



JUNIOR GOLD

Investing in the mining giants of tomorrow

Update November 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 30.11.12: £17.7m, share price: 92.84p

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: -7.20%
31.10.12 to 30.11.12: -4.50%
30.11.11 to 30.11.12: -31.40%
30.11.10 to 30.11.11: -16.81%
30.11.09 to 30.11.10: +40.35%

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 19 November 2012

Dear Investor,

Demand for gold coins in the United States has soared since the presidential election, as a lot of people are worried about the lack of action to address America's debt problems. The US Mint's sales of American Eagles, one of the most popular gold coins, rose 131 per cent in November, reaching the highest in more than two years. The re-election of President Obama indicated that the same policy of printing money to keep interest rates low in order to stimulate the economy and reduce unemployment would continue to have a devaluing effect on the US Dollar and could potentially stoke inflation. While gold coins are a small part of the overall gold market, the rise in sales highlights the role of gold as a store of value in times of reserve currency devaluation.

Supported by rising investment demand for gold among investors, the price of gold is on track for its twelfth successive year of gains. At the current price of about \$1,700/ounce most gold mining companies are generating large cash-flows and profits. Nevertheless, shares in gold miners remain oversold and out of favour as investors raise three arguments against owning gold equities: (i) most companies have missed their guidance on operating expenses and capital cost for building new mines; (ii) the larger, cash-generative companies have failed to improve the returns to their shareholders by paying insignificant dividends; and (iii) should the gold price fall considerably in the next three to five years as the global economy improves, gold miners may find their profits eroded quickly. On the first argument, it is true that the cost inflation due to the rise in base metal prices, scarcity of skilled workforce and a drop in average grades as the gold price moved higher was not anticipated by the industry. However, it appears that companies are now much more focused on cost control and future updates are likely to report significant improvements. On the second, the larger companies have recently increased dividend pay-out and more are planning to return capital to shareholders. As for the future direction of the gold price, no-one knows where it might be in three to five years but, if we agree that the global debt problems are so large that it is unlikely they will be resolved in the short-term, we can see why investor demand for bullion keeps growing, potentially pushing its price higher. Some large investors, like the central banks of growing, healthy economies, are long-term in their outlook and unlikely to sell their holdings until they have clear visibility of economic stability well into the next decade.

Gold shares, on average, are currently undervalued in relation to the price of gold. The longer gold trades at the current levels, the more generalist investors appear wrong about the miners' valuations. At some point, their sentiment is likely to change, causing a re-rating of gold shares. We believe that Junior Gold is well positioned to benefit from such re-rating, with its holdings in companies with growing production, strong balance sheets, capable management and prospective exploration and development programmes. We wish you all a Merry Christmas, happy holidays and a prosperous New Year.

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.