

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

12
YEARS
TRACK
RECORD

Update September 2016

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-30.9.16: -22.0%

31.8.16-30.9.16: +2.2%

12 months discrete:

30.9.15-30.9.16: +7.8%

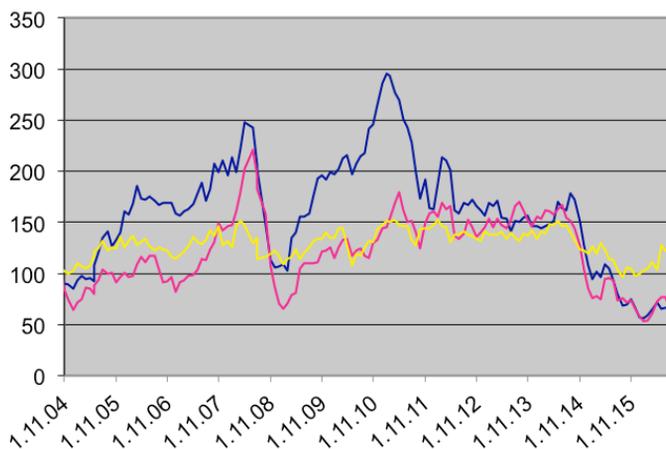
30.9.14-30.9.15: -60.0%

30.9.13-30.9.14: +11.6%

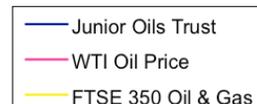
30.9.12-30.9.13: -10.4%

30.9.11-30.9.12: -0.4%

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



Comparative Performance:
10.10.04-30.9.16
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 30 September 2016: £12.5 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. Cooper Energy	8.9%
2. Carnarvon Petroleum	7.7%
3. Serica Energy	6.4%
4. FAR Ltd	6.3%
5. Yangarra Resources	5.9%
6. Africa Oil	4.9%
7. Geopark	4.3%
8. Bowleven	4.1%
9. Painted Pony	3.9%
10. Gran Tierra Energy	3.8%
Total Top 10	56.2%

As at 30 September 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:

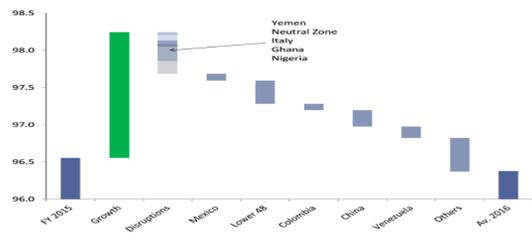
The fund invests in smaller companies which may carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and more volatile over shorter term periods. Changes in exchange rates between currencies may cause the value of investments to diminish or increase.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

12 October 2016

Dear Investor,

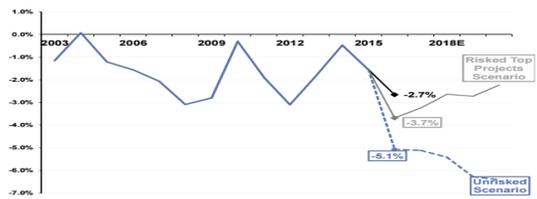
Oil prices have continued to strengthen through September and early October as the supply-demand balance trends towards equilibrium. Despite the end of the driving season and the refinery maintenance period, oil inventories have reported some sizeable draws, in most cases much larger than what was expected by analysts. Even though we are still in an over-supplied market, the rebalancing has finally started to come through. The exhibits below indicate that US shale (lower 48 states) has been the single largest contributor to production declines but some longer-term producers have seen accelerating contraction, in particular China, Colombia, Mexico and Venezuela. After two years of low prices and major hiatus in the oil industry, we believe that the global marginal cost of production has fallen and much of the possible efficiencies have been extracted, resulting in a healthier corporate environment. Oil companies have raised more than \$30 billion in new equity in the year to date, more than double what they raised in 2015, and are now reworking their development strategies. Ultimately, drilling activity in North America is set to accelerate as oil prices rise through \$55/barrel. Nevertheless, the longer term impact on global "base" production is yet to be felt as exhibit 2 indicates. Whilst it appears that the actual base decline has been less than expected, we believe that the effect of the trillion dollar cuts in capital expenditure is yet to be felt. The North American operators have rebalanced and are set to respond first to price rises with increased drilling activity but the rest of the world is still gripped by lack of funding and unwillingness to invest. Further declines in base production will likely drive supply into shortage over the next few years.

Exhibit 1: Excluding disruptions, declines through July come predominantly from 5 countries
Sources of supply growth/decline of oil, NGL's and non-conventional oil in mn b/d



Source: IEA, Goldman Sachs Global Investment Research

Exhibit 2: "Base" declines have come in significantly lower than we forecasted through July
Forecast base decline in Top project vs. actual (in black)



Source: Goldman Sachs Global Investment Research

The Junior Oils Trust has seen better performance in the last couple of months, as smaller capitalisation oil shares catch-up with the outperforming larger caps. Some notable success has come from Cooper Energy that continues to successfully promote its gas project in South-East Australia and Carnarvon Petroleum that announced a promising oil discovery. Questerre Energy, one of our long-term holdings, has benefited from the approval of a new hydrocarbons law in Quebec that should allow it to develop its vast gas reserves. We have added a new holding in Geopark, a Latin-American focused producer that has managed to restructure its balance sheet and grow production whilst lowering costs under challenging conditions. Some low-risk drilling should further drive growth and the re-rating of its shares. The fund's portfolio is overweight in solid, high conviction plays and further diversification should drive performance over the next twelve months.

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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