

# JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

**12**  
**YEARS**  
**TRACK**  
**RECORD**

Update November 2016

## FUND PERFORMANCE

### 'C' Bid to Bid since launch:

10.10.04-30.11.16: -21.7%

31.10.16-30.11.16: -7.1%

### 12 months discrete:

30.11.15-30.11.16: +12.6%

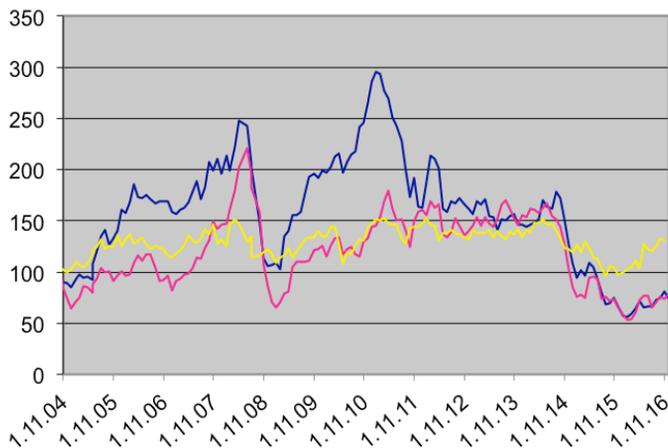
30.11.14-30.11.15: -48.0%

30.11.13-30.11.14: -12.5%

30.11.12-30.11.13: -9.7%

30.11.11-30.11.12: -1.4%

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



**Comparative Performance:**  
**10.10.04-30.11.16**  
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 November 2016:** £13.1 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. Cooper Energy	7.5%
2. Carnarvon Petroleum	7.4%
3. Geopark	5.5%
4. FAR Ltd	5.4%
5. Questerre Energy	5.4%
6. Serica Energy	5.0%
7. Yangarra Resources	5.0%
8. Africa Oil	4.3%
9. Painted Pony	4.3%
10. Bowleven	3.8%
Total Top 10	53.6%
As at 30 November 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.

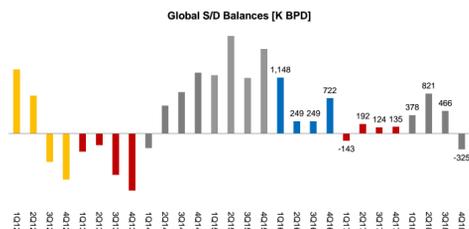
14 December 2016

Dear Investor,

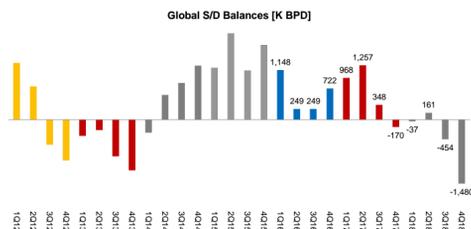
It seems that Saudi Arabia finally realised that its staunch rhetoric since 2014 against supply management was detrimental to its interests. Assuming that its original agenda was to harm high-cost producers, principally North American shales, the effect was an exaggerated sell-off in oil prices that hurt its own fiscal budget. There has undoubtedly been much damage inflicted on many oil producing areas around the world, as there have been more than 1.5 trillion dollars of spending cut, most of it affecting exploration and development projects. The impact of this is likely to be felt in years to come. Opec and non-Opec producers finally agreed in November, under Saudi Arabia's leadership, to cut production by as much as 1.6 million barrels per day. As the charts from Macquarie Bank research bellow illustrate, the effect is likely to balance the market from early next year. A drawdown in inventories will come first as refiners work through stock tanks followed by the natural decline of mature fields. The question in many industry participants' mind is whether Opec members will comply with the decision given their poor history in this respect. Even if we assume 50% compliance, nevertheless, we should welcome a more active management of the world's production. As the chart to the right indicates, we could have been dragging an oversupplied market well into 2018.

The development has given oil companies a fresh outlook and more confidence in planning their operations. North American conventional and unconventional on-shore has responded first, given its high elasticity to prices. Other areas will likely take longer to react and will probably wait until prices have firmly established a new, higher level. We know that net supply had started dropping rapidly even before the Opec decision and the nascent growth in drilling activity is unlikely to reverse that. We therefore believe that Opec has simply smoothed-out the future supply-demand balance and this is welcome news in a heavily battered industry.

2017 market largely rebalanced after OPEC cuts



How would balances have looked without OPEC action?



Source: IEA, Macquarie Capital (USA), Macquarie S-D Model, November 2016

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The Junior Oils Trust has been on a rapid recovery path this year. Smaller capitalisation oil shares are catching up with their larger peers as improving fundamentals encourage investors to seek value. Our long-term holding in Questerre Energy has particularly benefited from the approval of a new hydrocarbons law in Quebec that should allow it to develop its vast gas reserves. The fund's portfolio is overweight in solid, high conviction plays and the higher oil prices and growing investor interest in the sector is likely to drive further re-rating over the next twelve months. We would like to take the opportunity to wish our investors a Merry Christmas and a happy and prosperous New Year.

Angelos Damaskos  
Chief Executive Officer



For dealing/inquiries on Junior Oils Trust call Marlborough Fund Managers: 0808 145 2501

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**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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