

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

13
YEARS
TRACK
RECORD

Update September 2017

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-30.9.17: -12.4%

31.8.17-30.9.17: +7.5%

12 months discrete:

30.9.16-30.9.17: +12.3%

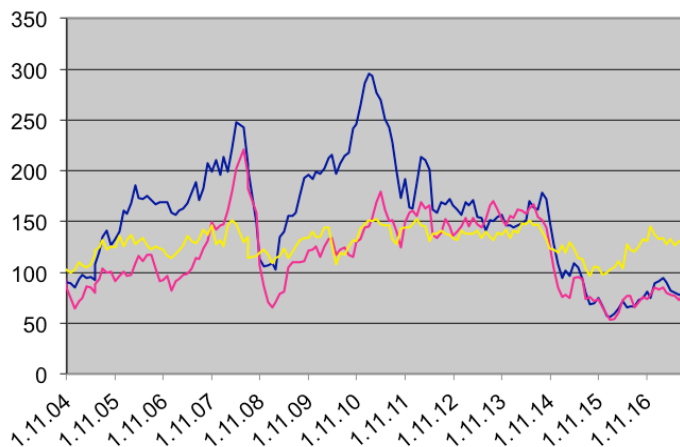
30.9.15-30.9.16: +7.8%

30.9.14-30.9.15: -60.0%

30.9.13-30.9.14: +11.6%

30.9.12-30.9.13: -10.4%

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



Comparative Performance:
10.10.04-30.9.17
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 September 2017: £12.7 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	7.8%
2. Carnarvon Petroleum	6.0%
3. FAR Ltd	5.9%
4. Tamarack Valley	4.9%
5. Faroe Petroleum	4.8%
6. Ophir Energy	4.7%
7. Victoria Oil & Gas	4.2%
8. Pantheon Resources	4.2%
9. Africa Oil	4.2%
10. Birchcliff Energy	3.9%
Total Top 10	50.6%

As at 30 September 2017

HOW TO INVEST

Call Marlborough Fund Managers:

0808 145 2501

For further information and documentation visit:

www.junioroils.com or
www.sectorinvestments.com

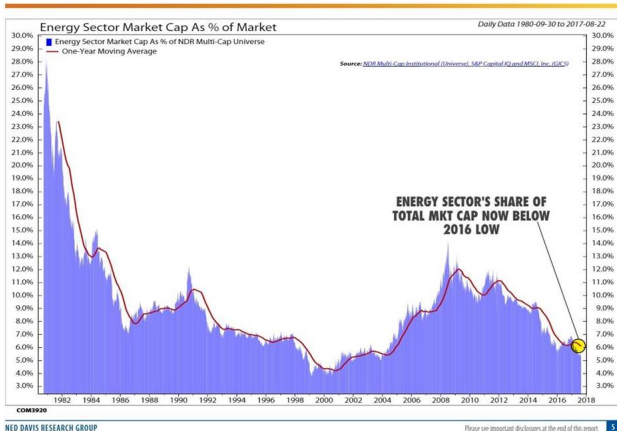
Risk Considerations:

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.

Dear Investor,

Oil recovered poise in September, returning from a summer slumber, as the rebalancing of global supply and demand becomes evident. The Energy Information Administration (EIA) has increased its estimates on call-on Opec crude as well as demand forecasts. With growth from North American supply slowing and maintenance of Opec quotas, inventories have started declining towards the 5-year average level. With improving picture for medium-term support of oil prices, it is baffling to see the continued negative sentiment for oil shares in the market. It seems that investors prefer to lavish unrealistically high valuations to technology groups, mainly the “FANGs” (Facebook, Amazon, Netflix and Google), in the process pushing the S&P 500 into new all-time highs, rather than look at undervalued oil producing companies. In a seeming continuation of the now six-year bear market, the energy sector’s share of total market capitalisation has recently dropped below the levels of 2016. Nevertheless, an interesting market divergence is now evident as net speculative positions for crude oil and gas futures indicate a bullish expectation for these commodities. The widening premium of Brent to WTI also suggests a declining base supply outside of North America. It should not be long before investors realise that oil shares are undervalued in relation to the respective commodity and rotate back into the sector.

Energy Sector Share of Total Market Cap Now Below 2016 Low.



With this negative backdrop in mind, The Junior Oils Trust has achieved excellent results in the past twelve months, on the back of very successful stock picks. Our holding in Questerre Energy continued to outperform as the government of Quebec announced the regulatory framework for allowing fracking operations in hydrocarbons wells in the province. We took advantage of the market euphoria to reduce the fund’s holding in the stock by about half, retaining a still overweight position as we believe that this is only the beginning of this story. Elsewhere, there was considerable success in Highlands Natural Resources progressing its development plans in East Denver and we remain optimistic of continued re-rating as they deliver definitive production results. A new holding in Birchcliff Energy was introduced backing our view of an unfair sell-off on news of a long-term significant shareholder reducing his stake. Birchcliff has accumulated an exceptional land-package during the recent market turmoil and we believe it has excellent production growth prospects as well as a robust balance sheet to enable delivery of its plans. We generally remain optimistic for the continued re-rating of smaller oil companies which are attractively valued by most metrics, especially as the market becomes more confident of higher oil prices over the medium term.

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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