JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

12 YEARS TRACK RECORD

Update June 2017

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-30.6.17: -18.6%

31.5.17-30.6.17: -3.3%

12 months discrete:

30.6.16-30.6.17: +16.6%

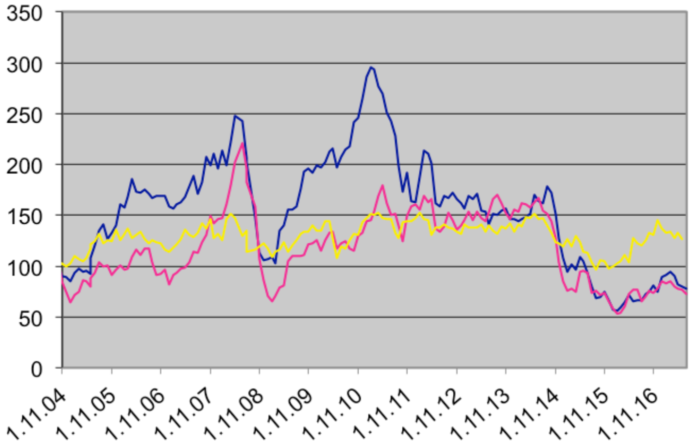
30.6.15-30.6.16: -28.5%

30.6.14-30.6.15: -43.0%

30.6.13-30.6.14: +15.7%

30.6.12-30.6.13: -10.9%

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



Comparative Performance:
10.10.04-30.6.17
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 June 2017: £12.1 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. Questerre Energy	9.7%
2. Cooper Energy	8.4%
3. FAR Ltd	6.9%
4. Carnarvon Petroleum	5.9%
5. Ophir Energy	5.7%
6. Africa Oil	4.8%
7. Painted Pony	4.4%
8. Pantheon Resources	4.3%
9. Faroe Petroleum	4.2%
10. Tamarack Valley	4.0%
Total Top 10	58.3%

As at 30 June 2017

HOW TO INVEST

Call Marlborough Fund Managers:

0808 145 2501

For further information and documentation visit:
www.junioroils.com **or**
www.sectorinvestments.com

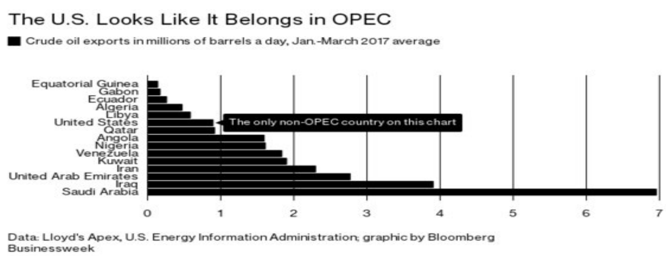
Risk Considerations:
The fund invests in smaller companies which may carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and more volatile over shorter term periods. Changes in exchange rates between currencies may cause the value of investments to diminish or increase. The fund focuses on a specific sector and has a concentrated portfolio which can lead to greater volatility.

14 July 2017

Dear Investor,

Oil has been having a tough time in recent months as supply remains strong and US inventories stubbornly high. It appears to us that current market sentiment is focusing on narrow metrics, in particular the rise in North American production, which is driven by price-elastic shale producers that have enjoyed strong efficiency gains and have taken the opportunity earlier in the year to hedge at above $50/bbl. Furthermore, a lot of attention has been drawn to the rise of electric vehicles (EVs) and the ambitious forecasts of manufacturers such as Tesla. Many commentators argue that with apparently vast availability of shale oil and an impending substitution of gasoline by EVs, the Opec cuts in production are failing to balance the market. We believe that such expectations ignore the natural decline rate of global production and the growth in demand for oil which the IEA reported accelerating to 1.5 million barrels per day in the second quarter.

On the supply side, projections by the EIA, the IEA and Opec all point to substantial non-Opec growth this year. Increased shipments from Nigeria, Libya and Iraq have also added to supply. It has become clear, in the scheme of things, that the Opec cuts initially succeeded in boosting oil prices but, in the process, encouraged an increase in production especially by short-cycle unconventional fields that off-set the cuts. The US has emerged as one of the largest producers that are not an Opec member, except Russia. What is less clear is the effect the large cuts in capital expenditure are having on future supply. The most accurate forecasters expect a substantial drop in production from mature fields that could accelerate from next year given the time lag between investment and delivery to market.



Attempting to forecast oil prices in the short term has become a futile exercise. With the leading equity markets reaching for new all-time highs and the current herd-like focus on the largest tech stocks, oil shares are the worst performing sector this year, driving valuations to even lower levels to those seen in early 2016 when oil hit $26/bbl. In the meantime, the market has ignored rising geopolitical tensions in the most prolific oil-producing regions. Iran is launching missiles into Syria, there is joint political action against Qatar by its neighbours and Russia and the US continue to argue, not to mention North Korea's nuclear missile threat. Any unexpected escalation of risk will likely trigger a rapid change in sentiment in the absence of evidence the supply-demand balance is trending to equilibrium. The level of speculative positioning (longs/shorts) has dropped from 12-1 earlier in the year to 2-1, with short-term money betting on oil weakness; this can reverse in a flash.

The Junior Oils Trust remains at the top of performance tables of energy funds over trailing 12 and 6 months, as smaller companies catch up. See: www.morningstar.co.uk/uk/fundquickrank/default.aspx The portfolio remains invested in companies with growing production, solid balance sheet and attractive, lower risk exploration prospects. We remain optimistic for the continued re-rating of smaller oil companies which are attractively valued by most metrics even after adjusting oil price expectations to lower levels.

Please watch the recent presentation on the oil market prospects at London South East:
https://www.youtube.com/watch?v=_om1FMsVv9M&feature=youtu.be

Angelos Damaskos
Chief Executive Officer

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***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.

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