

JUNIOR OILS TRUST

Investing in the oil giants of tomorrow

14
YEARS
TRACK
RECORD

Update May 2019

FUND PERFORMANCE

'C' Bid to Bid since launch:

10.10.04-31.5.19: -26.2%

30.4.19-31.5.19: -6.8%

12 months discrete:

31.5.18-31.5.19: -12.6%

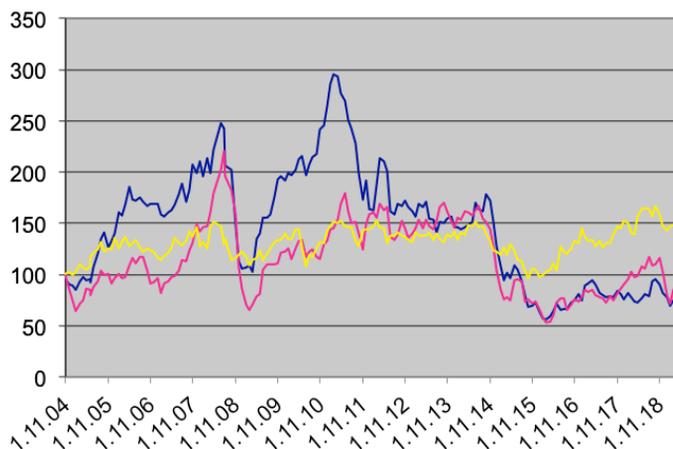
31.5.17-31.5.18: +0.4%

31.5.16-31.5.17: +23.1%

31.5.15-31.5.16: -37.7%

31.5.14-31.5.15: -38.4%

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



Comparative Performance:
10.10.04-31.5.19
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 ISAs and SIPPs

Benchmark: FTSE 350 Oil & Gas Index

Net asset value at 31 May 2019: £7.9 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 NAV
1. Carnarvon Petroleum	8.6%
2. Cooper Energy	6.3%
3. FAR Limited	5.6%
4. Parkmead Group	4.7%
5. Africa Oil International	4.6%
6. President Energy	4.3%
7. Questerre Energy	3.4%
8. Soco International	3.4%
9. Baytex Energy	3.3%
10. MEG Energy	3.3%
Total Top 10	47.5%

As at 31 May 2019

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:

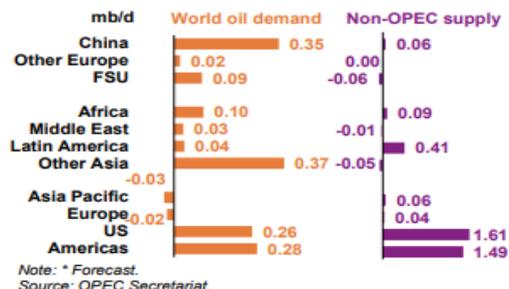
The fund invests in smaller companies which may carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and more volatile over shorter term periods. Changes in exchange rates between currencies may cause the value of investments to diminish or increase.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

14 June 2019

Dear Investor,

Oil prices corrected significantly in early June due to market worries about slowing global demand growth. OPEC's most recent monthly oil market report has reduced expected demand growth for 2019 to 1.14 million barrels per day (mbpd) from a previous forecast of 1.21mbpd. The weakness is attributed to the impact of trade wars as well as a general global economic slowdown. Reports of rising US crude inventories also helped spook the market into a sell-off. The cartel seems therefore keen to extend the current production quotas into the second half of the year and is encouraging Russia to follow suit. Nevertheless, two new attacks on tankers just outside the Strait of Hormuz on the 13th of June served as a reminder of the fragile geo-political situation in the Middle-East and that it is not time to be short on oil even for specialist traders – oil prices spiked up by about 3% on the news.

Table 4 - 2: World oil demand in 2019*, mb/d



	2018	1Q19	2Q19	3Q19	4Q19	2019	Change 2019/18	
Americas	25.53	25.29	25.65	26.07	26.01	25.76	0.23	0.88
of which US	20.73	20.69	20.86	21.21	21.03	20.95	0.22	1.05
Europe	14.32	13.97	14.19	14.89	14.31	14.29	-0.02	-0.15
Asia Pacific	7.99	8.40	7.60	7.67	8.04	7.93	-0.06	-0.81
Total OECD	47.84	47.66	47.44	48.43	48.36	47.98	0.14	0.29
Other Asia	13.64	13.91	14.21	13.72	14.22	14.01	0.38	2.77
of which India	4.73	5.03	4.93	4.58	5.15	4.92	0.19	4.05
Latin America	6.53	6.36	6.51	6.85	6.50	6.56	0.03	0.47
Middle East	8.12	8.25	8.01	8.47	7.88	8.15	0.03	0.37
Africa	4.33	4.45	4.42	4.36	4.50	4.43	0.10	2.31
Total DCs	32.62	32.97	33.16	33.40	33.10	33.16	0.54	1.65
FSU	4.82	4.75	4.74	5.03	5.11	4.91	0.09	1.87
Other Europe	0.74	0.75	0.71	0.75	0.84	0.76	0.02	2.69
China	12.71	12.63	13.19	13.00	13.43	13.06	0.35	2.77
Total "Other regions"	18.27	18.13	18.64	18.78	19.38	18.74	0.46	2.53
Total world	98.73	98.76	99.24	100.61	100.84	99.87	1.14	1.15
Previous estimate	98.73	99.05	99.20	100.61	100.86	99.94	1.21	1.22
Revision	0.00	-0.29	0.04	0.00	-0.02	-0.07	-0.07	-0.07

Note: * 2019 = Forecast.
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

Source: OPEC Secretariat / NBF Energy

As always, concerns about the health of the economy, in particular with regard to China and India which are the main growth drivers for oil demand, outweigh supply risks until the inevitable happens. We must note, however, that oil still trades higher in the year to date and that current prices are quite healthy for oil producers. Confirmation of the extension of production quotas from OPEC+Russia for the rest of the year will help support sentiment and any progress on calming the US vs. China trade war could trigger a rally. The US driving season is also about to start, traditionally introducing an estimated 1 million barrels per day demand swing.

Oil equities suffered in response to the crude price sell-off and, we believe, present a buying opportunity. In general, valuations of exploration and production shares remain at the low end of historical ranges. Their valuation are also at multi-year lows in comparison to the broader markets. It is clear that overwhelming preference has been placed on growth stocks, especially in the technology sector. This is likely to change in an environment where investors start switching into value plays as more defensive in a volatile stock market. Continued good results and some dividend payments from the E&P sector also reinforce conviction.

The Junior Oils Trust has performed relatively well in recent months, supported by good results from some of its core holdings. Carnarvon Petroleum, in particular as the fund's largest position, continued to enjoy exploration success in the recently discovered Dorado field. The potential size of field resources has now grown significantly and justify a much higher valuation for the company's interest. This will remain our conviction holding for the medium term. Among others, Cooper Energy secured a new gas supply contract to the gas-starved South-West region of Australia and we expect its free cash flow generation will grow substantially as it ramps-up its development plans. We remain optimistic for both the oil market and energy equities for the years to come.

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 issued by Sector Investment Managers Ltd, 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.