

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

13
YEARS
TRACK
RECORD

Update May 2018

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.5.18: -15.5%

30.4.18-31.5.18: +5.2%

12 months discrete:

31.5.17-31.5.18: +0.4%

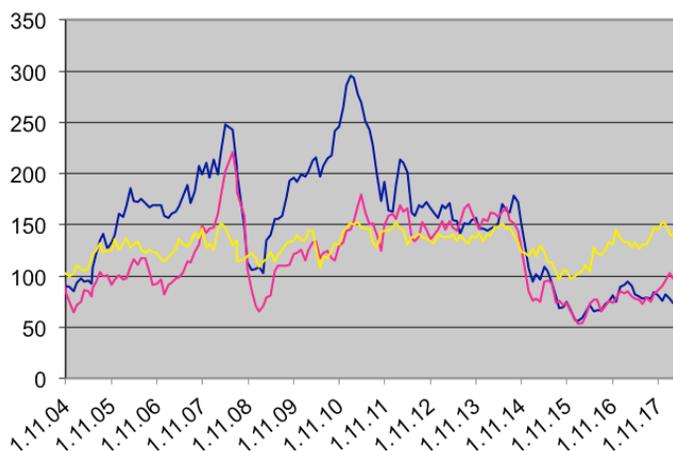
31.5.16-31.5.17: +23.1%

31.5.15-31.5.16: -37.7%

31.5.14-31.5.15: -38.4%

31.5.13-31.5.14: +10.7%

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



Comparative Performance:
10.10.04-31.5.18
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 May 2018: £10.9 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. FAR Ltd	9.0%
2. Faroe Petroleum	8.4%
3. Questerre Energy	8.4%
4. Carnarvon Petroleum	8.3%
5. Cooper Energy	5.0%
6. Tamarack Valley Energy	4.7%
7. Iron Bridge Resources	4.7%
8. Ophir Energy	4.5%
9. Soco International	4.2%
10. Parkmead Group	4.2%
Total Top 10	61.4%

As at 31 May 2018

HOW TO INVEST

Call Marlborough Fund Managers:

0808 145 2501

For further information and documentation visit:

www.junioroils.com or
www.sectorinvestments.com

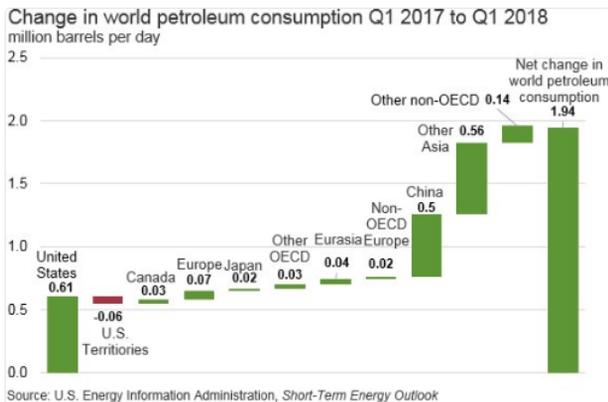
Risk Considerations:

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.

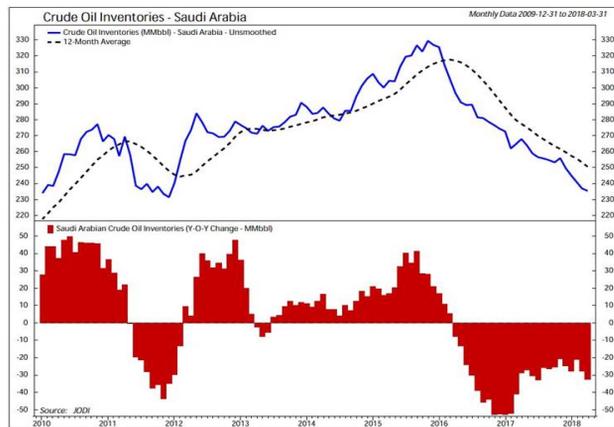
14 June 2018

Dear Investor,

The International Energy Agency has just published its updated forecast for next year, expecting production from Iran and Venezuela to decline by another 30% on average. Iranian output could be curbed by as much as 900,000 barrels per day as US sanctions take full effect, while Venezuela could see its production drop by another 550,000 barrels per day due to the dire economic situation and the state giant PDVSA's financial troubles. At the next OPEC meeting scheduled for 22 June, it is possible that Saudi Arabia will support an increase in production to offset the expected losses from the troubled members. In anticipation of such a move, net speculative length in oil futures has declined significantly in recent weeks, causing a slight weakening of oil prices from the three-year highs seen last month. Nevertheless, with demand expected to continue growing by over 1.8 million barrels per day next year, an increase in supply from the stronger members of the cartel is unlikely to balance the market for long. Furthermore, such a move will utilise most of the readily available spare capacity and leave the market in a tight situation, prone to any unexpected supply shortfalls. Reuters research indicates that the spare capacity buffer will fall to 2% of global demand (from 3%), which is the lowest level since 1984.



Left picture source: EIA;



Right picture source: JODI, OPEC

Energy shares have performed better overall in recent weeks, albeit mainly the better positioned companies with material reserves and production growth prospects. The Junior Oils Trust portfolio has been catching up with the larger-cap focused peers and most of our overweight positions have been outperforming. Faroe Petroleum was the largest contributor to performance last month as it has had a new, successful drilling result and its production growth is set to beat estimates. FAR Ltd is attracting attention as participant in one of the few recent oil discoveries of world scale that moves towards FID. Finally, Carnarvon Petroleum is at an interesting, company-making point with two low-risk wells currently being drilled and its huge Buffalo project getting re-rated due to the oil price increase. Disappointing news have hit the shares of Questerre Energy as the Ministry of Energy of Quebec imposed a surprising new moratorium on fracking of hydrocarbon wells, in total contradiction to the findings of nearly seven years of studies and public consultations and the recently approved hydrocarbons legislation. Thankfully we had recently taken half-profits, realising a multiple gain on our original investment but, nevertheless, the residual large position caused a major detraction in our recent performance. We believe that this decision was taken by a minister, without approval from the National Assembly, for the benefit of political posturing ahead of elections in October. Ultimately, economic sense will prevail over short-term politics and the province will realise that the majority of Quebecers want to benefit from domestically produced gas rather than paying large premiums for imports. We will hold on to our current position as the company continues to successfully grow its Montney production in Alberta whilst waiting for a constructive resolution of the political consensus in Quebec.

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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