JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

13 YEARS TRACK RECORD

Update August 2017

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.8.17: -18.5%

31.7.17-31.8.17: -1.2%

12 months discrete:

31.8.16-31.8.17: +6.7%

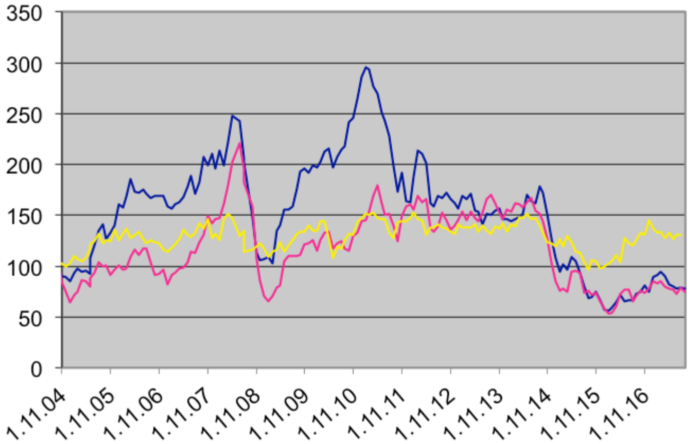
31.8.15-31.8.16: +6.6%

31.8.14-31.8.15: -61.6%

31.8.13-31.8.14: +18.2%

31.8.12-31.8.13: -9.8%

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



Comparative Performance:
10.10.04-31.8.17
Sector Investment Managers Ltd

Junior Oils Trust
WTI Oil Price
FTSE 350 Oil & Gas

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 August 2017: £11.8 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

TOP 10 HOLDINGS

Company	% of Fund
1. Questerre Energy	12.0%
2. FAR Ltd	7.0%
3. Carnarvon Petroleum	6.8%
4. Ophir Energy	5.1%
5. Africa Oil	4.5%
6. Faroe Petroleum	4.4%
7. Cooper Energy	4.3%
8. Highlands Natural Resources	4.3%
9. Tamarack Valley	4.1%
10. Victoria Oil & Gas	4.0%
Total Top 10	56.5%

As at 31 August 2017

HOW TO INVEST

Call Marlborough Fund Managers:

0808 145 2501

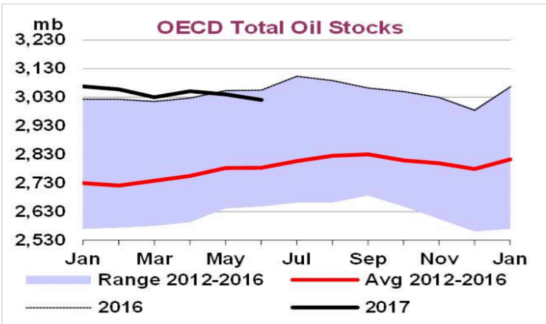
For further information and documentation visit:
www.junioroils.com **or**
www.sectorinvestments.com

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.

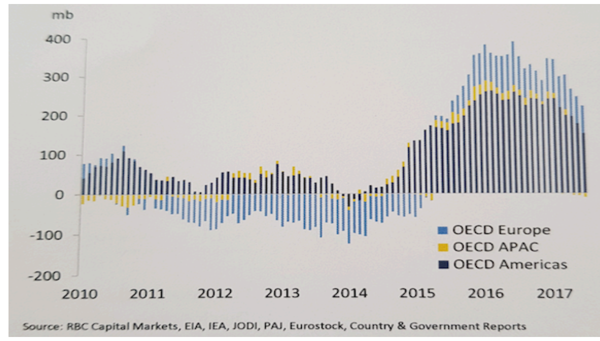
15 September 2017

Dear Investor,

The International Energy Agency has just announced that OECD growth in demand for oil has been stronger than expected, raising its growth estimate for 2017 to 1.6 million barrels per day and for 2018 to 1.4mbpd. Importantly, it stated global surplus of crude and products stocks over the five-year average fell to 190m barrels. The IEA also said that, depending on the pace of recovery of the US refining industry post hurricanes Harvey and Irma, OECD products stocks could fall below the 5-year average especially as large storage facilities in the Caribbean had to be shut for weeks.



OECD Total Stocks (Source: IEA)



OECD Oil Stocks – Surplus/ Deficit to 5-year average (Source: RBC Capital Markets, EIA, IEA)

This is positive news for oil prices that have recently traded around the $50/bbl level. A lot of pessimism in the longer-term outlook has derived from recent news-flow over the rapid advance of Electric Vehicles (EVs) and the much touted “death” of the Internal Combustion Engine (ICE). Major car manufacturers, including the big three German power-houses of VW, Mercedes and BMW have announced plans to ramp-up their EV model line-up in competition with pioneer and major promoter, Tesla. Strikingly, the governments of the UK and France announced they intend to ban the sale of new ICE cars by 2040, and China, the largest growth market for new vehicles, said that it will introduce bans to ICEs “at some point in the future”. We did a lot of research into the potential impact EVs might have on demand for oil and our findings convincingly indicate that it will be minor. The most interesting facts point to the following three conclusions: (i) China sold about 25 million new passenger vehicles last year which, due to the young national fleet, are net additions. The US sold some 16 million new cars which are mostly replacement/recycling of scrapped older vehicles. Of the new sales in China, only about 1% were EVs. An estimate of the gasoline demand destruction points to 10,000 barrels per day per one million new EVs. This demand destruction is countered by demand growth of about one month of new ICE sales in China. It would take many years and exponential growth in the EV fleet just to catch up with demand growth from new ICEs; (ii) In terms of economic viability, scientific analysis suggests an EV will convert between 5-10% of the chemical energy in natural gas (used for power generation) into kinetic energy (motion). An ICE converts between 20-30% of the energy in gasoline/ diesel into motion, a 3-4 times higher recovery. The reason for this is primarily the large losses in electricity transmission and transformation from high to low voltage. Without large government involvement and subsidies, EV growth is not sustainable; (iii) Governments have already started cutting subsidies to EVs resulting in a slower sales growth pattern and the infrastructure constraints of supplying electricity to a rapidly growing fleet of EVs are only now being understood. We therefore strongly believe that the growth of the global EV fleet will slow down and will be overshadowed by the net growth in ICEs for the foreseeable future.

The Junior Oils Trust remains at the top of performance tables of energy funds YTD and over trailing 12 months. See: www.morningstar.co.uk/uk/fundquickrank/default.aspx The portfolio is 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.

13 YEARS TRACK RECORD

Angelos Damaskos
Chief Executive 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.

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