



JUNIOR GOLD

Investing in the mining giants of tomorrow

Update September 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 30.9.12: £21.0m, share price: 104.35p

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%
31.8.12 to 30.9.12: +9.0%
30.9.11 to 30.9.12: -24.8%
30.9.10 to 30.9.11: -3.6%
30.9.09 to 30.9.10: +45.9%

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 October 2012

Dear Investor,

According to data of the World Gold Council, world demand for gold in 2011 was 4,067 tonnes worth US\$205 billion. Of that demand, jewellery accounted for 48% or 1,963 tonnes while investors bought 1,641 tonnes (40% of total), the balance split equally between technology and central banks. By comparison, in 2000, world demand was 3,281 tonnes valued at US\$29 billion at the then prevailing average price of \$279/oz. Jewellery then consumed 2,901 tonnes (88%) while investors demanded only 379 tonnes (11.5%). In volume, demand was 24% greater in 2011 to that in 2000 but, in value terms, it grew sevenfold. Mine supply, on the other hand, was 2,573 tonnes in 2000, growing to 2,809 tonnes by 2011, a modest 9% during the period. The difference between mine supply and total demand is typically met by recycling and adjusting stocks. Investment demand grew over four times in volume terms during these eleven years of bull market for gold but, in value terms, investors bought \$98 billion worth of gold in 2011, about 30 times greater than the \$3.3 billion they invested in 2000. These statistics make clear that investment demand has been driving the gold price higher for eleven years and could continue to do so until the world's problems are resolved.

With this likely trend of the gold price in mind, therefore, it is surprising that investors still remain averse to owning gold mining companies. In our view, mining shares have not kept up with gold bullion due to investors' concerns about rising costs, stagnant gold production and lack of capital discipline. Nevertheless, at today's gold price some producing companies trade at 3-4 times annual cash flow. If a careful investor screens the sector, there are some exceptional opportunities to acquire growing operations with exploration and development prospects at historically very low prices. According to our research the price to book multiple of the gold mining sector now stands at 1.5 times and has not been this cheap since 2009, right after the global financial crisis. In 2006 this ratio had reached 4.5 times.

An interesting new trend that has been developing recently is that managements of gold miners are responding to investors' concerns. Newmont Mining started the trend by linking its dividend to the price of gold. Other companies have followed with larger dividends, share buy-backs and debt reductions, all contributing to shareholders' returns. This increase in financial discipline should help drive investors back into gold mining shares, especially as the gold price confirms its uptrend.

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.