



JUNIOR GOLD

Investing in the mining giants of tomorrow

Update 14 December 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

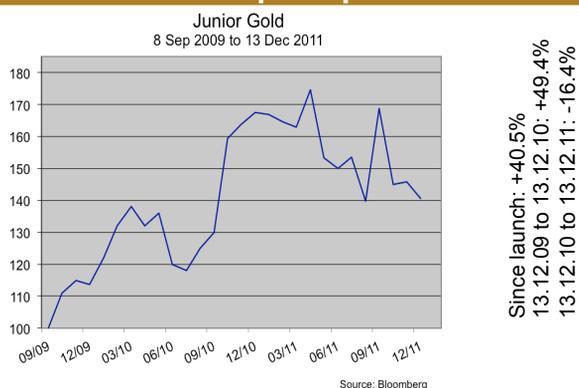
Eligible for ISAs and SIPP's

Fund NAV at 13.12.11: £35.3m

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. As the first pricing point was on 8 September 2009 performance data does not exist for five complete twelve month periods.

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 Considerations: The fund invests in smaller companies which may carry a higher degree of risk than larger companies. 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 fund focuses on a specific sector and has a concentrated portfolio which can lead to greater volatility.

Junior Gold update 14 December 2011

Dear Investor,

The year about to end has been characterized by great uncertainty, natural and financial disasters and consequent market volatility. The Sovereign debt problems of the Eurozone have been in the press headlines for much of the year while politicians have been unable to offer any sensible and decisive solutions. Countries like Greece, Ireland, Italy and Spain remain on the verge of default under pressure from their mammoth debts.

The usual response by the U.S. Federal Reserve and other key central banks to ease the European debt crisis has been to inject more liquidity into the system, printing money one way or another. This is likely to stoke global inflation as well as devalue the leading reserve currencies, US Dollar, Euro and Sterling. The recent plan announced by six central banks to lower interest rates on emergency dollar funding for European banks signals that policy makers have decided to "inflate" their way out of the crisis by printing money. The central banks' efforts are likely to increase investor demand for physical assets such as gold and silver as people lose their faith in paper money backed by governments that are not credit-worthy.

The conundrum that has prevailed for much of 2011 is the weakness of gold mining stocks in relation to the rising price of gold which has risen 22% for the year while most gold miners have seen their share price fall. As we have argued before, gold shares are equities first and proxies for gold second. In times of market instability investors sell out of smaller, less liquid stocks regardless of fundamentals. There is also an element of dis-belief and lack of trust in the gold price remaining at these historically high levels after an eleven year bull market that has seen the price of gold rise six-fold. Nevertheless, most analysts and observers agree that the world is facing debt of unprecedented magnitude, rising unemployment and fiscal imbalances. Under the circumstances, it is impossible for anyone to predict the future price of gold as a safe haven asset but most agree that it is likely to be higher than it is today. We believe that it is a matter of time before gold shares are re-rated by investors to much higher levels that reflect their thriving profitability and growing cash piles. It is likely that this rerating will start with those companies currently in production with no hedging and with growing operations.

Another interesting anomaly is that the market does not seem to award much value to development stage gold-mining projects. This is recognized by the larger, cash-rich mining groups that are likely to engage in corporate takeovers. One example is European Goldfields in which the fund has positioned its portfolio with a large weight. This company controls sizeable deposits in northern Greece that are expected to start production in about two years reaching output of some 350,000 ounces of gold per annum. A recent investment by Qatar sovereign funds has ensured funding to production, a rare situation in such a weak market. Since then, the company has announced that it has received two approaches by large companies interested in taking it over. We believe that similar corporate moves will follow for other development-stage projects until the market upgrades the rating of development companies.

Junior Gold's portfolio reflects the market circumstances and its unit price is down for the year. Nevertheless, we believe that the great majority of its holdings are characterized by the attributes that are likely to benefit from the early rerating of the gold mining sector. Importantly, the fund's structure and investor base allows it to be patient and sustainable during market weakness.

We would like to take the opportunity to wish our investors a very happy Christmas and a prosperous New Year, expressing our confidence that investing in gold shares is one of the key ways of protecting one's wealth from the potentially damaging results of the present sovereign and social instability.

Angelos Damaskos

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

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 Prospectus and Simplified Prospectus are available free of charge using the contact details above. Before making an investment in the fund, it is important that you read the Simplified Prospectus. 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 SIMs internal analysis which may have not been verified by independent sources. They are subject to change and should not be interpreted as investment advice. Sector Investment Managers Ltd and Marlborough Fund Managers Ltd are authorized and regulated by the Financial Services Authority.