



JUNIOR GOLD

Investing in the mining giants of tomorrow

Update 15th April 2011

FUND OBJECTIVE

To provide long-term capital growth from a globally diversified portfolio investing primarily in small to medium capitalization companies specializing 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, when 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.

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
Fund NAV at 14.4.11: £41.8m

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
- Very strong investment demand for gold ETFs and gold coins
- Gold mining equities can offer better returns than gold bullion
- Smaller companies tend to outperform their larger counterparts

FUND SHARE PRICE PERFORMANCE



Past performance is not necessarily a guide to future performance. The value of your investment can go down as well as up

MANAGEMENT TRACK RECORD

The fund is advised by Sector Investment Managers Limited (SIM), authorised and regulated by the Financial Services Authority. SIM also advises the Junior Oils Trust, a fund focusing its investments in junior oil and gas exploration and production companies (for information: www.junioroils.com). SIM's management and advisers have extensive experience of investing in gold mining companies.

HOW TO INVEST

Call Marlborough Fund Managers:

0808 145 2501

For further information and documentation visit:

www.juniorgold.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. 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 Gold update

15 April 2011

The dominoes seem to have started to fall. Portugal has finally admitted that its debt level is unsustainable and asked for help from the European Central Bank, following Greece and Ireland earlier this year. Debt levels in the Eurozone, the US and Britain are so high that nobody knows how and when they may become serviceable. In the meantime, the fresh printing of money is likely to devalue the respective currencies and raise inflation. These factors encourage investors to look for alternative stores of value for their money. Gold has traditionally been the one valuable asset that retains its value in times of inflation and currency devaluation, and it stands to benefit from recent economic events.

There is also the geopolitical unrest and instability in some of the largest oil producing countries to consider. What is happening in North Africa and the Middle East may be the product of years of suppression of the general population but the almost simultaneous triggering of insurrection is worrying. The unfortunate result is that vital supplies of oil are constrained pushing prices high. Coupled with the catastrophic events in Japan and its need to rely more on oil, natural gas and coal imports, energy prices are set to stay high. The inflationary effect on the developed economies is clear and is likely to provide further support to high gold prices. It is not unlikely that we may see an ounce of gold selling for over US\$1,600 before the year end.

We believe that an attractive way to capitalise on rising gold prices is to invest in small and mid-sized gold miners as opposed to the yellow metal itself. A rise in the gold spot price has a significant impact on the profitability of these companies, which can subsequently lead to a re-rating of the shares. Even without further increases in the gold price, there are opportunities for the re-rating of junior gold mining companies' shares. The key requirements for a company's success are significant reserves in the ground, cashflow growth, low debt and a proven management team with the ability to add to reserves. These companies should outperform both the market and the sector. One of the stronger performers in the Junior Gold portfolio, and currently the fund's largest holding, is Focus Minerals Ltd. The company has just announced that it successfully raised additional capital to accelerate production from its latest mine as well as exploration activities in a new deposit. Production is expected to grow from the current 73k ounces per annum to in excess of 130k oz within the next two years. Economies of scale with greater production should reduce operating costs and the prospects for exploration look promising.

For dealing/inquiries on Junior Gold call Marlborough Fund Managers:

0808 145 2501 or email dealing@marlboroughfunds.com

Junior Gold qualifies for SIPP's and ISAs

Further information on Junior Gold at www.juniorgold.co.uk

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