

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

13
YEARS
TRACK
RECORD

Update November 2017

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-30.11.17: -20.5%

31.10.17-30.11.17: -5.7%

12 months discrete:

30.11.16-30.11.17: +1.6%

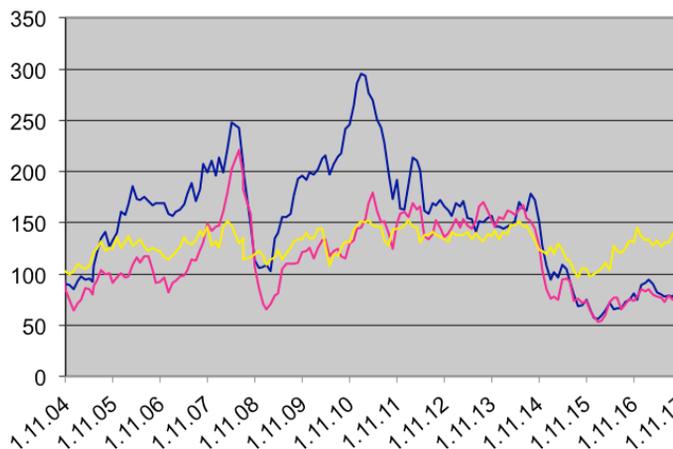
30.11.15-30.11.16: +12.6%

30.11.14-30.11.15: -48.0%

30.11.13-30.11.14: -12.5%

30.11.12-30.11.13: -9.7%

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



Comparative Performance:
10.10.04-30.11.17
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 November 2017: £11.4 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. Carnarvon Petroleum	7.6%
2. FAR Ltd	7.1%
3. Questerre Energy	6.8%
4. Faroe Petroleum	5.5%
5. Highlands Natural Resources	5.0%
6. Pantheon Resources	4.9%
7. Ophir Energy	4.6%
8. Tamarack Valley	4.6%
9. Cooper Energy	4.0%
10. Victoria Oil & Gas	3.9%
Total Top 10	54.0%

As at 30 November 2017

HOW TO INVEST

Call Marlborough Fund Managers:

0808 145 2501

For further information and documentation visit:

www.junioroils.com or
www.sectorinvestments.com

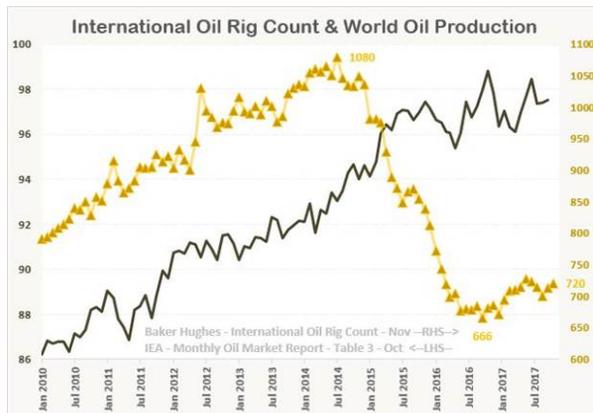
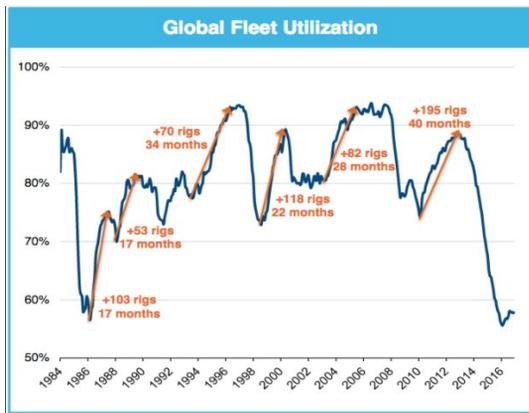
Risk Considerations:

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 December 2017

Dear Investor,

Opec has decided at its most recent meeting to extend the production cuts until April next year. Reports from the EIA indicate that the global inventory overhang of crude oil has continued to shrink, getting closer to the five-year average. Further analysis validates our belief that global natural declines in field productivity have started having a meaningful impact on supply, notwithstanding the continued growth of production out of North America. The draconian capital expenditure cuts imposed on the industry in the last three years are clearly demonstrated in the global off-shore drilling rig fleet utilisation that remains near multi-decade lows. The effect of this decline in activity will be felt in years to come as it will result in fewer new off-shore discoveries that typically take between five and ten years to come to production. The international oil rig count data also confirm that exploration and development activity is at the lowest its been in a decade, with much of the recent pick up utilised by the price-elastic North American basins. Meanwhile, the IEA has, yet again, increased its forecast for growth in oil demand for 2018 to 1.5 million barrels per day. It seems that it won't be long before the world is in an under-supplied situation again, well before the much publicised demand substitution by Electric Vehicles expected by many.



Left picture: Global Off-Shore Drilling Fleet Utilisation (source: IHS Markit, National Bank Financial)
Right picture: International Oil Rig Count & World Oil Production (source: Baker Hughes, IEA)

As the market starts discounting the potential shortage in supply, oil prices have been strengthening, recently trading around \$60/ bbl. The infrastructure disruption in the Forties pipeline and an explosion at an Austrian gas hub this week have shown that there is little risk premium included in the price. Geopolitical instability is another risk that the market chooses to ignore for now. Nevertheless, even at \$60/bbl, producing companies generate healthy cash flow and some are managing to grow their production. The improvement in the industry's prospects has yet to be reflected in the share prices of smaller oil companies, as investors continue to focus on technology (Amazon trades at 276 times its forward earnings!) financials and a few select industrials. The positive effect of higher oil prices should cause a significant re-rating when investors realise this valuation anomaly.

The Junior Oils Trust has consequently been experiencing a strong re-rating of some of its holdings in the past 12 months and we believe that its prospects are excellent. The portfolio is focused in companies with large proven reserves in the ground, good production growth prospects, backed by a solid balance sheet that does not rely excessively on the capital markets for funding.

We would like to wish our investors a happy Christmas and a healthy, prosperous New Year.

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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