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JUNIOR GOLD

**ANNUAL REPORT  
AND AUDITED FINANCIAL STATEMENTS**

for the year ended 31 August 2018

**Marlborough**  
— Fund Managers —

## **JUNIOR GOLD**

### **Registered Office**

Marlborough House  
59 Chorley New Road  
Bolton  
BL1 4QP

### **Authorised Corporate Director and Registrar**

Marlborough Fund Managers Ltd  
Marlborough House  
59 Chorley New Road  
Bolton  
BL1 4QP

Investor Support: (0808) 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

### **Depository**

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

### **Investment Adviser**

Sector Investment Managers Limited  
67 Grosvenor Street  
London  
W1K 3JN

Authorised and regulated by the Financial Conduct Authority.

### **Auditor**

Barlow Andrews LLP  
Carlisle House  
78 Chorley New Road  
Bolton  
BL1 4BY

## **JUNIOR GOLD**

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## JUNIOR GOLD

### AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 August 2018

#### Percentage change to 31 August 2018

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch*</u>
Junior Gold	-15.24%	-22.92%	51.65%	-30.96%	-68.10%

\* launched 01.09.2009.

External Source of Economic Data: Morningstar (Class P - mid to mid, net income reinvested).

Class P shares first priced on 13 December 2013. In the period to that date, past performance information for Class C shares has been used.

The twelve months to 31 August 2018 showed a period of consolidation in our sector, with the Junior Gold fund losing 22.9% of its value. The difference to its benchmark, the FTSE Gold Mines Index, which fell by 16.1% in the same period, can be attributed to the higher volatility of smaller capitalization shares. The gold price has not responded as we expected on the back of rising geopolitical tensions, weakness in emerging markets and China due to the trade wars initiated by the United States and worries about global debt levels. As US equity markets have de-coupled from the rest of the world to rise to new all-time highs, the dollar has been strong as a beneficiary of a massive repatriation of liquidity. The tax cuts introduced by the Trump administration are giving a short-term boost to US corporate earnings but debt keeps rising at a time when the Federal Reserve is withdrawing from its bond-buying programmes. Global debt, including sovereign, private and corporate, has risen to a record of over 325% of GDP. This is almost 50% more than the level before the financial crisis of 2008 and the increase is, for the most part, accounted for by Emerging Markets and China, that combined have increased their debt load by 300% since 2007. The situation is clearly not supportive of a sustained US economic expansion during a pronounced Emerging Markets contraction brought on by withdrawal of liquidity and large debt repayment schedules.

Gold is set to be an attractive safe haven asset again when US equities follow the rest of the world in a downward trend by adjusting future earnings expectations. Cryptocurrencies, much discussed as a modern alternative safe-haven to gold, have been crushed in the year to date and we believe most of them will cease to exist soon. Smaller gold mining equities have underperformed in line with the commodity in the past 6 months but appear to have recently found support. Of our top holdings, two of the recent best performers were, again, Cardinal and Minaurum. Cardinal Resources has just announced a revised preliminary economic assessment of its Namdini project in Ghana showing robust economics at today's gold price with low all-in costs. Its shares trade at less than half the valuation of the developers peer group so there is significant scope for further re-rating. Minaurum Gold is an earlier stage company that has accumulated a very well located land package and drilling results so far indicate the potential to create the next MAG Silver.

Despite high volatility and the sector's recent consolidation, we think that global economic worries, coupled with increasing geopolitical tensions are likely to support gold and silver prices as investors seek safe havens. Precious metals should be, in our view, a key component in every investor's asset base as insurance against the inevitable turbulence. Junior Gold's portfolio should benefit from the recovery in precious metal prices and those of related equities.

Angelos Damaskos

25 September 2018

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#### **Portfolio changes**

Purchases	Cost (£)	Sales	Proceeds (£)
Dacian Gold	385,709	Resolute Mining	681,901
Alio Gold	320,035	Premier Gold Mines	321,052
Beadell Resources	220,045	West African Resources	304,773
Integra Resources	197,078	Teranga Gold	298,638
Aurcana	169,945	Minaurum Gold	278,318
Excellon Resources	149,935	Fortuna Ventures	209,776
NuLegacy Gold	115,467	Ramelius Resources	135,044
Blackham Resources	113,109	Americas Silver	124,180
First Majestic Silver	77,384	Alexco Resource	83,206
RosCan Minerals	69,897	Dacian Gold	46,684
		Millennium Minerals	34,024
		Other sales	3,937
Total purchases for the year	1,818,604	Total sales for the year	2,521,533

## JUNIOR GOLD

### AUTHORISED STATUS AND GENERAL INFORMATION

#### Authorised status

Junior Gold (the Fund) is an investment company with variable capital (ICVC) incorporated under the Open Ended Investment Company (OEIC) Regulations 2001. It is a UCITS scheme as defined in the Collective Investment Schemes Sourcebook (COLL). The Company is incorporated in England and Wales with the registration number IC485487 and is authorised and regulated by the Financial Conduct Authority with effect from 27 August 2008. The shareholders are not liable for the debts of the Company.

#### Investment objective

The investment objective of this Fund is to provide long-term capital growth from a globally diversified portfolio investing primarily in small to medium capitalisation companies specialising in identifying, developing and extracting gold. It may also invest in mining companies extracting other precious metals. There may be occasions, in light of adverse market conditions, where the Investment Manager chooses to hold high levels of cash, bonds and government securities. The Investment Manager may use derivatives for efficient portfolio management purposes only.

#### Rights and terms attaching to each share class

Each share of each class represents a proportional entitlement to the assets of the Fund. The allocation of income and taxation and the rights of each share in the event the Fund is wound up are on the same proportional basis.

#### Changes in prospectus

No significant changes have been made since the last report.

Up to date key investor information documents, prospectus and reports and accounts for any fund can be requested by the investor at any time.

#### Remuneration policy

In line with the requirement of UCITS V, Marlborough Fund Managers Ltd is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under UCITS V. The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its senior staff is in line with the risk policies and objectives of the UCITS funds it manages.

The quantitative remuneration disclosures as at 30 September 2017 are set out below:

	Number of identified staff	Total remuneration paid	Fixed remuneration paid	Variable remuneration paid
		£	£	£
<b>Remuneration paid to staff of the Authorised Fund Manager (AFM) who have a material impact on the risk profile of the Fund</b>				
Senior management	11	748,245	577,464	170,781
Risk takers and other identified staff	5	176,184	140,035	36,149
<b>Allocation of total remuneration of the employees of the AFM to the Fund</b>				
Senior management	0.02	1,701	1,313	388
Risk takers and other identified staff	1.00	28,771	23,712	5,059

The total number of staff employed by the AFM was 139 as at 30 September 2017. The total remuneration paid to those staff was £5,799,615, of which £3,592,693 is attributable to the AFM.

The allocation of remuneration to the AFM is based on Assets Under Management (AUM), as staff work for two AFM's. The allocation of remuneration to the Fund is based on AUM where staff are not directly allocated to the Fund. The way these disclosures are calculated may change in the future.

## JUNIOR GOLD

### AUTHORISED CORPORATE DIRECTOR'S STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.



**ALLAN HAMER**  
JOINT MANAGING DIRECTOR



**G R HITCHIN**  
INVESTMENT DIRECTOR

**MARLBOROUGH FUND MANAGERS LTD**  
16 October 2018

### STATEMENT OF AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) requires the Authorised Corporate Director (ACD) to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Company comprising of its sub-funds and of its net revenue and the net gains/(losses) for the year.

In preparing the Financial Statements the ACD is required to:

- comply with the disclosure requirements of the Statement of Recommended Practice relating to UK Authorised Funds issued in May 2014;
- follow United Kingdom Generally Accepted Accounting Practice and applicable accounting standards;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

The ACD is required to keep proper accounting records and to manage the Company in accordance with the COLL rules, the Instrument of Incorporation and the Prospectus. The ACD is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The ACD is responsible for ensuring that, to the best of its knowledge and belief, there is no relevant audit information of which the auditor is unaware. It is the responsibility of the ACD to take all necessary steps as a director to familiarise itself with any relevant audit information and to establish that the auditor is aware of that information.

## **JUNIOR GOLD**

### **DEPOSITARY'S REPORT TO THE SHAREHOLDERS OF JUNIOR GOLD**

#### **Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of Junior Gold ("the Company") for the period ended 31 August 2018**

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of the shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as depositary of the Company it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

**HSBC BANK PLC**

**LONDON**

16 October 2018

## **JUNIOR GOLD**

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF JUNIOR GOLD**

#### **Opinion**

We have audited the financial statements of Junior Gold (the 'company') for the year ended 31 August 2018 which comprise the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2018 and of its net expense and net capital gains or losses on the company property for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by The Investment Association, the rules contained in the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the authorised corporate director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the authorised corporate director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The authorised corporate director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the report of the authorised corporate director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- we have been given all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.



## **JUNIOR GOLD**

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF JUNIOR GOLD**

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the authorised corporate director.

We have nothing to report in respect of the following matters to which the Collective Investment Schemes Sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the company have not been kept; or
- the financial statements are not in agreement with those records.

#### **Responsibilities of the authorised corporate director**

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities set out on page 3, the authorised corporate director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the authorised corporate director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the authorised corporate director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the authorised corporate director either intends to liquidate the company or to cease activity, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the company's shareholders, as a body, in accordance with paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Barlow Andrews LLP**  
Chartered Accountants  
Statutory Auditor  
Carlisle House  
78 Chorley New Road  
Bolton

16 October 2018

## JUNIOR GOLD

### COMPARATIVE TABLE

Class C and I accumulation shares were first offered at 100p on 1 September 2009. Class P accumulation shares were first issued on 13 December 2013.

<b><u>Class C accumulation shares</u></b>	<b>Year to 31.08.2018</b>	<b>Year to 31.08.2017</b>	<b>Year to 31.08.2016</b>
<b>Change in net assets per share</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per share	39.66	51.69	20.32
Return before operating charges*	(8.60)	(11.21)	32.01
Operating charges	(0.68)	(0.82)	(0.64)
Return after operating charges*	(9.28)	(12.03)	31.37
Distributions on accumulation shares	0.00	0.00	0.00
Retained distributions on accumulation shares	0.00	0.00	0.00
Closing net asset value per share	30.38	39.66	51.69
* after direct transaction costs of:	0.02	0.11	0.19
<b>Performance</b>			
Return after charges	-23.40%	-23.27%	154.38%
<b>Other information</b>			
Closing net asset value	£2,177,463	£2,969,078	£4,388,039
Closing number of shares	7,167,707	7,485,798	8,489,885
Operating charges	1.88%	1.87%	1.91%
Direct transaction costs	0.05%	0.25%	0.56%
<b>Prices</b>			
Highest share price	42.21p	57.83p	63.81p
Lowest share price	30.83p	34.69p	17.25p
<b><u>Class I accumulation shares</u></b>	<b>Year to 31.08.2018</b>	<b>Year to 31.08.2017</b>	<b>Year to 31.08.2016</b>
<b>Change in net assets per share</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per share	40.34	52.43	20.56
Return before operating charges*	(8.76)	(11.36)	32.41
Operating charges	(0.60)	(0.73)	(0.54)
Return after operating charges*	(9.36)	(12.09)	31.87
Distributions on accumulation shares	0.00	0.00	0.00
Retained distributions on accumulation shares	0.00	0.00	0.00
Closing net asset value per share	30.98	40.34	52.43
* after direct transaction costs of:	0.02	0.11	0.18
<b>Performance</b>			
Return after charges	-23.20%	-23.06%	155.01%
<b>Other information</b>			
Closing net asset value	£1,408,458	£2,824,654	£5,046,780
Closing number of shares	4,546,800	7,002,301	9,626,434
Operating charges	1.63%	1.62%	1.66%
Direct transaction costs	0.05%	0.25%	0.56%
<b>Prices</b>			
Highest share price	42.93p	58.66p	64.72p
Lowest share price	31.43p	35.25p	17.47p

## JUNIOR GOLD

### COMPARATIVE TABLE

<b>Class P accumulation shares</b>	<b>Year to 31.08.2018</b>	<b>Year to 31.08.2017</b>	<b>Year to 31.08.2016</b>
<b>Change in net assets per share</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per share	41.02	53.10	20.75
Return before operating charges*	(8.94)	(11.53)	32.91
Operating charges	(0.46)	(0.55)	(0.56)
Return after operating charges*	(9.40)	(12.08)	32.35
Distributions on accumulation shares	0.00	0.00	0.00
Retained distributions on accumulation shares	0.00	0.00	0.00
Closing net asset value per share	31.62	41.02	53.10
* after direct transaction costs of:	0.02	0.11	0.25
<b>Performance</b>			
Return after charges	-22.92%	-22.75%	155.90%
<b>Other information</b>			
Closing net asset value	£6,936,434	£7,706,584	£9,053,298
Closing number of shares	21,936,085	18,787,952	17,048,203
Operating charges	1.23%	1.22%	1.26%
Direct transaction costs	0.05%	0.25%	0.56%
<b>Prices</b>			
Highest share price	43.66p	59.44p	65.54p
Lowest share price	32.04p	35.80p	17.66p

Operating charges are the same as the ongoing charges and are the total expenses paid by each share class in the period. Direct transaction costs are the total charges for the period, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the average net asset value over the period and the average shares in issue for the pence per share figures.

### SYNTHETIC RISK AND REWARD INDICATOR

Lower risk ← Higher risk  
 Typically lower rewards      Typically higher rewards

1	2	3	4	5	6	7
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The synthetic risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the Fund. It is calculated based on the volatility of the Fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used.

This Fund has been measured as 7 because it has experienced very high volatility historically. During the period the synthetic risk and reward indicator has remained unchanged.

## JUNIOR GOLD

### PORTFOLIO STATEMENT

as at 31 August 2018

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>AUSTRALIA (35.79%, Aug 2017 - 41.67%)</b>		
8,000,000 Azumah Resources	93,433	0.89
328,947 Azure Minerals	34,759	0.33
164,473 Azure Minerals Warrants *	0	0.00
9,000,000 Beadell Resources	235,252	2.24
5,800,000 Blackham Resources	135,478	1.29
2,500,000 Blackham Resources Warrants *	5,562	0.05
1,997,978 Cardinal Resources	450,026	4.28
250,000 Dacian Gold	323,958	3.08
2,500,000 Doray Minerals	472,728	4.49
1,250,000 Eastern Goldfields *	79,947	0.76
1,440,000 Focus Minerals	168,180	1.60
1,200,000 Gascoyne Resources	200,214	1.90
2,500,000 Intermin Resources	222,460	2.11
13,333,335 Kingsrose Mining	422,674	4.02
680,000 Perseus Mining	134,255	1.28
340,000 Perseus Mining Warrants *	0	0.00
1,000,000 Ramelius Resources	264,171	2.51
3,000,000 Troy Resources	183,530	1.74
2,000,000 West African Resources	339,252	3.22
Total Australia	<u>3,765,879</u>	<u>35.79</u>
<b>CANADA (57.68%, Aug 2017 - 56.29%)</b>		
550,000 Alexco Resource	471,621	4.48
220,000 Alio Gold	117,092	1.11
200,000 Americas Silver	361,921	3.44
166,666 Americas Silver Warrants *	0	0.00
300,000 Argonaut Gold	324,665	3.09
300,000 Asanko Gold	189,831	1.80
3,000,000 Aurcana	399,178	3.79
1,500,000 Aurcana Warrants *	0	0.00
1,016,416 Austral Gold	51,092	0.49
400,000 Avino Silver & Gold Mines	286,225	2.72
281,250 Dynasty Gold	26,612	0.25
180,000 Endeavour Silver	316,149	3.01
55,250 Equinox Gold	34,961	0.33
125,000 Excellon Resources	82,053	0.78
62,500 Excellon Resources Warrants *	0	0.00
92,000 First Majestic Silver	384,654	3.66
90,000 Fortuna Ventures	315,617	3.00
450,000 Golden Minerals	85,158	0.81
400,000 Integra Resources	201,067	1.91
1,000,000 K92 Mining	461,272	4.38
1,141,351 Kerr Mines	111,369	1.06
1,250,000 Llave Oro *	0	0.00
3,174,000 Minaurum Gold	957,282	9.10
1,000,000 NuLegacy Gold	106,447	1.01
1,000,000 NuLegacy Gold Warrants *	0	0.00
800,000 Opus One Resources	18,924	0.18
800,000 Opus One Resources Warrants *	0	0.00
200,000 Premier Gold Mines	223,540	2.12
2,000,000 RosCan Minerals	70,965	0.67
2,000,000 RosCan Minerals Warrants *	0	0.00
245,400 Rubicon Minerals	181,404	1.72
5,525 Solaris Copper *	0	0.00
134,400 Teranga Gold	290,900	2.77
Total Canada	<u>6,069,999</u>	<u>57.68</u>

## JUNIOR GOLD

### PORTFOLIO STATEMENT

as at 31 August 2018

<b>Holding or nominal value</b>	<b>Bid value £</b>	<b>Percentage of total net assets %</b>
<b>UNITED KINGDOM</b> (1.17%, Aug 2017 - 1.97%)		
8,200,000 Metals Exploration	123,000	1.17
Total United Kingdom	<u>123,000</u>	<u>1.17</u>
<b>UNITED STATES</b> (2.97%, Aug 2017 - 2.80%)		
705,880 ECI Exploration & Mining *	257,809	2.45
290,000 Golden Minerals	54,631	0.52
Total United States	<u>312,440</u>	<u>2.97</u>
<b>Portfolio of investments</b>	10,271,318	97.61
<b>Net current assets</b>	<u>251,037</u>	<u>2.39</u>
<b>Total net assets</b>	<u><u>10,522,355</u></u>	<u><u>100.00</u></u>

\* Unquoted securities.

## JUNIOR GOLD

### STATEMENT OF TOTAL RETURN

for the year ended 31 August 2018

	Notes	31 August 2018		31 August 2017	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		(2,903,509)		(4,601,511)
Revenue	6	11,802		6,618	
Expenses	7	<u>(174,534)</u>		<u>(219,934)</u>	
Net expense before taxation			<u>(162,732)</u>		<u>(213,316)</u>
Taxation	8	<u>0</u>		<u>(797)</u>	
Net expense after taxation			<u>(162,732)</u>		<u>(214,113)</u>
Total return before distributions			(3,066,241)		(4,815,624)
Distributions	9		(1,409)		2,277
Change in net assets attributable to shareholders from investment activities			<u><u>(3,067,650)</u></u>		<u><u>(4,813,347)</u></u>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 August 2018

	31 August 2018		31 August 2017	
	£	£	£	£
Opening net assets attributable to shareholders		13,500,316		18,488,117
Amounts receivable on issue of shares	2,734,445		11,055,076	
Amounts payable on cancellation of shares	<u>(2,643,360)</u>		<u>(11,228,159)</u>	
Amounts payable on share class conversions		<u>(1,396)</u>		<u>(1,371)</u>
		89,689		(174,454)
Change in net assets attributable to shareholders from investment activities		(3,067,650)		(4,813,347)
Closing net assets attributable to shareholders		<u><u>10,522,355</u></u>		<u><u>13,500,316</u></u>

## JUNIOR GOLD

### BALANCE SHEET

as at 31 August 2018

	Notes	31 August 2018	31 August 2017
		£	£
<b>Assets:</b>			
<b>Fixed Assets:</b>			
Investments	15	10,271,318	13,869,333
<b>Current Assets:</b>			
Debtors	10	609,318	10,963
Cash and bank balances		70,376	0
Total assets		<u>10,951,012</u>	<u>13,880,296</u>
<b>Liabilities:</b>			
<b>Creditors:</b>			
Bank overdrafts		66,350	97,248
Other creditors	11	362,307	282,732
Total liabilities		<u>428,657</u>	<u>379,980</u>
<b>Net assets attributable to shareholders</b>		<u>10,522,355</u>	<u>13,500,316</u>

## JUNIOR GOLD

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2018

#### 1 ACCOUNTING POLICIES

a Basis of preparation

The financial statements have been prepared in compliance with FRS102 and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Association in May 2014.

The financial statements are prepared in sterling, which is the functional currency of the Fund. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of investments and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

b Going concern

The Authorised Corporate Director (ACD) has at the time of approving the financial statements, a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

c Revenue

Dividends from shares are recognised when the security is quoted ex-dividend. Bank interest is accounted for on an accruals basis.

d Expenses

All expenses are accounted for on an accruals basis and, other than those relating to purchase and sale of investments, are charged against income as shown in these accounts.

e Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on net revenue for the year. The taxable amount differs from net revenue as reported in the Statement of Total Return (SOTR) because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Fund's liability for current tax is calculated using tax rates that have been enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient tax profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the SOTR. Deferred tax assets and liabilities are offset when the Fund has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

f Valuation of investments

The investments of the Fund have been valued at their fair value at 12 noon on 31 August 2018. Fair value is normally the bid value of each security by reference to quoted prices from reputable sources; that is the market price. If the ACD believes that the quoted price is unreliable, or if no price exists, a valuation technique is used whereby fair value is the ACD's best estimate of a fair and reasonable value for that investment.

g Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange ruling at the date of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the net capital gains/(losses) for the period.



## JUNIOR GOLD

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2018

#### ACCOUNTING POLICIES

h Cash and bank balances

Cash and bank balances include deposits held at call with banks. Bank overdrafts are shown within creditors in liabilities.

i Financial assets

The ACD has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of the Fund's financial instruments.

Financial assets are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include amounts receivable for the issue of shares, accrued income and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost. Amortised cost is the amount at which the financial asset is measured at initial recognition, less any reduction for impairment or uncollectability.

Basic financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the SOTR.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

j Financial liabilities

Financial liabilities are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified into specified categories. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of recognition.

Basic financial liabilities, which include amounts payable for cancellation of shares and accrued expenses, are initially measured at transaction price. Other financial liabilities are measured at fair value.

Financial liabilities are derecognised when, and only when, the Fund's obligations are discharged, cancelled, or they expire.

#### 2 DISTRIBUTION POLICIES

a Basis of distribution

The policy of the Fund is to distribute any net revenue shown as such in the statement of total return. Revenue attributable to accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of revenue.

b Apportionment to multiple share classes

The ACD's periodic charge is directly attributable to individual share classes. All other income and expenses are allocated to the share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

## JUNIOR GOLD

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2018

#### 3 RISK MANAGEMENT POLICIES

In pursuing its investment objective as stated on page 2, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities held in accordance with the investment objectives and policies together with cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income.

The main risks arising from the Fund's financial instruments and the ACD's policies for managing these risks are summarised below. These policies have been applied throughout the year.

##### Market price risk

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

Investment limits set out in the Instrument of Incorporation, the Prospectus and in the Collective Investment Schemes Sourcebook mitigate the risk of excessive exposure to any particular security or issuer.

##### Foreign currency risk

The income and capital value of the Fund's investments can be affected by foreign currency translation movements as most of the Fund's assets and income may be denominated in currencies other than sterling which is the Fund's functional currency.

The ACD has identified three principal areas where foreign currency risk could impact the Fund. These are, movements in exchange rates affecting the value of investments, short-term timing differences such as exposure to exchange rate movements in the period between when an investment purchase or sale is entered into and the date when settlement of the investment occurs, and finally movements in exchange rates affecting income received by the Fund. The Fund converts all receipts of income, received in currency, into sterling on the day of receipt.

##### Credit and counterparty risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty.

##### Interest rate risk

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The Fund's cash holdings are held in deposit accounts, whose rates are determined by the banks concerned on a daily basis.

##### Liquidity risk

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any shares that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions. The liquidity of the Fund's assets is regularly reviewed by the ACD.

#### 4 NET CAPITAL GAINS/(LOSSES)

The net gains/(losses) on investments during the year comprise:

	31 August 2018	31 August 2017
	£	£
Non-derivative securities	(2,895,086)	(4,558,371)
Currency gains/(losses)	(6,573)	(39,016)
Transaction charges	(1,850)	(4,124)
<b>Net capital gains/(losses)</b>	<b>(2,903,509)</b>	<b>(4,601,511)</b>

## JUNIOR GOLD

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2018

#### 5 PURCHASES, SALES AND TRANSACTION COSTS

(All purchases and sales are in the equity asset class)

	31 August 2018 £	31 August 2017 £
Purchases excluding transaction costs	1,268,351	7,846,601
Corporate actions	548,456	1,684,939
	<u>1,816,807</u>	<u>9,531,540</u>
Commissions	1,798	14,915
Taxes and other charges	0	1,591
Total purchase transaction costs	<u>1,798</u>	<u>16,506</u>
<b>Purchases including transaction costs</b>	<u><u>1,818,605</u></u>	<u><u>9,548,046</u></u>
Purchase transaction costs expressed as a percentage of the principal amount:		
Commissions	0.14%	0.19%
Taxes and other charges	0.00%	0.02%
Sales excluding transaction costs	2,525,788	10,309,791
	<u>2,525,788</u>	<u>10,309,791</u>
Commissions	(4,255)	(21,442)
Taxes and other charges	0	(15)
Total sale transaction costs	<u>(4,255)</u>	<u>(21,457)</u>
<b>Sales net of transaction costs</b>	<u><u>2,521,533</u></u>	<u><u>10,288,334</u></u>
Sale transaction costs expressed as a percentage of the principal amount:		
Commissions	0.17%	0.21%
Taxes and other charges	0.00%	0.00%
Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:		
Commissions	0.05%	0.24%
Taxes and other charges	0.00%	0.01%
	<u>0.05%</u>	<u>0.25%</u>
<b>Transaction handling charges</b>	<u><u>£1,850</u></u>	<u><u>£4,124</u></u>

#### Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date	<u>2.95%</u>	<u>2.84%</u>
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#### 6 REVENUE

	31 August 2018 £	31 August 2017 £
Overseas dividends	11,663	6,534
Bank interest	139	84
<b>Total revenue</b>	<u><u>11,802</u></u>	<u><u>6,618</u></u>

## JUNIOR GOLD

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2018

#### 7 EXPENSES

	31 August 2018 £	31 August 2017 £
Payable to the ACD or associate:		
ACD's periodic charge	159,514	202,908
Registration fees	1,824	1,820
	<u>161,338</u>	<u>204,728</u>
Payable to the Depositary or associate:		
Depositary's fees	4,337	5,499
Safe custody fees	2,722	3,611
Interest	813	2,273
	<u>7,872</u>	<u>11,383</u>
Other expenses:		
Financial Conduct Authority Fee	79	164
Audit fee	4,429	3,121
Price publication costs	816	538
	<u>5,324</u>	<u>3,823</u>
<b>Total expenses</b>	<u>174,534</u>	<u>219,934</u>

#### 8 TAXATION

	31 August 2018 £	31 August 2017 £
a Analysis of the tax charge for the year		
Overseas tax	0	797
<b>Total tax charge</b>	<u>0</u>	<u>797</u>

There is no corporation tax charge for the year (31.08.17 - Nil)

#### b Factors affecting the tax charge for the year

Net expense before taxation	(162,732)	(213,316)
Corporation tax at 20%	(32,546)	(42,663)
Effects of:		
Revenue not subject to taxation	(2,333)	(1,307)
Unrelieved excess management expenses	34,879	43,970
Overseas tax	0	797
<b>Current tax charge</b>	<u>0</u>	<u>797</u>

At 31 August 2018 the Fund has deferred tax assets of £506,020 (31.08.17 - £471,141) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

#### 9 DISTRIBUTIONS

	31 August 2018 £	31 August 2017 £
The distributions take account of revenue deducted on the issue of shares and revenue received on the cancellation of shares, and comprise:		
Amounts added on cancellation of shares	(7,078)	(30,992)
Amounts deducted on issue of shares	9,883	30,086
Equalisation on conversions	(1,396)	(1,371)
<b>Distributions</b>	<u>1,409</u>	<u>(2,277)</u>
Net deficit of revenue for the year	(164,141)	(211,836)
<b>Net expense after taxation for the year</b>	<u>(162,732)</u>	<u>(214,113)</u>

#### 10 DEBTORS

	31 August 2018 £	31 August 2017 £
Amounts receivable for issue of shares	609,318	10,963
<b>Total debtors</b>	<u>609,318</u>	<u>10,963</u>

## JUNIOR GOLD

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2018

#### 11 OTHER CREDITORS

	31 August 2018 £	31 August 2017 £
Amounts payable for cancellation of shares	4,762	260,852
Purchases awaiting settlement	338,136	0
Accrued expenses	19,409	21,880
<b>Total other creditors</b>	<u>362,307</u>	<u>282,732</u>

#### 12 RELATED PARTIES

The ACD is involved in all transactions in the shares of the Fund, the aggregate values of which are set out in the statement of change in net assets attributable to shareholders.

Amounts paid to the ACD in respect of the ACD's periodic charge and registration fees are disclosed in note 7.

The total amounts due to/(from) the ACD at the year end were as follows:

	31 August 2018 £	31 August 2017 £
Marlborough Fund Managers Ltd	(592,582)	264,994

#### 13 SHAREHOLDERS' FUNDS

The Fund currently has three share classes: Class C (minimum investment £1,000); Class I (minimum investment £50,000); and Class P (minimum investment £1,000,000). The annual management charges are 1.75%, 1.5% and 1.1% respectively.

During the year the ACD has issued, cancelled and converted shares from one share class to another as set out below:

	Class C	Class I	Class P
Opening shares in issue at 1 September 2017	7,485,798	7,002,301	18,787,952
Shares issues	731,389	26,188	6,611,635
Shares cancellations	(769,334)	(556,701)	(5,619,683)
Shares conversions	(280,146)	(1,924,988)	2,156,181
Closing shares in issue at 31 August 2018	<u>7,167,707</u>	<u>4,546,800</u>	<u>21,936,085</u>

#### 14 RISK DISCLOSURES

##### Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and net assets by £513,565 (31.08.17 - £693,467). A five per cent decrease would have an equal and opposite effect.

##### Foreign currency risk

At the year end date a portion of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements.

Foreign currency exposure at 31 August 2018

	Investments £	Net current assets £	Total £
Australian Dollar	3,765,879	(338,136)	3,427,743
Canadian Dollar	6,069,999	0	6,069,999
United States Dollar	312,440	0	312,440
	<u>10,148,318</u>	<u>(338,136)</u>	<u>9,810,182</u>

Foreign currency exposure at 31 August 2017

	Investments £	Net current assets £	Total £
Australian Dollar	5,623,375	0	5,623,375
Canadian Dollar	7,602,027	0	7,602,027
United States Dollar	377,431	0	377,431
	<u>13,602,833</u>	<u>0</u>	<u>13,602,833</u>

## JUNIOR GOLD

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2018

#### RISK DISCLOSURES

##### Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the foreign currencies above would have the effect of increasing the return and net assets by £490,509 (31.08.17 - £680,142). A five per cent increase would have an equal and opposite effect.

##### Liquidity risk

The following table provides a maturity analysis of the Fund's financial liabilities:

	31 August 2018 £	31 August 2017 £
Within one year:		
Bank overdrafts	66,350	97,248
Other creditors	362,307	282,732
	<u>428,657</u>	<u>379,980</u>

#### 15 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 August 2018		31 August 2017	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	9,933,562	0	12,865,441	0
Level 2 - Observable market data	0	0	0	0
Level 3 - Unobservable data	337,756	0	1,003,892	0
	<u>10,271,318</u>	<u>0</u>	<u>13,869,333</u>	<u>0</u>

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS102 the Fund classifies fair value measurement under the following levels:-

Level 1 - Unadjusted quoted price in an active market for an identical instrument.

Level 2 - Valuation techniques using observable inputs other than quoted prices within level 1.

Level 3 - Valuation techniques using unobservable inputs.

ECI Exploration & Mining is being priced at best estimate by the fund manager.

Eastern Goldfields is currently valued at the last traded price until trading resumes or further information is received.

Llave Oro is being valued at zero until further information is received from the company.

Solaris Copper, which are spin off shares from Equinox Gold, are being valued at zero by the fund manager.

All holdings of warrants are valued at the exercise price less the price of the underlying common shares.

# Marlborough

— Fund Managers —

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