

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

14
YEARS
TRACK
RECORD

Update December 2018

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-28.12.18: -27.4%

30.11.18-28.12.18: -11.3%

12 months discrete:

28.12.17-28.12.18: -15.0%

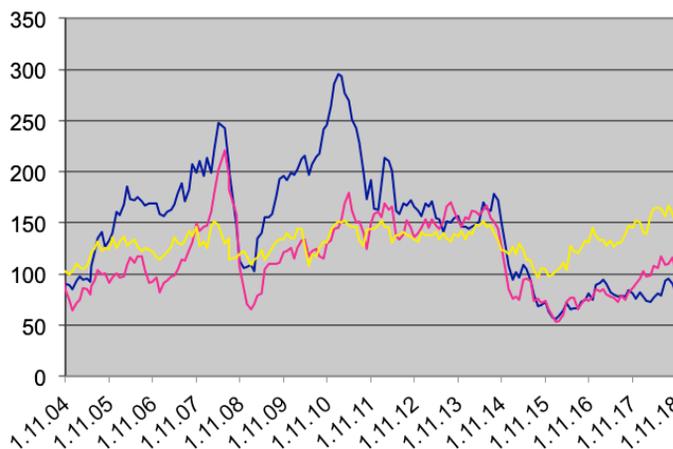
28.12.16-28.12.17: -8.5%

28.12.15-28.12.16: +50.8%

28.12.14-28.12.15: -45.4%

28.12.13-28.12.14: -25.7%

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



Comparative Performance:
10.10.04-28.12.18
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 28 December 2018: £8.3 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. Faroe Petroleum	11.2%
2. Carnarvon Petroleum	11.1%
3. Cooper Energy	7.6%
4. FAR Limited	6.4%
5. President Energy	4.6%
6. Africa Oil International	3.7%
7. Soco International	3.6%
8. Parkmead Group	3.6%
9. Ophir Energy	3.4%
10. Tamarack Valley	3.1%
Total Top 10	58.3%

As at 30 November 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.

17 January 2019

Dear Investor,

The oil market recovered impressively early in the New Year from the precipitous slump seen in the last quarter. We now see evidence that the Opec cuts agreed last November have started being implemented and the market gets balanced. Even seasoned traders comment on how short-term moves in the price of the world's most traded commodity are currently unpredictable and driven by rhetoric and political posturing. Nevertheless, the latest report published by the International Energy Agency (IEA) expects that the current over-supply will turn into a deficit by 2020 supported by continued growth in demand, particularly from China. This outlook is confirmed by the Energy Information Administration (EIA) and the Opec secretariat and the average of all three points to a supply shortfall emerging in the second half of this year.

Oil and gas equities suffered big drops in the last two months due to a combination of weak oil prices and worries about global economic growth. China has been reporting weaker growth in its economy but it also reported that its oil imports in December were the largest on record, a sign that its new consumer-led model needs substantially greater energy input. With an intended shift away from coal-fired power generation and greater environmental consciousness, its need for oil and gas is set to grow strongly. Total imports in China for 2018 are reported to have been over 10% higher than the year before.

Global economic concerns prevail, with the US government in shut-down, political uncertainty in the UK with Brexit and worries in the Eurozone about the fiscal deficit of Italy and civil unrest in France. Investors have become wary of risks and this has caused a rise in volatility and a correction in equity markets. Shares of oil and gas producers have been sold-off in response to commodity price weakness and fears of persistent over-supply.

If the consensus forecast of the three major energy think-tanks, IEA, EIA and Opec, is correct this could be a buying opportunity in an over-sold market. Oil will continue to be an important energy input as well as the chemical ingredient for myriads of applications in our every day life. Gas is likely to see a lot more demand as coal and other forms of heavily polluting fuels are taxed and regulated in a world increasingly conscious of environmental effects. As oil and gas prices recover, the shares of those companies controlling material reserves and have growing production will re-rate, potentially outperforming the market and the commodity.

The Junior Oils Trust invests in companies with material reserves located in safe political jurisdictions. It aims for those with experienced management teams that are supported by a strong balance sheet to finance the development and production of their reserves in the most value-accretive way. Some of its holdings are attractive take-over targets for those larger companies that lack growth prospects. The hostile take-over of Faroe Petroleum (one of the fund's largest core holdings) by DNO, which was this month declared unconditional, indicates that corporate activity is set to intensify in a weak share price environment. We have recently increased the fund's allocation to select Canadian oil and gas producers that we feel have been unfairly sold-off along with the rest. As the infrastructure bottlenecks and egress issues get resolved, differential pricing between US and Canada is set to narrow, boosting the profitability of Canadian producers. Their share prices will likely start discounting this effect soon.

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

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Global Oil Inventories

