



# Junior Oils Trust

## Short Report

For the period from 1st September 2013 to 28th February 2014

## **Fund Details**

### **Junior Oils Trust**

#### **Manager and Registrar**

Marlborough Fund Managers Limited  
Marlborough House  
59 Chorley New Road  
Bolton  
BL1 4QP

Customer Support: 0808 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority

#### **Trustee**

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

#### **Investment Adviser**

Sector Investment Managers Limited  
67 Grosvenor Street  
London  
W1K 3JN

Authorised and regulated by the Financial Conduct Authority

#### **Auditors**

Barlow Andrews LLP  
Carlyle House  
78 Chorley New Road  
Bolton  
BL1 4BY

## JUNIOR OILS TRUST

### GENERAL INFORMATION

<b>Investment Objective</b>	To provide long-term capital growth from a global portfolio of small to medium capitalisation companies specialising in oil exploration and production. There may be occasions in light of adverse market conditions where the Investment Manager chooses to hold high levels of bonds and government securities.
<b>Risk Profile</b>	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.
<b>Risk Warning</b>	The past is not necessarily a guide to future performance. Investments and the income derived from them can fall as well as rise and the investor may not get back the amount originally invested. The Fund is subject to an initial charge and consequently charges are not made uniformly throughout the period of the investment. Changes in exchange rates between currencies may cause the value of the investment to diminish or increase. The Fund invests in smaller companies which carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and their performance more volatile over shorter time periods. The Fund has a concentrated portfolio which means greater exposure to a smaller number of securities than a more diversified portfolio. The Fund focuses on a specific sector which can lead to greater volatility.
<b>Reports and Accounts</b>	The purpose of sending this Short Report is to present you with a summary of how the Fund has performed during the accounting period in accordance with the FCA rules. If you wish to request further information, the more detailed long form report is available. For a copy please write to Marlborough Fund Managers Ltd, Marlborough House, 59 Chorley New Road, Bolton BL1 4QP or telephone customer services on 0808 145 2500.
<b>Change in Prospectus</b>	<p>From 13 December 2013, class P shares became available for purchase.</p> <p>Up to date key investor information documents, the prospectus and manager's reports and accounts for any fund within the manager's range, can be requested by the investor at any time.</p>

## JUNIOR OILS TRUST

### AUTHORISED INVESTMENT ADVISER'S REPORT

For the six month period ended 28 February 2014

#### Percentage change to 28 February 2014

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch**</u>
Junior Oils Trust	-2.79%	-11.84%	-50.07%	42.90%	46.59%

External Source of Economic Data: Morningstar (bid to bid, net income reinvested)

\*\* launched 10.10.2004

The six months reported on have been poor for smaller oil companies investors. The Junior Oils Trust had another weak period losing 2.79% of its value while its benchmark, the FTSE 350 Oil & Gas index rose by 4.1% in the six months to 28 February 2014. The market has not been favourable towards smaller oil & gas companies. Whilst the world focused on the shale revolution in America, it appears that investors decided to pause funding for exploration or development in many other geographies. We believe that the consensus thinking was that, if there is so much oil and gas becoming available in North America that could potentially fully supply the market for years to come, why would one risk precious dollars in risky developments elsewhere? As a result, larger capitalisation, North-American operators focusing in unconventional oil rose significantly in value in the last six months.

We believe that the impact of shale resources on world supply has been over-estimated and that the re-rating of most shale operators has grossly over-shot the higher levels of reasonable valuation metrics. The International Energy Agency has recently warned about the negative impact of the shale euphoria and the consequent capital starvation in the international development of conventional reserves. China has, this year, become the world's largest oil importer and its demand for energy continues to grow rapidly. Consumption of oil has also grown in the Middle-East, Africa and Latin America as well as in the United States. Even though, therefore, it is a relief that the world will not run-out of oil for many years to come, new supply needs higher prices to be produced economically and it is likely that it will just satisfy the growth in demand. The Middle-East, the world's most prolific and lowest cost producing region, suffers from acute social and geopolitical instability that is likely to continue to add a risk premium on the price of Brent oil. We, therefore, believe it unlikely that the Brent price will fall below \$100/ barrel in the next twelve months. There is a significant probability, nevertheless, that a deterioration in geopolitics could push prices much higher.

Some big successes during the period included Parex Resources and the Parkmead Group but were overshadowed by weak performance in the rest of the portfolio. Nevertheless, we believe that as the North American unconventional shares have been over-valued, it is likely that the market will now focus on international conventional plays next. We continually monitor and re-position the portfolio in companies that are viable, sustainable and prospective regardless of market conditions. Among our criteria, balance-sheet strength, management experience and size of resources located in safe political territories are likely to support outperformance over the medium term. We believe that there is significant potential for a rerating in the fund's portfolio during the current year.

Angelos Damaskos

Investment Adviser

8 April 2014

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## JUNIOR OILS TRUST

### Portfolio Changes

For the six month period ended 28 February 2014

Purchases	Cost (£)	Sales	Proceeds (£)
Salamander Energy	1,050,423	Bridge Energy	1,597,105
Serica Energy	387,000	Iona Energy	613,859
Edge Resources	320,000	Trioil Resources	594,673
Neon Energy	183,371	Questerre Energy (NOK)	491,190
Oilex	116,590	Africa Oil	463,727
		Circle Oil	441,860
		Questerre Energy (USD)	416,932
		Parex Resources	401,320
		Xcite Energy	329,340
		Parkmead Group	213,508
		Rocksource	125,039
		Cooper Energy	121,215
		Norwegian Energy	29,510
Total purchases for the period	2,057,384	Total sales for the period	5,839,278

### TOP TEN HOLDINGS AS AT 28 FEBRUARY 2014

	%
Parex Resources	7.79
Cooper Energy	7.40
Parkmead Group	7.02
Caza Oil & Gas	5.56
FAR	5.26
Salamander Energy	4.33
Otto Energy	4.18
Questerre Energy (CAD)	4.16
Questerre Energy (NOK)	4.16
Faroe Petroleum	4.14

### TOP TEN HOLDINGS AS AT 31 AUGUST 2013

	%
Parex Resources	6.54
Iona Energy	6.25
Caza Oil & Oil Energy	6.22
Cooper Energy	6.08
Xcite Energy	5.47
Questerre Energy (NOK)	4.74
Serica Energy	4.55
Parkmead Group	4.54
Faroe Petroleum	4.29
Questerre Energy (CAD)	4.22

## JUNIOR OILS TRUST

### FUND FACTS

#### Launched Accumulation Units

10 October 2004 at 100p

On 12 March 2012 the Class I units became available for purchase. On 13 December 2013, class P units became available for purchase.

<b>Accounting Dates</b>	(Final)	31 August
	(Interim)	last day of February

<b>Distribution Dates</b>	(Final)	31 October
	(Interim)	30 April

<b>Minimum Investment</b>	Class C	£1,000
	Class I	£50,000
	Class P	£1,000,000

<b>IMA Sector</b>	Specialist
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<b>Ongoing Charge Figure as at 28 February 2014</b>	Class C 1.84%	Class I 1.34%	Class P 1.19%*
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<b>Ongoing Charge Figure as at 31 August 2013</b>	Class C 1.84%	Class I 1.33%
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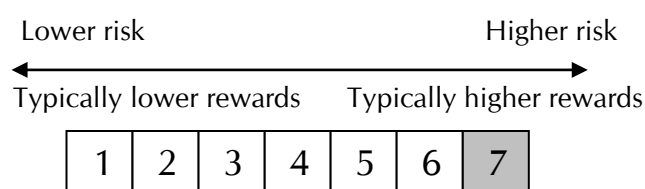
\* 13 December 2013 to 28 February 2014

The ongoing charge figure is based on expenses for the year, except as indicated above. The ongoing charge figure has been annualised to give a more accurate representation of the true costs over one year

This figure may vary from year to year. It excludes:

- Performance fees
- Portfolio transaction costs, except in the case of an entry/exit charge paid by the Fund when buying or selling units in another collective investment scheme.

### SYNTHETIC RISK AND REWARD INDICATOR



The risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the fund. It is calculated based on the volatility of the fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used.

This Fund has been measured as 7 because it has experienced very high volatility historically.

## JUNIOR OILS TRUST

### SUMMARY OF FUND PERFORMANCE

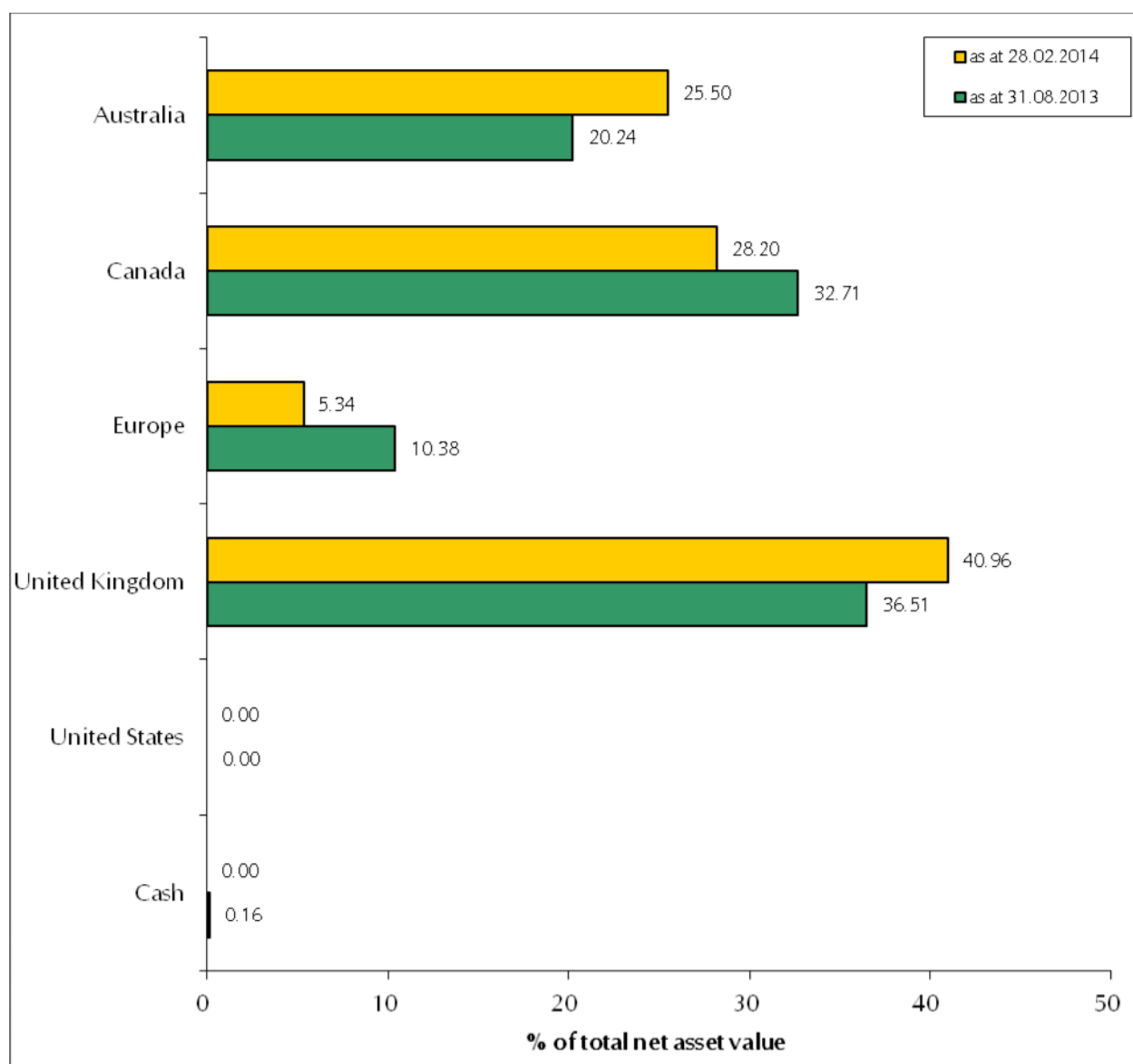
Year	Share Class	Unit Type	Highest Price	Lowest Price	Distribution Per Unit
2009	Class C	Accumulation	218.04p	98.73p	-
2010	Class C	Accumulation	302.40p	187.87p	-
2011	Class C	Accumulation	324.54p	153.51p	-
2012	Class C	Accumulation	229.82p	153.82p	-
2013	Class C	Accumulation	187.61p	135.87p	-
2014*	Class C	Accumulation	162.38p	143.72p	-
2012	Class I	Accumulation	218.80p	161.52p	-
2013	Class I	Accumulation	195.49p	146.42p	-
2014*	Class I	Accumulation	164.25p	152.91p	-
2013**	Class P	Accumulation	158.70p	152.12p	-
2014*	Class P	Accumulation	165.55p	155.10p	-

\*up to 28 February 2014

\*\* for the period 13 December 2013 to 31 December 2013

Date	Class	Net Asset Value of Scheme Property	Number of Accumulation Units in Issue	Net Asset Value Per Accumulation Units
31 August 2011		£43,401,850	22,379,924	193.93p
31 August 2012	Class C	£37,538,443	22,411,342	167.50p
31 August 2012	Class I	£503,963	290,658	173.39p
31 August 2013	Class C	£26,534,743	17,576,937	150.96p
31 August 2013	Class I	£494,242	313,276	157.77p
28 February 2014	Class C	£22,354,961	15,230,499	146.78p
28 February 2014	Class I	£447,192	290,794	153.78p
28 February 2014	Class P	£38,696	25,114	154.09p

GEOGRAPHICAL PORTFOLIO BREAKDOWN





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Intermediary

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