

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

13
YEARS
TRACK
RECORD

Update March 2018

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.3.18: -24.0%

28.2.18-31.3.18: -2.0%

12 months discrete:

31.3.17-31.3.18: -19.2%

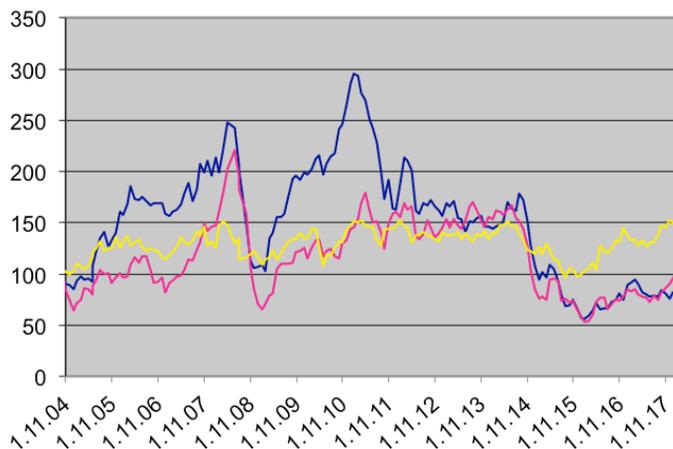
31.3.16-31.3.17: +40.2%

31.3.15-31.3.16: -33.3%

31.3.14-31.3.15: -35.1%

31.3.13-31.3.14: -13.8%

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



Comparative Performance:
10.10.04-31.3.18
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 March 2018: £9.9 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	10.5%
2. Carnarvon Petroleum	10.0%
3. FAR Ltd	8.1%
4. Faroe Petroleum	6.6%
5. Pantheon Resources	4.8%
6. Highlands Natural Resources	4.8%
7. Tamarack Valley Energy	4.7%
8. Ophir Energy	4.4%
9. Cooper Energy	4.3%
10. President Energy	4.1%
Total Top 10	62.3%

As at 31 March 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.

12 April 2018

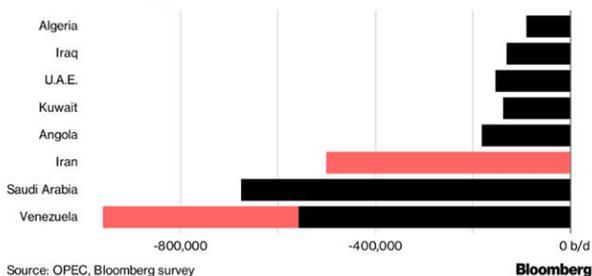
Dear Investor,

Geopolitical risks have escalated recently, with Western nations imposing harder political and economic sanctions on Russia. This has given fresh impetus to oil prices that rose above \$71/barrel for the Brent quality and near \$68/bl for the American WTI. Whilst geopolitics have always been a critical factor in risk-pricing of oil, we believe fundamental factors have been driving prices higher for the last two years. Notwithstanding the growth in production coming out of North America, supply from elsewhere in the world has been declining rapidly. Venezuela, in particular, has seen its economy deteriorate dramatically and, therefore, the state-owned oil giant PDVSA has not been able to invest and control natural declines in its production. As a result, it is expected that Venezuela will lose a further 400 thousand barrels of production per day this year in addition to cuts imposed by Opec quotas. Sanctions on Iran could wipe another 500kbs from the market. It is also believed that Saudi Arabia, the leading member of Opec, wishes oil prices to rise to around \$80/barrel to enable it to balance its fiscal and socio-economic budget, realising that it cannot win a price war against US shale. These losses of supply would further tighten an already under-supplied market.

OPEC Oil at Risk

Iran and Venezuela face the risk of significant output losses this year

■ Cut since Oct. 2016 ■ Potential loss

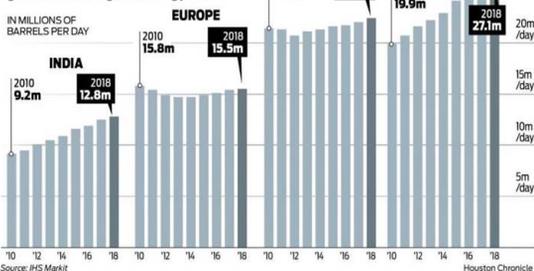


Source: OPEC, Bloomberg survey

Bloomberg

Sharpest increases in oil demand: India and China

When U.S. oil companies export crude over the next few years, they will be selling into growing markets, as countries like China and India drive global oil demand higher in coming years.



Source: IHS Markit

Houston Chronicle

Left picture source: OPEC, Bloomberg survey;

Right picture source: IHS Markit, Houston Chronicle

On the demand side, in addition to growth from North America and Europe, the main driving forces are the fast-growing economies of China and India, constituting the bulk of 1.5 million barrels per day annual growth expected for the next few years. The increased use of oil in petrochemical, industrial and aviation fuels cannot at present be substituted by alternative energy sources. The International Energy Agency is now highlighting concern that growth in North American oil supply is not enough to meet future demand especially as older, mature fields are in decline. Furthermore, the impact of lower capital expenditure on exploration and development of new fields will likely be felt in the years to come as even at higher prices of oil it takes time to mobilise activities and find new production sources.

Junior energy equities have been oversold for some time and now present excellent medium term prospects, especially when the market finally admits that higher oil prices are inevitable. Given their underperformance in relation to their larger peers, a re-rating is likely to be sharp, in certain cases stimulated by corporate actions. A recent development in the Junior Oils Trust portfolio was the acquisition of a near 28% stake in Faroe Petroleum, one of our core holdings, by Norwegian operator DNO. We expect that the better valued, larger oil companies will find it easier to grow production by acquiring attractive projects or entire corporates, even at a premium, thereby adjusting the sector's valuation metrics.

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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