

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

15
YEARS
TRACK
RECORD

Update February 2020

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.11.04-29.2.20: -41.8%

31.1.20-29.2.20: -19.4%

12 months discrete:

28.2.19-29.2.20: -39.7%

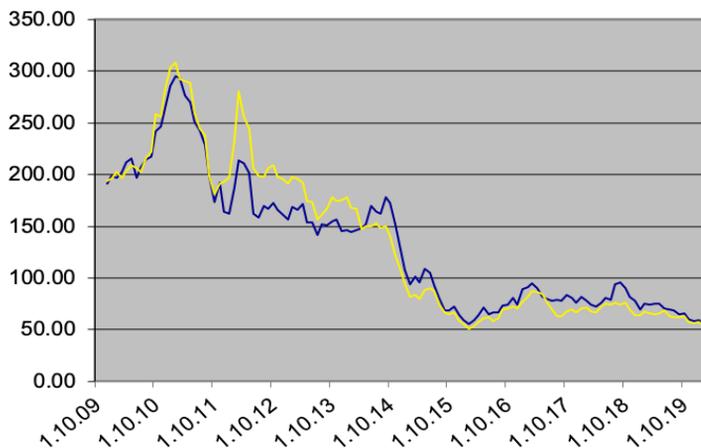
28.2.18-28.2.19: +0.4%

28.2.17-28.2.18: -21.8%

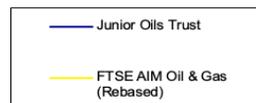
29.2.16-28.2.17: +64.1%

28.2.15-29.2.16: -43.2%

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



Comparative Performance:
31.10.09-29.2.20
Sector Investment Managers Ltd



Data Sources:
Bloomberg,
Morningstar

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 ISAs and SIPPs

Benchmark: FTSE AIM Oil & Gas Index

Net asset value at 29 February 2020: £4.4 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. Advantage Oil & Gas	5.3%
2. Strike Energy	4.6%
3. Wentworth Resources	4.5%
4. TORC Oil & Gas	4.3%
5. FAR Ltd	3.5%
6. Tamarack Valley Energy	3.4%
7. Freehold Royalties	3.2%
8. Prairiesky Royalty	3.1%
9. Whitecap Resources	3.1%
10. Kelt Exploration	3.0%
Total Top 10	38.0%

As at 29 February 2020

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.

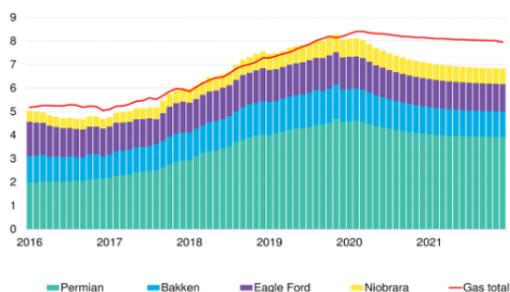
12 March 2020

Dear Investor,

The World Health Organisation has now declared the Covid-19 viral infection a pandemic. As China appears to have arrested the spread of infection by extreme restrictions on social contact in certain areas, Italy has locked down movement of people and many services in the whole country, the United States have prohibited all flights from Europe and other countries have initiated programmes of social distancing to prevent the spread of the disease. It is becoming clear that the world is sliding into an economic recession as disruption in supplies slows manufacturing and consumers stay at home, only spending on essentials. The freight and air transport sectors are being hit hard and demand for oil, which is primarily used for transportation fuels, has plummeted. Saudi Arabia was initially encouraging other Opec members and Russia to act by cutting production in an effort to balance the market. In response to Russia's refusal, the cartel's de-facto leader decided to "punish" Russia by increasing its production to the maximum thereby causing a more than 30% drop in crude prices. It seems that the intention of both Russia and Saudi Arabia is to deal a significant blow to the US shale industry and inhibit the growth in its production.

This miscalculated and ill-conceived strategy is unlikely, in our view, to succeed. Whilst it is true that shale operators rely on higher prices to sustain production and finance it profitably, most have hedged materially for the next 6-18 months. It would take a prolonged price weakness to cause a substantial rise in defaults and, in the meantime, both Saudi and Russian state budgets would suffer significantly. Even if a prolonged low-price environment caused a large drop in US production, it would recover quickly once prices rose again. It is likely that the question will soon become whether it is preferable to Opec+Russia members to gain market share with weak fundamentals or face a popular revolt as their social programmes get curtailed. This will also become a more pressing matter in the face of dealing with the consequences of the spreading pandemic.

Production decline from major shale basins at current oil prices
Oil production (million b/d)



Estimated Permian Basin Break-Even



Source: Bloomberg

Source: Bloomberg, NBF Energy

In the short-term, the outlook for all oil companies has become extremely strained and many have already revised down capital spending plans and cut dividend payments. As North American unconventional operators are the most price elastic, the drop in production will be swift but they also retain an ability for the quickest response to the commodity's price recovery. In the meantime, oil equities have been hit hard across the board. Under the circumstances, patience and perseverance is a sensible strategy for holdings in the sector. As governments and central banks seek to stimulate a flagging economy, capital spending would support demand for oil over the medium term. When the world finally deals with the pandemic it will be back to work as before.

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 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. This material is issued by Sector Investment Managers Ltd, is directed only at persons in the UK and is not an offer or invitation to buy or sell securities. Opinion expressed whether in general or both on the performance of individual securities and in a wider economic context represents the views of Sector Investment Managers Ltd at the time of preparation based on SIM's internal analysis which may have not been verified by independent sources. They are subject to change and should not be interpreted as investment advice. Before making an investment in the fund, it is important that you read the Key Investor Information Document. Prospectus and Key Information Document are available free by visiting the websites above. Sector Investment Managers Ltd and Marlborough Fund Managers Ltd are authorised and regulated by the Financial Conduct Authority.