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JUNIOR GOLD

**INTERIM REPORT  
AND UNAUDITED FINANCIAL STATEMENTS**

For the six month period ended 28 February 2018

## **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 six month period ended 28 February 2018

#### Percentage change to 28 February 2018

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch*</u>
Junior Gold	-9.06%	-17.34%	35.07%	-49.08%	-62.37%

\* 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.

After strong gains in the calendar year 2016, the six months to 28 February 2018 showed a period of consolidation in our sector, with the fund losing 9.06% of its value. Despite the greater volatility of smaller capitalization shares, the Fund out-performed its benchmark, the FTSE Gold Mines Index, which fell by a larger 14.2% in the same period. Nevertheless, it is encouraging to see the gold price holding firmly and in a rising trend in recent months again as global equity markets entered a correction mode early in February. The sell-off seems to have been triggered by rapidly rising bond yields, the prospect of higher inflation that could push central banks to hike interest rates as well as potential economic damage from America's trade wars. 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. This debt binge has been stimulated by the Quantitative Easing programmes, near-zero interest rates and rising stock market valuations that have encouraged adding more debt on the balance sheets.

Since the end of last year we are seeing stronger, synchronised global economic growth and inflationary indications, even not accounting for the rise in energy and commodity prices that have yet to feed into the data. This has pushed debt yields higher and started what could be the first potentially significant bond bear market in 40 years. US Treasuries, accounting for some 32% of world public debt, look particularly vulnerable. The Trump administration has approved a cut of almost a third in corporate taxes in the hope of repatriating overseas cash hoards and stimulating investment and growth. In the short term, nevertheless, they will have to issue more debt to plug the gap in fiscal revenues and all these new bonds will come to the market at a time when the Fed is withdrawing from asset purchases and some of the world's largest bond investors, China and Saudi Arabia have expressed cautiousness towards their exposure to US Treasuries. This could exacerbate the selling pressure on bonds, pushing yields higher and causing equity valuations to be discounted more heavily. It is a particularly damaging backdrop against asset valuations.

Gold is set to be an attractive safe haven asset again and has proven its resilience in the recent dramatic trading days in global markets. If we look at the five-year price chart, in particular, we believe that gold could exceed \$1,450/oz once it breaks above \$1,370/oz. Smaller gold mining equities have underperformed the commodity in the past 12 months and should catch up soon. Of our top holdings, two of the recent best performers were Cardinal and Minaurum. Cardinal Resources has just announced a preliminary economic assessment of its Namdini project in Ghana showing robust economics at today's gold price with low all-in costs at \$736/oz. Its shares trade at half the valuation of the developers peer group so there is significant scope for further re-rating. Minaurum Gold is an earlier stage company founded by a team of proven geologists, led by Dr. Peter Megaw who discovered, among others, MAG Silver's Juanicipio deposit and David Jones who found Los Filos. They have 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 rapidly rising inflation in the UK, the Eurozone and America are likely to continue 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 continue to benefit from the recovery in precious metals prices and those of related equities.

Angelos Damaskos  
29 March 2018

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#### **Material portfolio changes**

Purchases	Cost (£)	Sales	Proceeds (£)
Excellon Resources	149,936	Premier Gold Mines	321,052
Blackham Resources	113,109	West African Resources	304,773
		Teranga Gold	163,363
		Fortuna Ventures	128,321
		Americas Silver	124,180
		Minaurum Gold	57,426
		Rubicon Minerals	3,937
Total purchases for the period	263,045	Total sales for the period	1,103,052

## **JUNIOR GOLD**

### **AUTHORISED STATUS AND GENERAL INFORMATION**

#### **Authorised status**

Junior Gold 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.

### **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**  
10 April 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>Period to</b>	<b>Year to</b>	<b>Year to</b>	<b>Year to</b>
<b>Change in net assets per share</b>	<b>28.02.2018</b>	<b>31.08.2017</b>	<b>31.08.2016</b>	<b>31.08.2015</b>
	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per share	39.66	51.69	20.32	38.06
Return before operating charges*	(3.43)	(11.21)	32.01	(17.21)
Operating charges	(0.34)	(0.82)	(0.64)	(0.53)
Return after operating charges*	(3.77)	(12.03)	31.37	(17.74)
Distributions	0.00	0.00	0.00	0.00
Retained distributions on accumulation shares	0.00	0.00	0.00	0.00
Closing net asset value per share	35.89	39.66	51.69	20.32
* after direct transaction costs of:	0.01	0.11	0.19	0.03
<b>Performance</b>				
Return after charges	-9.51%	-23.27%	154.38%	-46.61%
<b>Other information</b>				
Closing net asset value	£2,661,014	£2,969,078	£4,388,039	£1,831,270
Closing number of shares	7,413,910	7,485,798	8,489,885	9,010,699
Operating charges	**1.88%	1.87%	1.91%	1.93%
Direct transaction costs	**0.03%	0.25%	0.56%	0.11%
<b>Prices</b>				
Highest share price	42.21p	57.83p	63.81p	38.87p
Lowest share price	30.93p	34.69p	17.25p	20.27p
<b><u>Class I accumulation shares</u></b>				
<b>Change in net assets per share</b>	<b>Period to</b>	<b>Year to</b>	<b>Year to</b>	<b>Year to</b>
	<b>28.02.2018</b>	<b>31.08.2017</b>	<b>31.08.2016</b>	<b>31.08.2015</b>
	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per share	40.34	52.43	20.56	38.40
Return before operating charges*	(3.49)	(11.36)	32.41	(17.37)
Operating charges	(0.30)	(0.73)	(0.54)	(0.47)
Return after operating charges*	(3.79)	(12.09)	31.87	(17.84)
Distributions	0.00	0.00	0.00	0.00
Retained distributions on accumulation shares	0.00	0.00	0.00	0.00
Closing net asset value per share	36.55	40.34	52.43	20.56
* after direct transaction costs of:	0.01	0.11	0.18	0.03
<b>Performance</b>				
Return after charges	-9.40%	-23.06%	155.01%	-46.46%
<b>Other information</b>				
Closing net asset value	£2,443,053	£2,824,654	£5,046,780	£2,755,306
Closing number of shares	6,684,269	7,002,301	9,626,434	13,400,507
Operating charges	**1.63%	1.62%	1.66%	1.68%
Direct transaction costs	**0.03%	0.25%	0.56%	0.11%
<b>Prices</b>				
Highest share price	42.93p	58.66p	64.72p	39.21p
Lowest share price	31.48p	35.25p	17.47p	20.50p

## JUNIOR GOLD

### COMPARATIVE TABLE

<b>Class P accumulation shares</b>	<b>Period to 28.02.2018</b>	<b>Year to 31.08.2017</b>	<b>Year to 31.08.2016</b>	<b>Year to 31.08.2015</b>
<b>Change in net assets per share</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per share	41.02	53.10	20.75	38.58
Return before operating charges*	(3.55)	(11.53)	32.91	(17.48)
Operating charges	(0.23)	(0.55)	(0.56)	(0.35)
Return after operating charges*	(3.78)	(12.08)	32.35	(17.83)
Distributions	0.00	0.00	0.00	0.00
Retained distributions on accumulation shares	0.00	0.00	0.00	0.00
Closing net asset value per share	37.24	41.02	53.10	20.75
* after direct transaction costs of:	0.01	0.11	0.25	0.03
<b>Performance</b>				
Return after charges	-9.22%	-22.75%	155.90%	-46.22%
<b>Other information</b>				
Closing net asset value	£6,706,510	£7,706,584	£9,053,298	£658,790
Closing number of shares	18,009,337	18,787,952	17,048,203	3,174,692
Operating charges	**1.23%	1.22%	1.26%	1.28%
Direct transaction costs	**0.03%	0.25%	0.56%	0.11%
<b>Prices</b>				
Highest share price	43.66p	59.44p	65.54p	39.39p
Lowest share price	32.04p	35.80p	17.66p	20.68p

\*\* These figures have been annualised.

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



The 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.

## JUNIOR GOLD

### PORTFOLIO STATEMENT

as at 28 February 2018

Holding or nominal value	Bid value £	Percentage of total net assets %
<b>AUSTRALIA (42.44%, Aug 2017 - 41.67%)</b>		
8,000,000 Azumah Resources	130,822	1.11
328,947 Azure Minerals	60,284	0.51
164,473 Azure Minerals Warrants *	0	0.00
4,000,000 Beadell Resources	259,388	2.20
5,800,000 Blackham Resources	150,445	1.27
1,997,978 Cardinal Resources	597,116	5.06
2,500,000 Doray Minerals	387,672	3.28
1,250,000 Eastern Goldfields *	165,642	1.40
1,440,000 Focus Minerals	259,839	2.20
1,200,000 Gascoyne Resources	301,116	2.55
2,500,000 Intermin Resources	338,332	2.86
1,250,000 Intermin Resources Warrants *	41,587	0.35
13,333,335 Kingsrose Mining	578,924	4.90
361,130 Millennium Minerals	47,855	0.41
680,000 Perseus Mining	151,460	1.28
340,000 Perseus Mining Warrants *	0	0.00
1,432,128 Ramelius Resources	343,212	2.91
1,000,000 Resolute Mining	625,915	5.30
3,000,000 Troy Resources	155,633	1.32
2,000,000 West African Resources	417,276	3.53
Total Australia	<u>5,012,518</u>	<u>42.44</u>
<b>CANADA (52.62%, Aug 2017 - 56.29%)</b>		
626,400 Alexco Resource	595,316	5.04
1,000,000 Alio Gold	5,657	0.05
200,000 Americas Silver	530,627	4.49
166,666 Americas Silver Warrants *	0	0.00
300,000 Argonaut Gold	409,001	3.46
300,000 Asanko Gold	174,801	1.48
1,500,000 Aurcana	186,681	1.58
1,016,416 Austral Gold	66,123	0.56
400,000 Avino Silver & Gold Mines	357,523	3.03
281,250 Dynasty Gold	37,389	0.32
180,000 Endeavour Silver	287,150	2.43
55,250 Equinox Gold	35,631	0.30
125,000 Excellon Resources	123,747	1.05
62,500 Excellon Resources Warrants *	3,536	0.03
54,000 First Majestic Silver	209,558	1.77
110,000 Fortuna Ventures	355,316	3.01
450,000 Golden Minerals	127,283	1.08
1,000,000 K92 Mining	263,051	2.23
550,000 K92 Mining Warrants *	0	0.00
1,141,351 Kerr Mines	148,502	1.26
1,250,000 Llave Oro *	0	0.00
3,836,500 Minaurum Gold	1,280,483	10.84
800,000 Opus One Resources	36,205	0.31
800,000 Opus One Resources Warrants *	0	0.00
200,000 Premier Gold Mines	357,523	3.03
600,000 Primero Mining	71,278	0.60
245,400 Rubicon Minerals	184,634	1.56
180,000 Teranga Gold	367,592	3.11
Total Canada	<u>6,214,607</u>	<u>52.62</u>



## JUNIOR GOLD

### PORTFOLIO STATEMENT

as at 28 February 2018

<b>Holding or nominal value</b>		<b>Bid value £</b>	<b>Percentage of total net assets %</b>
	<b>UNITED KINGDOM</b> (2.43%, Aug 2017 - 1.97%)		
8,200,000	Metals Exploration	287,000	2.43
	Total United Kingdom	<u>287,000</u>	<u>2.43</u>
	<b>UNITED STATES</b> (2.75%, Aug 2017 - 2.80%)		
705,880	ECI Exploration & Mining *	242,176	2.05
290,000	Golden Minerals	82,214	0.70
145,000	Golden Minerals Warrants *	0	0.00
	Total United States	<u>324,390</u>	<u>2.75</u>
	<b>Portfolio of investments</b>	11,838,515	100.24
	<b>Net current liabilities</b>	(27,938)	(0.24)
	<b>Total net assets</b>	<u>11,810,577</u>	<u>100.00</u>

\* Unquoted Securities.

The investments of the Fund have been valued at their fair value at 12 noon on 28 February 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 authorised fund manager believes that the quoted price is unreliable, or if no price exists, a valuation technique is used whereby fair value is the authorised fund manager's best estimate of a fair and reasonable value for that investment.

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

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

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

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

### PORTFOLIO TRANSACTIONS

for the six month period ended 28 February 2018

	<b>£</b>
Total purchases costs, including transaction charges	263,045
Total sales proceeds, net of transaction charges	1,103,052

## JUNIOR GOLD

### STATEMENT OF TOTAL RETURN

for the six month period ended 28 February 2018

	28 February 2018		28 February 2017	
	£	£	£	£
Income:				
Net capital gains/(losses)		(1,192,512)		(3,233,559)
Revenue	11,784		6,543	
Expenses	<u>(87,624)</u>		<u>(121,914)</u>	
Net expense before taxation		<u>(75,840)</u>		<u>(115,371)</u>
Taxation		<u>0</u>		<u>(797)</u>
Net expense after taxation		<u>(75,840)</u>		<u>(116,168)</u>
Total return before distributions		(1,268,352)		(3,349,727)
Distributions		1,334		1,502
Change in net assets attributable to shareholders from investment activities		<u>(1,267,018)</u>		<u>(3,348,225)</u>

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

for the six month period ended 28 February 2018

	28 February 2018		28 February 2017	
	£	£	£	£
Opening net assets attributable to shareholders		* 13,500,316		18,488,117
Amounts receivable on issue of shares	1,228,481		8,636,021	
Amounts payable on cancellation of shares	(1,651,122)		(8,107,012)	
Amounts payable on share class conversions	<u>(80)</u>		<u>(1,388)</u>	
		(422,721)		527,621
Change in net assets attributable to shareholders from investment activities		(1,267,018)		(3,348,225)
Closing net assets attributable to shareholders		<u>11,810,577</u>		* <u>15,667,513</u>

\* These figures are not the same as the comparatives are taken from the preceding interim period and not the last final accounts.

## JUNIOR GOLD

### BALANCE SHEET

as at 28 February 2018

	28 February 2018	31 August 2017
	£	£
<b>Assets:</b>		
<b>Fixed Assets:</b>		
Investments	11,838,515	13,869,333
<b>Current Assets:</b>		
Debtors	58,842	10,963
Cash and bank balances	119,918	0
Total assets	<u>12,017,275</u>	<u>13,880,296</u>
<b>Liabilities:</b>		
<b>Creditors:</b>		
Bank overdrafts	172,098	97,248
Other creditors	34,600	282,732
Total liabilities	<u>206,698</u>	<u>379,980</u>
<b>Net assets attributable to shareholders</b>	<u>11,810,577</u>	<u>13,500,316</u>

### NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 28 February 2018

#### Basis for preparation

The interim 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.

#### Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 August 2017 and are described in those annual financial statements.

# Marlborough

— Fund Managers —

Marlborough Fund Managers Ltd  
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