



JUNIOR GOLD

Investing in the mining giants of tomorrow

Update July 2012

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 31.7.12: £18.9m

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



Since launch: -8.9%
31.7.11 to 31.7.12: -41.3%
31.7.10 to 31.7.11: +34.0%

As the first pricing point was on 8 September 2009 performance data does not exist for five complete twelve month periods. On 1.10.10 the fund changed its name and objective, therefore, past performance shown above prior to this date was achieved under circumstances that no longer apply

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: Past performance is not necessarily a guide to future performance. The value of your investment can go down as well as up. 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 16 August 2012

Dear Investor,

Global growth slowed during the last quarter as economic statistics suggested that the US recovery is stalling, China's growth is waning and that the eurozone has slipped into recession. An alarming divide exists between "core" (Germany, Austria, Netherlands and France) showing modest growth of 0-1.5% and the "periphery" (Greece, Portugal, Spain, Italy) suffering from prolonged contraction and economic hardship. This is likely to cause further deterioration in political cooperation and provoke civil unrest, making bailout programmes difficult to implement.

Under these circumstances, gold would be expected to rise as a safe-haven asset. However, this has been overshadowed by a continuation of a recent trend, gold's negative correlation to the US dollar remaining significantly stronger than its long-term average. This was partly caused by investors flocking to US Treasuries and selling other portfolio holdings, including gold. Countering investors' actions, central banks, mostly from developing economies, such as Russia, Korea, Ukraine and Mexico, bought bullion as they continued to diversify their reserves away from devaluing currencies. We do not expect it to be long before other investors follow suit and the gold price resumes its long term upwards trend.

Gold shares, especially those of smaller companies appeared to have found some support recently, albeit remaining at oversold levels. We believe that once the gold price resumes its uptrend the rerating of gold mining equities should be quick and substantial. Companies with solid balance sheets, growing production, manageable cost base and development potential are likely to benefit the most. Junior Gold's portfolio should be well positioned in this respect.

Taking advantage of market weakness, we recently introduced a significant new holding in the fund by participating in the placing of stock in Integra Mining (IGR.ASX) undertaken by the company to raise equity to fund a plant expansion project. This company operates the Randalls gold project in Kargoorlie, Australia, reporting 2.1 million ounces of resources and targeting 100,000 oz per annum production at marginal cost of A\$850 per ounce. Subsequent to our investment, Silver Lake Resources, another Australian gold producer, announced an all-share offer for Integra at a 46% premium to our cost.

Another takeover stock in our portfolio is Avion Gold (AVR.TO). We had acquired a stake in Avion before the military coup in Mali erupted as we believed in the company's resource potential. Political risk can emerge unexpectedly and our holding was materially devalued subsequent to the uprising. We maintained our position, believing that the market reaction was exaggerated and this month we were vindicated when the takeover of Avion in an all-share deal by Endeavour Mining was announced. This bodes well for Junior Gold as the merged company will be a more diversified group with assets in various stages of production in addition to significant development potential.

We expect acquisition activity to intensify as medium sized, cash-rich companies take advantage of market anomalies and snap-up distressed situations.

Angelos Damaskos
Chief Executive Officer

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

0808 145 2501 or email dealing@marlboroughfunds.com

Junior Gold qualifies for SIPPs 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 Key Investor Information Document is available free of charge using the contact details above. Before making an investment in the fund, it is important that you read the Prospectus and Key Investor Information Document. 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.