

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

13
YEARS
TRACK
RECORD

Update June 2018

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-30.6.18: -17.0%

31.5.18-30.6.18: -1.8%

12 months discrete:

30.6.17-30.6.18: +1.9%

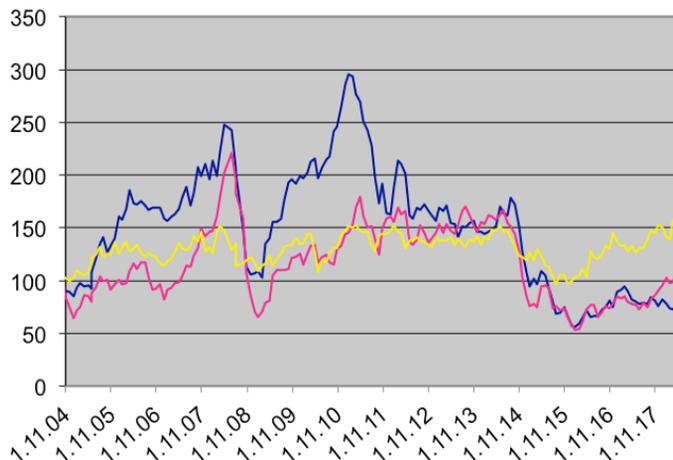
30.6.16-30.6.17: +16.6%

30.6.15-30.6.16: -28.5%

30.6.14-30.6.15: -43.0%

30.6.13-30.6.14: +15.7%

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



Comparative Performance:

10.10.04-30.6.18

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 June 2018: £10.3 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 NAV
1. FAR Ltd	10.7%
2. Carnarvon Petroleum	9.4%
3. Faroe Petroleum	8.8%
4. Cooper Energy	5.3%
5. Qvesterre Energy	5.2%
6. Tamarack Valley Energy	5.1%
7. Iron Bridge Resources	4.7%
8. Ophir Energy	4.2%
9. Highlands Natural Resources	4.1%
10. Parkmead Group	3.7%
Total Top 10	61.2%

As at 30 June 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:

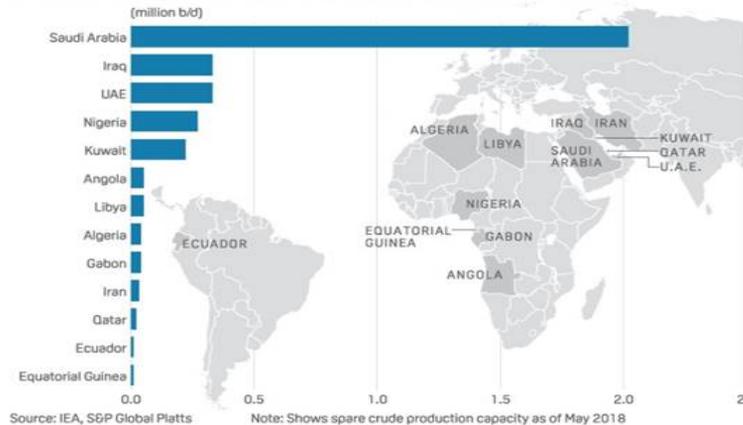
The fund invests in smaller companies which may carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and more volatile over shorter term periods. Changes in exchange rates between currencies may cause the value of investments to diminish or increase.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

12 July 2018

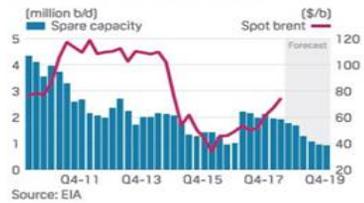
Dear Investor,

The Opec cartel, led by Saudi Arabia, agreed in late June to increase production in what is now clearly an under-supplied market. However, the agreed net increase of 1 million barrels per day, including Russia alongside Opec, was seen as insufficient by the markets as continued drawdowns from inventories indicate a very tight situation. The main worry is that, notwithstanding the leading producers' willingness to increase supply, there is not much spare capacity to accommodate growth in demand, let alone natural declines in production from mature fields. Key members of Opec, including Venezuela, Angola, Libya and Iran are facing material declines in base production that they are unable to arrest due to shortage of funding and technical expertise. In the short-term, the impact of sanctions on Iranian exports has yet to be realised. The global oil industry is still reluctant to invest in exploration activities and the longer this continues it becomes more likely we will face material supply shortages in future, especially if demand continues to surprise and exceed expectations. As a result, oil prices are rising again, with Brent recently trading above \$75/barrel and WTI at \$73/bl, a narrowing differential.

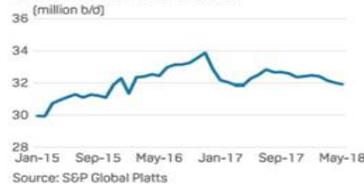
OPEC SPARE CAPACITY UNDER THREAT AS SAUDIS PREPARE TO HIKE



OPEC SPARE CAPACITY VS BRENT



OPEC CRUDE PRODUCTION



Sources: IEA, S&P Global Platts

Unsurprisingly, energy shares have been strong performers in recent weeks, particularly those of smaller companies concentrating in the identification and development of reserves. There are few material projects likely to come to production in the next couple of years and the companies controlling them will command a premium rating. In Canada, producers are now enjoying the highest prices since late 2014 and share prices are recovering from a long and painful bear market. The Junior Oils Trust portfolio has been catching up with the larger-cap focused peers and most of our overweight positions have been outperforming. FAR Ltd was the stand-out performer last month as the Senegal discovery in which it holds a material stake attracts attention as one of the next significant projects to move to production. Carnarvon Petroleum is at a transformative point, with two wells reaching their ultimate target depth in the following weeks and the keenly anticipated results being interpreted. In addition, the company successfully raised additional funds for the development of its low-risk Buffalo project in East-Timor, planning drilling operations in the first half of 2019. Timing appears to have been excellent with this past-producing asset acquired cheaply from BHP during the bear-market and likely getting back in production at much higher prices next year. We believe that the Junior Oils Trust portfolio is well positioned to benefit from the re-rating of smaller companies that control meaningful reserves and bring them to market in a rising oil price environment.

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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