

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

13
YEARS
TRACK
RECORD

Update July 2018

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.7.18: -1.9%

30.6.18-31.7.18: +18.2%

12 months discrete:

31.7.17-31.7.18: +18.8%

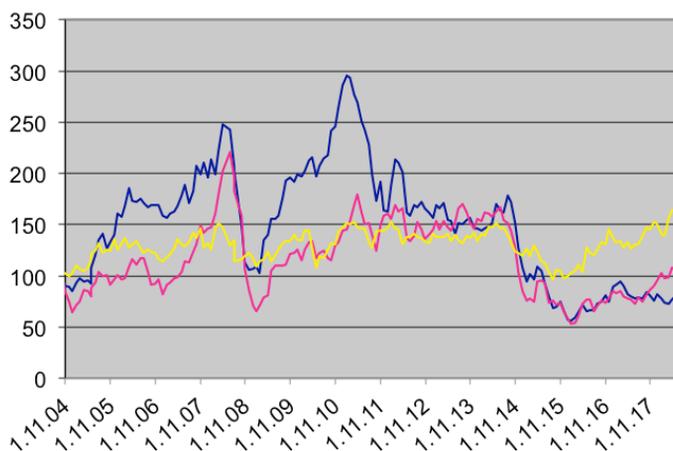
31.7.16-31.7.17: +18.3%

31.7.15-31.7.16: -16.1%

31.7.14-31.7.15: -51.0%

31.7.13-31.7.14: +7.0%

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



Comparative Performance:
10.10.04-31.7.18
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 July 2018: £12.2 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	9.5%
2. Faroe Petroleum	7.2%
3. Carnarvon Petroleum	7.0%
4. Cooper Energy	5.6%
5. Tamarack Valley Energy	4.7%
6. Questerre Energy	4.1%
7. Iron Bridge Resources	3.9%
8. Highlands Natural Resources	3.7%
9. Pancontinental Oil & Gas	3.4%
10. Birchcliff Energy	3.4%
Total Top 10	52.5%

As at 31 July 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:

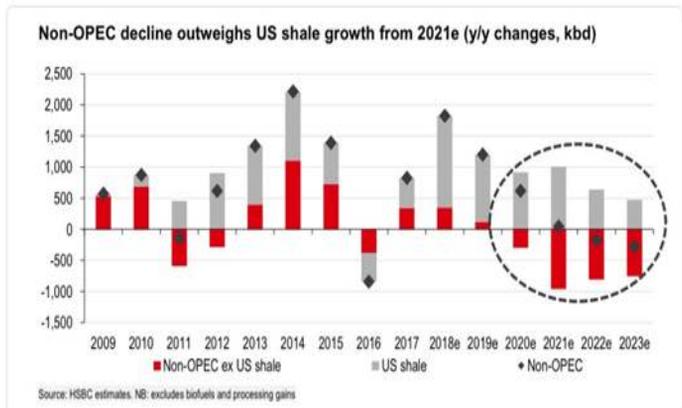
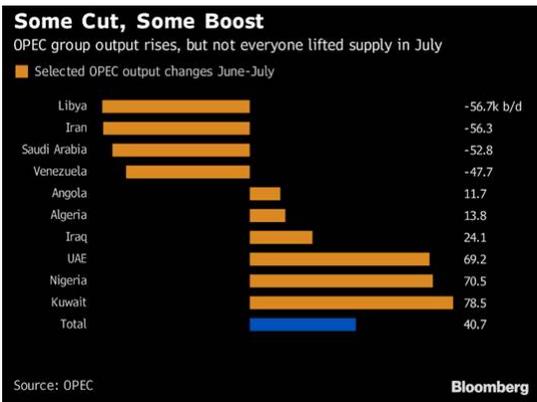
The fund invests in smaller companies which may carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and more volatile over shorter term periods. Changes in exchange rates between currencies may cause the value of investments to diminish or increase.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

14 August 2018

Dear Investor,

With a severe financial crisis unfolding in Turkey, it is hard to ignore rising geopolitical risks and tensions. The Turkish Lira has collapsed, dragging most Emerging Markets currencies down and raising concerns about international bank exposure to Turkish borrowers, most of whom carry loans denominated in Euros or US Dollars. It is estimated that the aggregate such exposure is about \$260 billion, similar to that of Greece in 2008 when the respective crisis took hold. European banks exposure amounts to approximately \$172bn of that amount, led by Spanish banks with \$80bn. Given the already fragile state of the Eurozone banking system, large provisions against bad Turkish loans could prove a big headache for the European Central Bank. In addition, Turkey has 8 times the population of Greece and 7 times larger GDP so it is systemically much more important on a global scale.

Oil prices have been generally steady in recent months, outperforming other industrial commodities which weakened on the back of a stronger US Dollar. The relative strength of oil is attributed to a continuing tight supply-demand balance as Opec raised production slower than anticipated, obviously matching demand rather than over-supplying. The US sanctions on Iran have started taking hold as many traders are forced to comply. Most credible forecasts expect non-Opec declines to outweigh US production growth in the next five years, reinforcing our expectation that Brent oil prices will trend towards \$90/bl with geopolitics or other supply shocks pushing well above \$100/bl over the course of this timeframe.



Sources: Bloomberg, OPEC, HSBC estimates

Smaller capitalisation E&P companies have recently started outperforming their larger peers as investors look to them to provide incremental oil reserves in the next few years of looming short supply. One of the largest holdings in the Junior Oils Trust, Carnarvon Petroleum, has discovered what is believed to be the largest oil find in Western Australia in over 30 years and its shares rose four-fold as a result. We reluctantly had to reduce the fund's over-weight exposure, taking substantial profits in the process, but still maintain a significant position as we believe that the true value will be unlocked over the course of next year. In addition to the new discovery, the company is working to bring back to production its large Buffalo project in the East Timor Sea, a low risk prospect whose value keeps growing as oil prices rise. Among the other large positions, FAR Limited is re-rating as it works out its commercial standing in relation to the giant SNE project in Senegal and progressing its JV with Petronas in The Gambia. Similarly, Cooper Energy shares have risen strongly as it moves to become a key producer of gas in an under-supplied East Australian market. We believe that the Junior Oils Trust portfolio is well positioned to benefit from the continued 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.

This material is directed only at persons in the UK and is not an offer or invitation to buy or sell securities. Opinion expressed whether in general or both on the performance of individual securities and in a wider economic context represents the views of Sector Investment Managers Ltd at the time of preparation based on SIM's internal analysis which may have not been verified by independent sources. They are subject to change and should not be interpreted as investment advice. Before making an investment in the fund, it is important that you read the Key Investor Information Document. Prospectus and Key Information Document are available free by visiting the websites above. Sector Investment Managers Ltd and Marlborough Fund Managers Ltd are authorised and regulated by the Financial Conduct Authority.