



JUNIOR GOLD

Investing in the mining giants of tomorrow

Update August 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 SIPPs

Fund NAV at 31.8.12: £19.6m, share price: 95.72p

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: -4.3%
31.7.12 to 31.8.12: +5.1%
31.8.11 to 31.8.12: -40.3%
31.8.10 to 31.8.11: +28.7%

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.

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Dear Investor,

Fiat money is [money](#) that derives its value from government regulation or law. As such, the international value of such money depends on the credit-worthiness of the country, or region it represents and the policy and decisions taken by its government and central bank. Any corporate entity that carries too much debt and is forced to issue more shares to raise equity dilutes its shareholders and normally sees its share price drop. Similarly, nations with over-bearing indebtedness need to print more money to get out of trouble thereby devaluing their fiat currency.

In today's state of the global economy, printing money by the highly indebted nations and regions appears to be the only way to deal with their problems. As the European Central Bank (ECB) and the Federal Reserve (FED) announce successive Quantitative Easing, bond re-purchase programmes and other, similar, measures, it should be expected that the Euro and the US Dollar will devalue against the currencies of healthier economies such as Norway, Sweden, Canada and Australia. Given that the Euro and the Dollar are the leading reserve currencies of the world, concerned investors increasingly look for safe-havens that can protect their wealth from devaluation. Gold is one of the assets that is generally regarded as having wealth preservation qualities.

The FED's launch of QE3, with the unlimited purchase of agency mortgage-backed securities to the order of \$40bn per month and the extension of low short-term interest rates to 2015, shows their determination to fight unemployment. By pushing longer-term interest rates down, the hope is that fixed-asset investment will be stimulated, resulting in labour employment. The risk the Fed is willing to take is that inflation may rise significantly and the dollar could devalue further against a basket of currencies. These new money-printing intentions of the ECB and the FED, have encouraged investors to buy gold, helping its price resume its uptrend, on course for its twelfth successive annual gain. It has broken the psychologically important level of \$1,700/oz, widely seen by technical analysts as "key resistance". Whether one looks at fundamental or technical indicators, gold's recent price action looks good. This move is also excellent news for gold mining stocks that have been sold-off and unloved by investors for over a year now. At the current gold price the cash-flow generation and profitability of producing companies can expand rapidly. We believe that we are in the early stages of the next major re-rating for gold mining equities as a sector, with particular reference to smaller capitalization companies which have suffered most in the recent downturn. The share prices of those companies with strong balance sheets, good management, growing production and reserves are likely to outperform. Junior Gold's portfolio should be well positioned in this environment.

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.