

# JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

**14**  
**YEARS**  
**TRACK**  
**RECORD**

Update January 2019

## FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.1.19: -21.5%

28.12.18-31.1.19: +8.3%

12 months discrete:

31.1.18-31.1.19: -3.7%

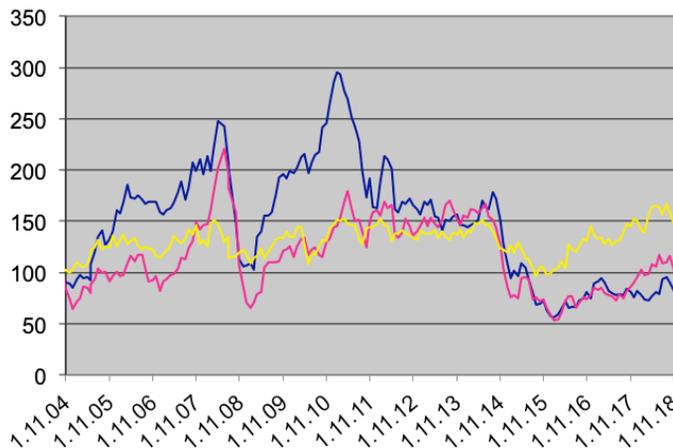
31.1.17-31.1.18: -14.8%

31.1.16-31.1.17: +63.3%

31.1.15-31.1.16: -40.7%

31.1.14-31.1.15: -34.6%

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



Comparative Performance:

10.10.04-31.1.19

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 January 2019:** £8.9 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 NAV
1. Carnarvon Petroleum	11.4%
2. Cooper Energy	6.0%
3. FAR Limited	5.2%
4. Ophir Energy	5.0%
5. President Energy	4.2%
6. Africa Oil International	4.0%
7. Parkmead Group	3.6%
8. Soco International	3.5%
9. Questerre Energy	3.4%
10. Torc Oil & Gas	3.2%
Total Top 10	49.5%
As at 31 January 2019	

## 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.

Dear Investor,

The oil markets have been fairly muted in the past two weeks after the price recovery seen in early January. It seems that the current consensus for the average Brent price in 2019 lies between \$65/bbl (Wood Mackenzie) and \$70/bbl (Bernstein). The latest world economic growth forecast from the IMF for 2019 has been revised down to 3.5% from 3.7%. Importantly, the IMF has maintained its forecast for Chinese and US growth unchanged. Even though China reports growth at the lowest pace since 2009, we have to bear in mind that its economy has grown substantially larger over the last decade. A smaller percentage of a larger number is still large in absolute terms. India, on the other hand, is experiencing rapid growth in its urbanising economy. Notwithstanding weakening global economic conditions, what is important for the oil market is that China and India are expected to increase their demand for oil at the largest rates in the world, according to the most recent Opec estimates.

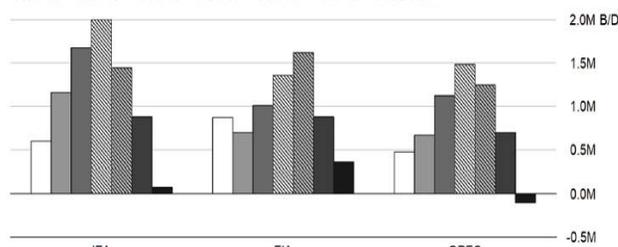
Table 4 - 2: World oil demand in 2019\*, mb/d

	2018	1Q19	2Q19	3Q19	4Q19	2019	Change 2019/18	
							Growth	%
Americas	25.49	25.46	25.64	26.01	25.90	25.76	0.26	1.03
of which US	20.72	20.82	20.85	21.14	21.02	20.96	0.24	1.15
Europe	14.33	13.98	14.19	14.75	14.47	14.35	0.02	0.13
Asia Pacific	8.04	8.53	7.61	7.68	8.23	8.01	-0.03	-0.34
<b>Total OECD</b>	<b>47.87</b>	<b>47.98</b>	<b>47.44</b>	<b>48.44</b>	<b>48.61</b>	<b>48.12</b>	<b>0.25</b>	<b>0.53</b>
Other Asia	13.68	13.91	14.21	13.75	14.31	14.05	0.37	2.70
of which India	4.74	5.03	4.93	4.58	5.18	4.93	0.19	-4.05
Latin America	6.53	6.39	6.53	6.87	6.52	6.58	0.05	0.81
Middle East	8.11	8.25	8.01	8.47	7.96	8.17	0.06	0.74
Africa	4.33	4.46	4.43	4.37	4.48	4.44	0.11	2.45
<b>Total DCs</b>	<b>32.64</b>	<b>33.01</b>	<b>33.19</b>	<b>33.46</b>	<b>33.27</b>	<b>33.23</b>	<b>0.59</b>	<b>1.80</b>
FSU	4.82	4.75	4.74	5.03	5.11	4.91	0.09	1.87
Other Europe	0.74	0.75	0.71	0.75	0.84	0.76	0.02	2.69
China	12.71	12.61	13.18	12.99	13.42	13.05	0.34	2.67
<b>Total "Other regions"</b>	<b>18.27</b>	<b>18.11</b>	<b>18.63</b>	<b>18.77</b>	<b>19.37</b>	<b>18.72</b>	<b>0.45</b>	<b>2.46</b>
<b>Total world</b>	<b>98.78</b>	<b>99.10</b>	<b>99.26</b>	<b>100.67</b>	<b>101.25</b>	<b>100.08</b>	<b>1.29</b>	<b>1.31</b>

Note: \* 2019 = Estimate and 2019 = Forecast.  
Totals may not add up due to independent rounding.  
Source: OPEC Secretariat.

APPROACHING BALANCE

IF IMPLEMENTED FULLY, OPEC OUTPUT WILL BRING THE OIL MARKET CLOSE TO BALANCE IN 1H19  
 □AUG-18 □SEP-18 □OCT-18 □NOV-18 □DEC-18 ■JAN-19 ■FULL CUT



SOURCE: BLOOMBERG, IEA, EIA, OPEC  
 NOTE: GLOBAL SUPPLY VS GLOBAL DEMAND, ASSUMING NO CHANGE IN OPEC OUTPUT FROM THE MOST RECENT MONTH'S LEVEL, EXCEPT FOR THE "FULL CUT" COLUMN WHICH ASSUMES IRAN, LIBYA AND VENEZUELA REMAIN UNCHANGED WHILE OTHERS IMPLEMENT FULL CUTS.

Forecasts of oil supply and demand expectations from the three most credible institutions, International Energy Agency (IEA), Energy Information Administration (EIA) and Opec have also been revised. All three see supply dropping rapidly as the Opec output cuts get implemented and expect the market to be evenly balanced in the next few months. From there on, it is a matter of the supply response from the rest of the world in an environment of \$60-\$70/bbl oil. Data show that the drilling rig activity in North America has dropped significantly in the last four months and most companies have announced strict capital discipline, with spending trimmed well within expected cash-flow. The latest evidence of this attitude was provided by Apache Corporation, one of the most growth oriented integrated oil companies in the world, that dropped its capital expenditure budget for 2019 to \$2.4 billion from its previous guidance of \$3bn. It is also significant that Rystad Energy, the independent oil & gas consulting firm, noted that it believed only the largest of operators in the Permian basin (the growth engine of US oil production) are able to recover the cost of drilling and a 20% return over a 3 year period at current oil prices, while smaller companies will need to merge to survive or sell themselves.

In the current sentiment, it is unsurprising that smaller capitalisation shares are ignored with only the integrated majors attracting slight interest. The percentage of energy companies in the S&P 500 index remains at a historical low. Among smaller, exploration and production focused companies, only those with promising projects, operating in stable territories and backed by a solid balance sheet perform well. The Junior Oils Trust portfolio has been well positioned, under the circumstances, with over 15% of its NAV locked in cash as a result of takeover activity - that of Faroe Petroleum just completed and Ophir pending shareholder vote. We expect to deploy the proceeds of this activity in the next few months, taking advantage of low valuations in the market.

Angelos Damaskos  
 Chief Investment 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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