

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

14
YEARS
TRACK
RECORD

Update September 2018

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-30.9.18: -5.5%

31.8.18-30.9.18: -5.6%

12 months discrete:

30.9.17-30.9.18: +7.9%

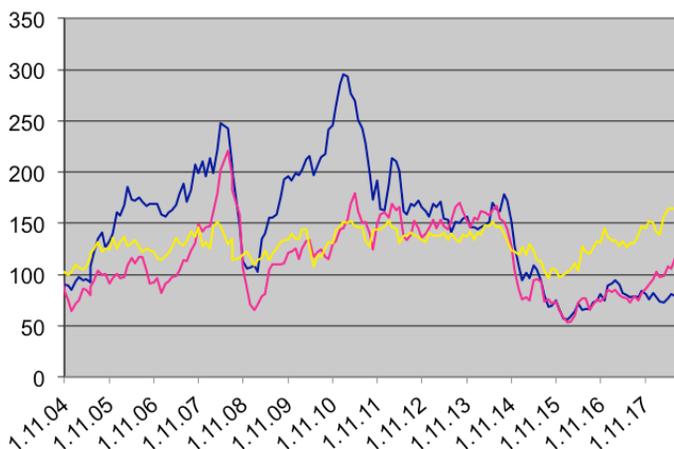
30.9.16-30.9.17: +12.3%

30.9.15-30.9.16: +7.8%

30.9.14-30.9.15: -60.0%

30.9.13-30.9.14: +11.6%

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



Comparative Performance:
10.10.04-30.9.18
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 September 2018: £11.7 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. Carnarvon Petroleum | 9.9% |
| 2. Faroe Petroleum | 8.5% |
| 3. FAR Limited | 7.8% |
| 4. Cooper Energy | 5.7% |
| 5. Iron Bridge Resources | 5.1% |
| 6. Tamarack Valley | 4.9% |
| 7. Questerre Energy | 4.6% |
| 8. Africa Oil International | 3.6% |
| 9. Birchcliff Energy | 3.4% |
| 10. Highlands Natural Resources | 3.3% |
| Total Top 10 | 56.8% |

As at 30 September 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:

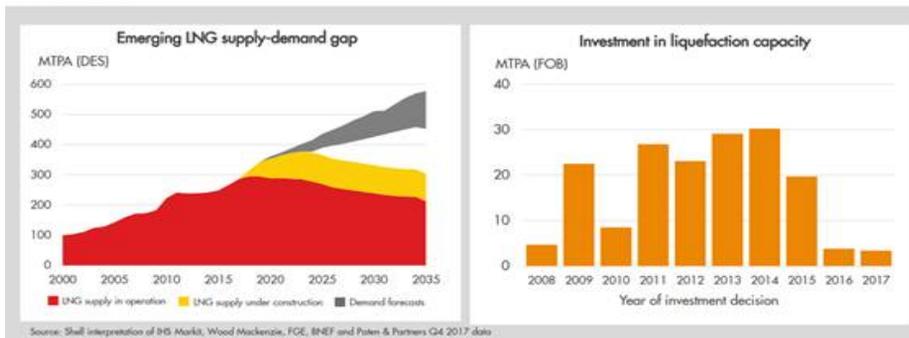
The fund invests in smaller companies which may carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and more volatile over shorter term periods. Changes in exchange rates between currencies may cause the value of investments to diminish or increase.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

14 October 2018

Dear Investor,

It is now fairly clear that the supply-demand balance in the oil market is very tight and will likely get even tighter as sanctions on Iran further constrain its exports. Brent reached as high as \$87/barrel early in October before the equity and bond market turmoil started and dragged most asset classes down, including commodities, with the exception of precious metals. The IMF has issued its own warning that global economic growth could slow as interest rate rises and a strong US Dollar cause significant problems in Emerging Markets. For its part, China, the most important driver of growth in the global economy, recently lowered its reserve requirements for smaller lenders as they appear to struggle with problem loan books. The sell-off in US equities and bonds of last week might be the start of a de-rating in hitherto unrealistic growth expectations and will likely affect the highly rated sectors of the market such as technology and financials. The energy equities sector only started to see some interest in the past few months and still constitutes a small proportion of US equities, according to some estimates as low as it was in 2004. Despite some contagious volatility, often called the market effect, we think it is unlikely either the oil price or the energy equities will suffer in a continued market correction.

LACK OF SUPPLY INVESTMENT RISKS FUTURE GLOBAL LNG MARKET GROWTH



Source: Royal Dutch Shell

One area of the energy sector that has been ignored since the 2014 oil price crash is the natural gas market, especially Canadian producers. The main reason has been that, with US gas production soaring and the threat of NAFTA re-negotiations, Canadian gas was considered stranded. Any hopes for export outlets focused on a few large Liquefied Natural Gas (LNG) export terminals contemplated in Western Canada and US Alaska, that could supply China's and Japan's fast-growing demand for LNG. Recent governmental approvals for the construction of such terminals now make this a realistic prospect, reinforced by LNG Canada announcing First Investment Decision (FID) for a massive, 1.8 billion cubic feet per day plant off the coast of British Columbia with 2023/24 timeframe. As a result of draconian cuts in capital expenditure since the 2014 oil crisis, credible forecasts now project a large and growing deficit in LNG supply from 2020, even considering supply under construction. This is great news for some of Canada's strongest gas producers and developers, such as Birchcliff Energy and Painted Pony, in which the Junior Oils Trust holds significant allocations. We remain optimistic of sustainably high oil prices and continued re-rating of smaller capitalisation energy equities, notwithstanding potential market volatility and global economic uncertainties.

Angelos Damaskos
Chief Investment 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.

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.