

JUNIOR MINING

Investing in the mining giants of tomorrow

Update issued 19 April 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 SIPPs
Net Asset Value at 16.4.10: £26.1 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.

HOW TO INVEST

Call Marlborough Fund Managers:

0808 145 2501

Junior Mining is eligible for SIPPs and ISAs
 For further information and documentation visit:

www.juniormining.co.uk or
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 fund invests in smaller companies 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. 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 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 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 INVESTMENT ADVISER'S UPDATE

Issued on 19 April 2010

Dear Investor,

March and early April have generally been positive months for the global markets with commodity-focused equities benefiting from expectations of economic recovery. The Junior Mining fund price has increased from 100p at inception on 8th September 2009 to 132.89p on 16th April 2010.

We believe that smaller gold companies' shares should continue to outperform the gold price. In particular, it is much easier for such companies to double or treble their share price. Smaller companies tend to focus on just a few mining assets making it easier for an experienced investor to identify outstanding value. Junior mining companies are less researched and, as they develop successfully, new investors are encouraged to recognise the real value of their projects. Juniors are also more likely to be taken over as the majors try to add to their reserves and the industry continues to consolidate. As smaller companies tend to explore more actively in their areas of specialisation, a new discovery can have a disproportionate effect on their valuations.

A recent addition to Junior Mining's core holding stands out as a good example of the fund's investment approach. Spanish Mountain Gold (SPA) is a company with resources located in central British Columbia in Canada, one of the most politically safe, mining friendly jurisdictions. According to the company's website (www.spanishmountaingold.com), "the area has a long history of mining with many projects having been developed in recent years. There is close proximity to main highways and easy accessibility to power and water. These are usually key cost elements in developing a mine and the associated supporting infrastructure and easy access means lower capital expenditure. At a 0.3 grams per tonne cut-off, the company claims to have a Canadian regulations-compliant resource of approximately 4 million ounces of gold. SPA expects this deposit to support a mine with annual production in the range of 200,000 ounces and a mine life in excess of 10 years. With a current market capitalisation of approximately CAD\$50 million, including C\$9m cash and no debt, the resource is valued at about C\$13 per ounce." From a value perspective, Brett Resources, which has assets at Delineation Stage in neighbouring locations, was valued by SPA at about C\$26/oz before its acquisition by Osisko Mining Corporation at a 52% premium to the 20-day moving average of the share price. SPA reports that its management team and board are long-time mining executives with a track record of success and that it expects the resource could be progressed to production within two to three years. If these targets are met, the valuation could improve significantly especially if gold prices remain at or above the current levels.

Most of the fund's other holdings have special attributes. We will be writing about other core holdings in future updates.

For dealing/inquiries on Junior Mining call Marlborough Fund Managers: 0808 145 2501 or email ir@sectorinvestments.com

Junior Mining qualifies for SIPPs and ISAs

Further information on JM at www.juniormining.co.uk

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 fund invests in smaller companies 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. 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 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 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 Issued by Sector Investment Managers Ltd.