level as before. The industry is set for constrained capital conditions for several years to come.



Among the fund's portfolio holdings there have been some outstanding recent performers. Serica Energy continued its strong re-rating as investors appreciated its solid fundamental value and growth potential. Carnarvon Petroleum has been fortunate to find strong indications of large hydrocarbon accumulations with its latest well. Cooper Energy has made good progress towards financing its Sole Gas project in the Gippsland Basin, South-East Australia; as the region is severely short in natural gas supplies, prices trade at a large premium making this project highly cash generative. Finally, investors have taken comfort from the financial performance of Yangarra Resources, a Canadian shale oil and gas producer, to re-rate its shares. We recently introduced a new holding in Africa Oil, a late-stage developer in Kenya and neighbouring territories discounting some concerns over regional political risks. Its recent joint venture with Maersk Oil has confirmed the attractiveness and viability of a project that could be valued many times over the company's market capitalisation. Overall, we believe that smaller companies have under-performed their larger peers in the Year to Date and should catch-up as oil prices recover and investors gain more confidence in the sector and the longer-term picture.

Please watch our 8th September interview with IG by pasting the following link to your browser:

<https://www.youtube.com/watch?v=cS.JhOAcH0Hc>

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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