JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

12 YEARS TRACK RECORD

Update December 2016

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.12.16: -6.6%

30.11.16-31.12.16: +19.3%

12 months discrete:

31.12.15-31.12.16: +56.9%

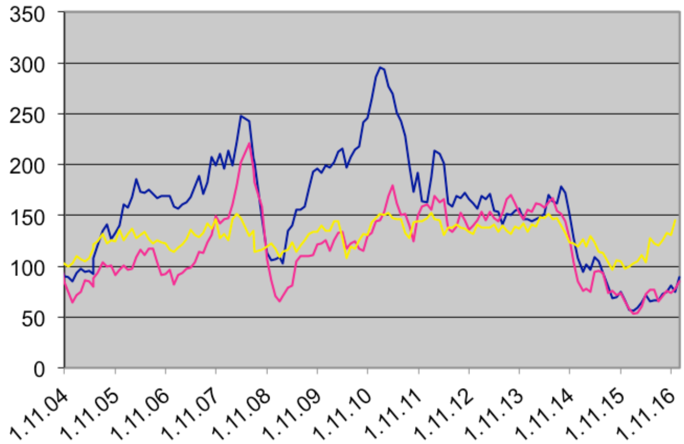
31.12.14-31.12.15: -47.6%

31.12.13-31.12.14: -25.7%

31.12.12-31.12.13: -6.9%

31.12.11-31.12.12: -3.7%

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



Comparative Performance:
10.10.04-31.12.16
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 31 December 2016: £15.4 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 Fund
1. Questerre Energy	10.1%
2. Cooper Energy	6.9%
3. Ophir Energy	6.3%
4. Yangarra Resources	6.2%
5. Carnarvon Petroleum	5.9%
6. Africa Oil	5.4%
7. FAR Ltd	5.1%
8. Serica Energy	4.6%
9. Faroe Petroleum	4.1%
10. Painted Pony	3.7%
Total Top 10	58.3%

As at 31 December 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.

15 January 2017

Dear Investor,

The year 2016 undoubtedly presented one of the most volatile and unpredictable periods for energy markets. After crashing to a low of $26.4 per barrel of WTI crude in February, the price staged a significant rally ending the year at $53.77/bbl, 45% higher than at the start of the year. The FTSE 350 Oil & gas index rose by 48.4%, with the oil majors recovering some of the value lost since the catastrophic collapse in 2014-2015. Interestingly, our Junior Oils Trust started outperforming its benchmark around mid-year, as investors looked again at smaller capitalisation companies for better relative value, helping the fund deliver a more attractive 56.9% return for the calendar year. The strong performance has continued in the first two weeks of the New Year.

Geopoltical developments dominated news in the past twelve months, with Brexit and the Trump US presidential victory presenting two major, unexpected events. As far as the oil markets were concerned, nevertheless, the biggest catalyst was the change in rhetoric by Saudi-Arabia and their initiative in steering Opec and a few large Nopec producers to agree to a supply cut. This change in stance provided a significant boost to oil prices in the closing months of the year, if only by removing a large short interest by speculators. It is debatable whether Saudi Arabia changed its tune because it realised that supply is set to decline anyway or to save its national budget from further deficits. In reality, it is widely understood that North American shale is set to respond to price rises with increased drilling activity and firmer production. Elsewhere, nevertheless, the over 1.5 trillion dollars cut from capital expenditure in the last two years has stopped exploration and development drilling and put projects for marginal plays, such as the Brazilian pre-salt deposits and the Canadian tar-sands, on the shelf. It is supply declines from those sources, along with inefficient regions such as Venezuela, Mexico and the Former Soviet Union that will mop-up any growth in shale and new exports from countries like Iran, Iraq and Libya. In a recent comprehensive report, HSBC sums up the likely supply deficit developing in the forth-coming four years:

HSBC global oil supply/demand balance

	2013	2014	2015	2016e	2017e	2018e	2019e	2020e
Demand								
OECD	46.0	45.8	45.9	46.2	46.1	46.0	45.7	45.5
Non-OECD	45.4	46.9	48.6	49.6	50.7	51.8	52.8	53.9
Global demand	91.3	92.7	94.5	95.8	96.8	97.7	98.5	99.4
Demand growth	1.0%	1.4%	2.0%	1.3%	1.1%	0.9%	0.8%	0.9%
Supply								
Non-OPEC*	53.0	55.5	57.1	56.2	56.0	56.5	56.5	56.3
of which US tight oil	*3.7*	*4.7*	*5.3*	*4.8*	*4.7*	*5.3*	*5.6*	*5.9*
OPEC NGLs	6.4	6.5	6.6	6.8	6.9	7.0	7.1	7.2
Non-OPEC & OPEC non-crude	**59.5**	**62.0**	**63.6**	**63.0**	**63.0**	**63.5**	**63.6**	**63.5**
OPEC crude production	**31.7**	**31.0**	**32.2**	**33.2**	**33.3**	**34.1**	**34.5**	**34.4**
Global supply	**91.2**	**93.0**	**95.8**	**96.2**	**96.2**	**97.6**	**98.1**	**97.9**
Implied inventory build/(draw)	**-0.2**	**0.3**	**1.3**	**0.5**	**-0.6**	**-0.1**	**-0.5**	**-1.5**
Call on OPEC crude	31.9	30.7	30.9	32.7	33.8	34.2	35.0	35.9
Annual changes, mbd								
Global demand	0.9	1.3	1.9	1.2	1.0	0.9	0.8	0.8
Non-OPEC supply	1.5	2.5	1.5	-0.8	-0.2	0.5	0.0	-0.1
Non-OPEC & OPEC NGL supply	1.5	2.5	1.6	-0.6	-0.1	0.5	0.1	-0.1
Call on OPEC	-0.6	-1.2	0.2	1.9	1.1	0.4	0.7	1.0
OPEC crude production	-0.9	-0.7	1.2	1.0	0.0	0.8	0.4	0.0

*Includes global biofuels, processing gains etc.
Source: BP, IEA, US EIA, HSBC estimates

We remain optimistic that the worst in the oil markets is behind us and we will likely see a steady rising trend in oil prices over a long period. As a result, smaller companies with proven reserves, growing production and material development potential, should attract investors' interest, thus enjoying a re-rating of their share prices.

We would like to thank our investors for the confidence vested in us and hope that 2017 will be happy and prosperous.

Angelos Damaskos
Chief Executive Officer

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

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