JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

13 YEARS TRACK RECORD

Update December 2017

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.12.17: -14.6%

30.11.17-31.12.17: +7.5%

12 months discrete:

31.12.16-31.12.17: -8.5%

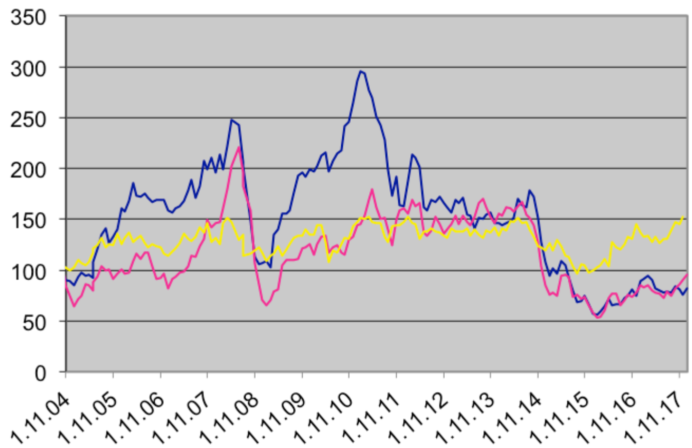
31.12.15-31.12.16: +56.9%

31.12.14-31.12.15: -47.6%

31.12.13-31.12.14: -25.7%

31.12.12-31.12.13: -6.9%

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



Comparative Performance:
10.10.04-31.12.17
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 31 December 2017: £11.9 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	7.8%
2. Carnarvon Petroleum	7.2%
3. FAR Ltd	7.0%
4. Pantheon Resources	5.8%
5. Faroe Petroleum	5.4%
6. Tamarack Valley	5.0%
7. Ophir Energy	4.7%
8. Cooper Energy	4.2%
9. Highlands Natural Resources	4.2%
10. Soco International	3.9%
Total Top 10	55.2%

As at 31 December 2017

HOW TO INVEST

Call Marlborough Fund Managers:

0808 145 2501

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

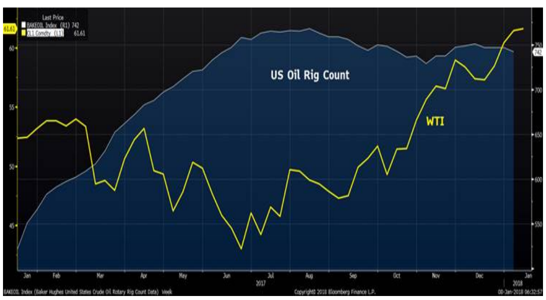
Risk Considerations:
The fund invests in smaller companies which may carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and more volatile over shorter term periods. Changes in exchange rates between currencies may cause the value of investments to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

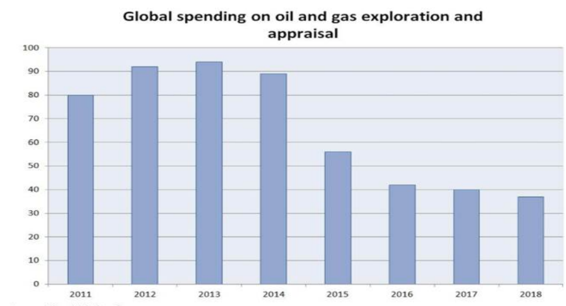
15 January 2018

Dear Investor,

Inventory data from the US show stocks continue to decline precipitously towards the five-year average. According to the US Energy Information Administration (EIA), crude inventories are now just at 8% above the 5-year mark and are expected to normalise in the next 3-6 months, with refined products roughly at the average levels. Crude prices, therefore, have continued to march higher, with Brent breaching the $70/bbl mark and WTI reaching $64/bbl, prices not seen since 2014. The rapid rise has raised speculation on Opec's next narrative and action on quotas of its production. Whilst some suggest that Opec would not like to see prices rise much higher in order to contain growth in supply from North America, others comment on the fact that most Opec members have burned through fiscal reserves on social programmes in the last three years of low oil revenues and need to bolster their national budgets, therefore, needing higher prices.

The EIA's short term energy outlook expects US production to grow through both 2018 and 2019 to almost 10.85mmbbl/d, with global production exceeding 100mmbbl/d in both years. Consumption, meanwhile, is forecasted to grow to 101.8mmbbl/d by 2019, almost matching supply. With this perspective in mind, it is interesting to observe that the rig count in the US has actually declined in the past six months, notwithstanding the much higher oil prices. This can be partly explained by the large efficiency gains in drilling - a modern shale well is about twice as efficient as those drilled five years ago – but also by the large number of Drilled, Uncompleted Well Count (DUCs) that are waiting to be tied in to production. Nevertheless, Wood McKenzie forecasts further decline in global oil & gas exploration and appraisal spending for 2018, no doubt prolonging the dearth of new discoveries across the world.





Left picture: US Oil Rig Count vs. WTI price (source: Bloomberg)
Right picture: Global spending on oil & gas exploration and appraisal (source: Wood Mackenzie)

We believe that this outlook for prices shows significant value in the light oil space in Canada as companies have re-capitalised, reduced operating costs and balanced capital expenditure to cash-flow. Canadian-listed operations comprise approximately 33% of the Junior Oils Trust portfolio which should re-rate as the valuation gap with the US listed counterparts starts to close. This valuation anomaly is most evident in the smaller capitalisation shares that have been generally ignored by generalist investors over the past three years. We are optimistic of recovery in the year ahead, especially as corporate activity by the larger companies in the industry intensifies, causing a re-rating of the attractive smaller targets.

We would like to wish our investors a 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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