JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

13 YEARS TRACK RECORD

Update April 2018

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-30.4.18: -19.7%

31.3.18-30.4.18: +5.7%

12 months discrete:

30.4.17-30.4.18: -6.7%

30.4.16-30.4.17: +14.5%

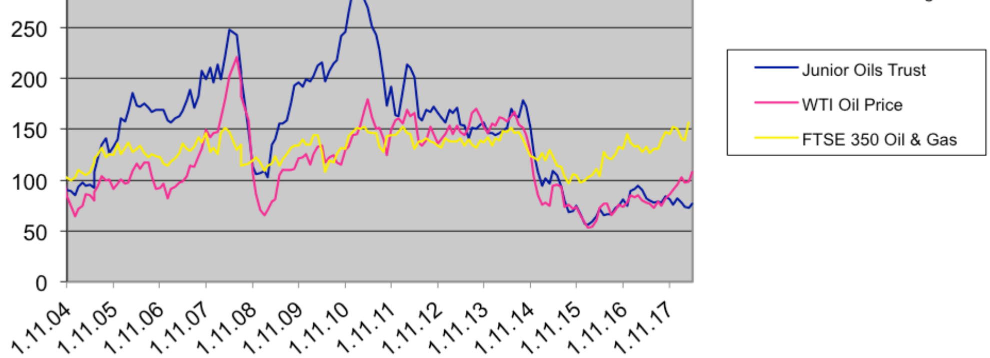
30.4.15-30.4.16: -33.9%

30.4.14-30.4.15: -28.3%

30.4.13-30.4.14: -1.7%

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

Comparative Performance: 10.10.04-30.4.18
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 30 April 2018: £10.4 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	9.1%
2. Questerre Energy	9.0%
3. FAR Ltd	8.8%
4. Faroe Petroleum	7.7%
5. Tamarack Valley Energy	6.0%
6. Ophir Energy	4.8%
7. Cooper Energy	4.6%
8. Soco International	4.2%
9. Highlands Natural Resources	4.1%
10. President Energy	4.1%
Total Top 10	62.4%
As at 30 April 2018	

HOW TO INVEST

Call Marlborough Fund Managers:

0808 145 2501

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

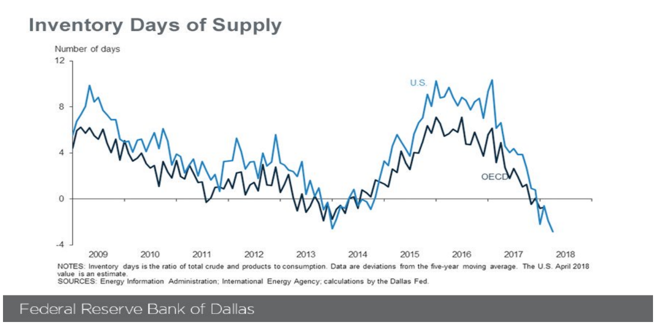
Risk Considerations:
The fund invests in smaller companies which may carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and more volatile over shorter term periods. Changes in exchange rates between currencies may cause the value of investments to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

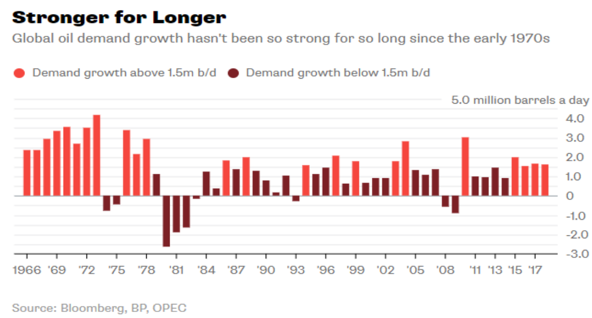
14 May 2018

Dear Investor,

Market sentiment has changed dramatically in recent weeks in favour of higher oil prices. Some influential commentators, such as Bank of America, now call for $100/bl oil sometime next year. Among headline news, deteriorating geopolitics have raised concerns about future supplies, with president Trump withdrawing from the Iran nuclear accord and deciding to re-impose sanctions that could potentially remove some 500k barrels of oil per day from an already under-supplied market. In addition to rising tensions in the Middle-East, a rapidly deteriorating economic and political situation in Venezuela, one of Opec's largest producers, is almost certain to result in further declines to their oil production as well as logistical disruption due to PDVSA's default in payments to its international creditors risking asset seizures and freezing of its bank accounts. Angola, another one of Opec's major producers, is in a similar situation. Whilst Saudi Arabia has some spare capacity to fill-in the gaps, the situation is likely to leave the market very tight and vulnerable to an escalation of risks.

There has been much speculation in the past couple of years about the seemingly inexorable rise of production from North American shale that has propelled US/Canadian exports to over 2m barrels per day. It seems, however, that demand has grown faster than supply and the evidence is the sharp draw-down on US oil inventories, which now lie below the five-year average. There is growing evidence that not only production growth from shales (even from the Permian that employs about half of the US drilling rig capacity) is slowing, but infrastructure bottlenecks constrain access to market. New pipelines and other conduits have to be built and re-configured as the production landscape changes and this takes longer than the rate of change in global demand which keeps rising. Oil prices will have to rise considerably and remain at high levels for a long time before exploration and development expenditure has the chance to result in faster supply growth. We are, again, facing tight markets such as those that caused the price spike of 2008.





Left picture source: EIA, IEA, calculation by Dallas Fed; *Right picture source: Bloomberg, BP, OPEC*

Rising oil prices may be negative for the world economy and could further stimulate inflation, but are wonderful news for oil producers. The integrated majors have continued to outperform as investors have been caught by surprise and rush into the most liquid names. If history is any guide, junior energy equities should be the next to re-rate given their cheaper rating in relation to their larger peers. Larger, higher rated companies, on the other hand, are likely to use their paper to buy assets and entire companies to boost reserves and future production. The Junior Oils Trust has followed a concentrated portfolio strategy in recent years as there have been few outstanding situations and we have sought to avoid disappointments. As a result, some of the top holdings that outperformed have grown to large, overweight positions. Among those, Carnarvon Petroleum has made excellent progress in its development towards a significant producer with the Buffalo project. This past-producing field was acquired very cheaply during the bear-market years and now offers outstanding operational gearing to higher oil prices. FAR Limited is, in our view, on the cusp of realising the value of the Senegal finds and Questerre Energy will likely re-rate when Quebec approves the regulatory framework for fracking operations. Among the Canadian shale part of the portfolio, companies like Tamarack Valley have started to attract attention. We expect a very exciting period ahead for junior oils shares ahead.

Angelos Damaskos

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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