

# JUNIOR MINING

Investing in the mining giants of tomorrow

Update issued 18 May 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 14.5.10:** £27.3 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 is 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](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 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 18 May 2010**

Dear Investor,

Sell in May and go away? This year the old adage may be true for the general equity markets but not for gold shares. The sovereign debt problems of the developed economies have become more acute as debt servicing obligations continue to grow. The risk of Greece's default has raised question marks over the viability of the eurozone and has caused investors to flee from government securities of the smaller member states. This in turn has depressed their bond prices and increased yields. As the European banks hold a substantial proportion of these bonds, it is likely they will have to make significant provisions. The Euro is now under pressure as investors look for alternative stores of value.

Gold, as a result, is shining. At the time of writing it has risen beyond its all-time high in US Dollar terms. As more and more investors buy gold coins and ETFs and allocate part of their investments to this traditional store of value, the relatively small supply of the yellow metal propels its price higher, along with the price of gold mining shares.

We continue to believe that many gold mining shares are significantly undervalued in the current environment as higher bullion prices can increase their profitability dramatically. In particular, those companies with growing production, expanding resources and strong operating management should outperform their peers. Our Junior Mining fund is well positioned to benefit from this environment. Its portfolio is focused on gold mining shares which comprise about 70% of its value. The balance is invested mainly in platinum and silver mining companies and in two copper/ gold plays. A very small part of the fund, just under 1% of its value, is invested in two near-term uranium producers in the United States, which so evidently needs domestic supply. Cash balances are mainly held in Canadian and Australian dollars.

Our approach of seeking fundamental value coupled with rising precious metal prices should continue to produce strong performance for the fund which, on 14th May, traded at 137.26p from its inception price of 100p on 9 September 2009.

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 SIPP's and ISAs

Further information on JM at [www.juniormining.co.uk](http://www.juniormining.co.uk)

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