

# JUNIOR MINING

Update released 19 January 2010



## FUND OBJECTIVE

*To provide long-term capital growth from a globally diversified portfolio of small to medium capitalization companies specializing in identifying, developing and extracting mineral resources with particular emphasis on gold. The fund will also take small positions in uranium and base metals mining companies. The present intention is to allocate 70% in gold shares, 10% in other precious metals, 10% in base metals and 10% in uranium but these percentages may alter if market conditions change. There may be occasions, in light of adverse market conditions, when the Investment Manager chooses to hold high levels of cash, bonds and government securities.*

## KEY FACTS

**Fund Category:** Natural Resources Specialist  
**Charges:**  
*"C" shares (>£1k): 5.25% Initial, 1.75% Annual*  
*"I" shares (>£50K): 0.5% Initial, 1.5% Annual*  
**Authorised Corporate Director:** Marlborough Fund Managers Ltd  
**Fund Adviser:** Angelos Damaskos  
**Minimum Investment:** £1,000 or £100 per month  
**Eligible for ISAs and SIPP's**  
**Net Asset Value at 18.1.10:** £23.6 million

## MACRO-ECONOMIC POSITIONING

- Current macro-economic conditions make gold an attractive alternative store of value
- Government money-printing could stimulate inflation against which gold is considered a hedge
- Investment demand for gold-related products is rising
- Gold mining equities can offer better returns than gold bullion
- Smaller companies tend to outperform their larger counterparts

## MANAGEMENT TRACK RECORD

The fund is advised by Sector Investment Managers Limited (SIM), authorised and regulated by the Financial Services Authority, of which Angelos Damaskos is the Principal Adviser. For the past five years, Angelos Damaskos has managed the Junior Oils Trust, a fund focusing its investments in junior oil and gas exploration and production companies, which has consistently outperformed its benchmark, the FTSE 350 Oil & Gas Index. His past experience includes an involvement with Galahad Gold, an early-stage mining investment company.

Dr. Morris Beattie PhD P.Eng, a highly regarded metallurgical engineer is an adviser to SIM. Dr. Beattie was a member of the Board of Northern Dynasty Minerals on behalf of Galahad Gold, CEO of International Molybdenum plc and recently Vice President, Project Evaluations for Quadra Mining Ltd. His knowledge and understanding of the sector and mining concepts will be key in selecting portfolio holdings for the fund.

## COMPARATIVE PERFORMANCE

From 8.9.09 (fund's inception)	To 18.1.10
Gold	+13.0%
FTSE Mining Index	+33.3%
Junior Mining	+20.7%

## HOW TO INVEST

Call Marlborough Fund Managers:

**0808 145 2501**

Junior Mining is eligible for SIPP's and ISAs

For further info and documentation visit:

[www.juniormining.co.uk](http://www.juniormining.co.uk) or

[www.sectorinvestments.com](http://www.sectorinvestments.com)

**Risk Warning:** *This material is directed only at persons in the UK and is not an offer or invitation to buy or sell securities. The value of your investment can go down as well as up. 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. 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 Simplified Prospectus which is available free by visiting the websites above. Sector Investment Managers Ltd and Marlborough Fund Managers Ltd are authorised and regulated by the Financial Services Authority*

**JUNIOR MINING PERFORMANCE UPDATE**  
Issued on 19 January 2010

Dear Investor,

Last year was one of the most volatile periods for equity markets in modern history. 2009 began in the middle of a severe credit crisis with central banks supplying record amounts of liquidity to rescue the banking system. Investor confidence evaporated and by early March global equity markets were trading at levels not seen in decades.

In March, several indicators pointed to a turnaround. First, everyone was despondent, sentiment was bleak and the flight from equities was faster than it had been for decades. Second, commodity prices had stabilised and begun a slow rise in response to re-stocking by China and India. Third, commodity producing companies experienced a higher level of takeovers indicating that strategic investors maintained their confidence in the long-term demand for energy and basic materials. Equity markets then began a great bear-market rally.

During this period, gold came into focus as an alternative store of value to leading currencies. As a result, the gold price rose significantly and so did the share prices of gold producing companies. Major signals of increasing investor interest were the rapid growth of gold-bullion Exchange Traded Funds and net buying by global central banks, particularly India.

For the future, it is difficult to make any prediction. We still believe there are many fundamental problems with the global economy casting doubts on the rate of future global economic growth. Unemployment rates in the major developed economies are at very high levels. The banking system is still weak with a large overhang of doubtful debts in the real estate and corporate sectors. Massive government indebtedness raised to bail out the banks and provide liquidity to the markets is creating problems for smaller countries. The recovery of commodity prices is certain to creep into higher CPI inflation. Finally, the risk for sovereign defaults has risen considerably highlighted by events in Dubai, Greece, Ireland, Portugal and Spain. Governments of industrialised economies have accumulated historically high levels of debt which will be difficult to repay when a slow-growing economy depresses income from all sources.

Against this backdrop, gold seems to have less problems than most other forms of investment and, even if the gold price remains at current levels, there are many opportunities for the re-rating of the shares of junior gold mining companies. In particular, those companies with significant reserves in the ground, strong cashflow, little or no debt and competent management teams that continue to explore and add to their reserve base, should outperform the market and the sector. In 2009 investors focused on the middle-capitalisation companies with trading liquidity that would enable a swift switch in strategy. In 2010, it is likely that focus will shift to the smaller capitalisation companies which did not benefit as much last year. Also, junior mining companies are more likely to be taken over as the majors try to add to their reserves and the industry continues to consolidate.

Junior Mining's outperformance of the gold price since its inception demonstrates that a well-diversified portfolio of junior mining shares primarily focusing in gold but also other precious and base metals, should outperform both the commodity prices as well as the market.

Angelos Damaskos

***For dealing/inquiries on Junior Mining call Marlborough Fund Managers:***  
0808 145 2501 or email [ir@sectorinvestments.com](mailto:ir@sectorinvestments.com)  
Junior Mining qualifies for SIPPs and ISAs  
Further information on JM at [www.juniormining.co.uk](http://www.juniormining.co.uk)

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