JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

Update January 2018

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.1.18: -18.5%

31.12.17-31.1.18: -4.5%

12 months discrete:

31.1.17-31.1.18: -14.8%

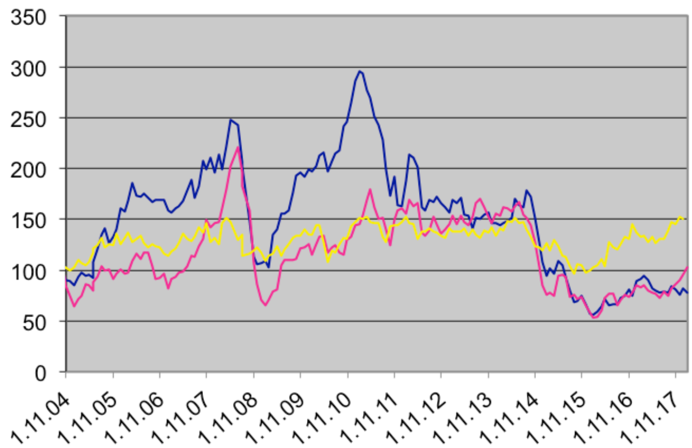
31.1.16-31.1.17: +63.3%

31.1.15-31.1.16: -40.7%

31.1.14-31.1.15: -34.6%

31.1.13-31.1.14: -14.6%

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



Comparative Performance:
10.10.04-31.1.18
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 January 2018: £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	9.0%
2. Questerre Energy	8.2%
3. FAR Ltd	7.7%
4. Faroe Petroleum	5.8%
5. Tamarack Valley	5.1%
6. Cooper Energy	5.0%
7. Pantheon Resources	4.3%
8. President Energy	4.1%
9. Highlands Natural Resources	4.1%
10. Africa Oil International	4.0%
Total Top 10	57.3%
As at 31 January 2018	

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.

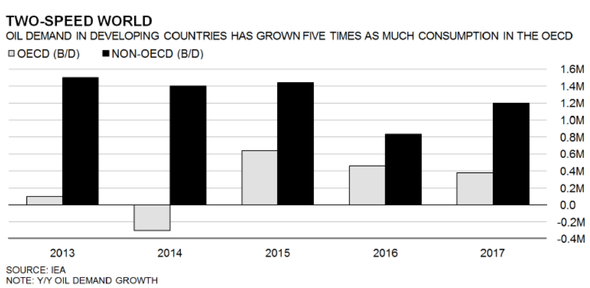
7 February 2018

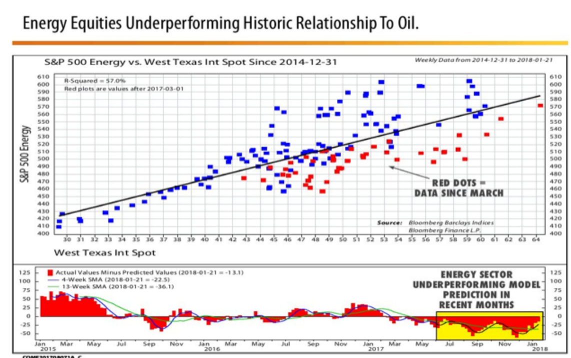
Dear Investor,

The bond market bear seems to be having a negative effect on equities, with the major indices correcting dramatically in early February. Whilst this was largely expected by seasoned observers, it is causing nervousness as to whether it could be the start of something more significant. The resultant ripples have flowed into commodities, with oil prices losing some of the recent momentum. Nevertheless, the recovery of oil to trade between $60-70/barrel is based on solid fundamentals, with rapidly declining stock-piles and Opec keeping its firm stance on production quotas.

Research by Goehring and Rozencwajq has recently highlighted the fact that, since the start of the shale revolution in 2007, discoveries of conventional oil − excluding shale − have totalled approximately 110bn barrels while consumption has totalled 360bn barrels. The deficit between consumption and conventional oil production was filled by North American unconventional which grew so fast that resulted in the oversupply of 2014 and the subsequent price crash. Interestingly, the latest production data indicate that North American oil production growth is slowing and most basins, except the Permian, are in decline. Drilling efficiencies, that have supported growth in the last three years, also seem to be reaching the point of diminishing returns. We also believe that some emerging markets, in particular India, are moving into the “S” curve point of rapid increase in demand for commodities and energy. India appears to be where China was earlier this decade, with major growth in industrialisation and urbanisation. The combined populous of nearly four billion Chinese and Indians striving to improve their standard of life has meant that oil demand in developing countries has grown five times more that that of OECD countries in the last five years. As conventional oil production continues to decline, growth from unconventional is unlikely to be enough to satisfy such rapid growth in demand. It is also evident that the North American success in efficiently extracting unconventional resources is hard to replicate elsewhere in the world.

With that background in mind, it is interesting to observe that energy equities have recently underperformed in their historic relationship to oil. With the exception of the integrated majors, particularly attractive to investors due to their rich dividend yield, the exploration and production companies have yet to respond to the oil price strength. This has been particularly prevalent among the smaller oil shares, shunned by the market for lack of liquidity. Notwithstanding the global equities rout, we believe that weak holders have been shaken out of small oils over the past three years and, therefore, they are likely to perform resiliently.





Left picture source: IEA; Right picture source: National Bank Financial

The Junior Oils Trust has performed well in recent months in the context of the weak energy equities market. Some of our core, overweight positions have outperformed on the back of successful results. Carnarvon Petroleum is preparing for a high-impact drilling campaign that could prove its assessment of a large resource potential. As it is carried on the majority of drilling costs, a successful result could be transformational. Questerre Energy is progressing its work towards drilling the vast Utica shale formation with partner Repsol and Faroe Petroleum is being re-rated as its North Sea production continues to grow. We believe that energy equities, particularly the better value smaller companies, are likely to outperform the market and the sector in 2018.

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

13 YEARS TRACK RECORD

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.