



# JUNIOR GOLD

Investing in the mining giants of tomorrow

Update 14 October 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 13.10.11:** £37.2m

## 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](http://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](http://www.juniorgold.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. 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 14 October 2011

Dear Investor,

Uncertainty over a decisive plan for resolving the Eurozone debt problems seems to be the main cause of further market weakness. Gold continues to be an attractive safe-haven and there is evidence of investors increasing their portfolio exposure to gold-related assets. On 3 October, Qatar Holding LLC, the investment arm of the state of Qatar, agreed to invest \$600 million in European Goldfields, a company with an advanced development stage gold-mining project in Northern Greece. Their decision shows that high-calibre investors such as sovereign funds are willing to commit to long-term investments in gold production.

Junior Gold has held a modest holding in European Goldfields (EGU.LN) for some time, believing in the potentially large value of this outstanding deposit in Greece, notwithstanding the negative sentiment towards the fiscal risk of the country. Upon the announcement of this investment by Qatar, we increased the fund's holding in EGU threefold, placing it in a core holding position. In the current market conditions, we believe that raising full funding for development stage projects will be difficult. European Goldfields will now be able to concentrate on mine construction and early production without the worries and delays of raising finance in volatile markets.

Another of the fund's core holdings, American Bonanza (BZA.TO), has made substantial progress in recent months. The company's high-grade Copperstone project in Arizona, U.S., has commenced mining operations as an owner-operated facility, completing its transition from the previous contract-mining. This new approach is expected to keep operating costs low at about \$415/oz and further improve the profitability of the project. Copperstone is expected to produce 46,000oz/year for the first three years and, at the current gold price, generate approximately \$55m of operating cashflow per year. For a company with a market capitalization of about C\$105 million, the potential for a rerating is obvious.

Weak markets have kept a lid on gold mining shares in recent months. Nevertheless, once the sector's rerating starts, it will be very difficult even for seasoned investors to climb aboard and build meaningful positions. We believe that Junior Gold is well-positioned to benefit when the time comes.

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

**0808 145 2501** or email [dealing@marlboroughfunds.com](mailto:dealing@marlboroughfunds.com)

Junior Gold qualifies for SIPPs and ISAs

Further information on Junior Gold at [www.juniorgold.co.uk](http://www.juniorgold.co.uk)

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