



JUNIOR GOLD

Investing in the mining giants of tomorrow

Update March 2013

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

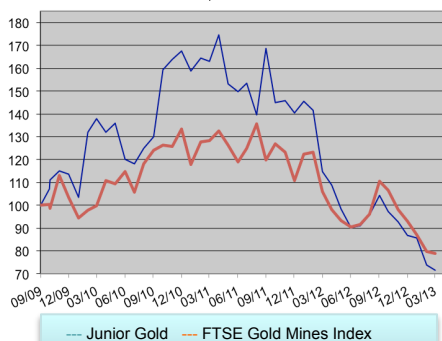
Fund NAV at 31.3.13: £12.3m, share price: 71.44p

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

Junior Gold vs. FTSE Gold Mines Index
8 Sep 2009 to 31 March 2013



Since launch: -28.6%
28.2.13 to 31.3.13: -3.1%
31.3.12 to 31.3.13: -37.7%
31.3.11 to 31.3.12: -32.7%
31.3.10 to 31.3.11: +34.6%

Sector Investment Managers Ltd

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 April 2013

Dear Investor,

The breakdown in the gold price yesterday could be the capitulation some investors have been expecting and, therefore, a buying opportunity. Many have been arguing for some time now that the bull market in gold is over as the global economy appears to be growing again. Quantitative easing and other liquidity measures by central banks around the world reflate some asset classes, principally large capitalisation equities and property but inflation, so far, has been low. At times when money in the bank earns negative real interest and risks being taxed by the government, investors seek yield and security in bonds, property and dividend-paying shares. Interestingly, the sell-off in gold coincided with news of the Chinese economy slowing which, arguably, should have produced the opposite effect. We believe that gold will soon resume its uptrend.

In our view, the world still suffers the effects of deleveraging and government policy measures raise risks to the downside. The recent Cypriot debacle, where Eurozone politicians attempted to enforce taxation on insured depositors' savings demonstrated their desperation in tackling regional bailouts. The US appears to be losing its momentum of economic recovery and the Federal Reserve continues to print record amounts of money. Importantly, any deterioration in the geopolitical instability of Africa, the Middle-East and Asia, could raise further, much larger risks. In times like these, some insurance against the unexpected is necessary and this has been the function of gold since antiquity.

Whilst we remain convinced of the longer-term up-trend in the gold price, we have critically assessed the portfolio of Junior Gold in terms of viability in an environment of sustained low commodity price. Among its holdings, approximately 75% are well capitalised, producing companies with operating cost structures well below the current gold price. These companies can continue operations for prolonged periods of low prices due to their low debt and fully funded activities. About 15% of the portfolio is invested in three near-term production companies that have recently raised sufficient funding to complete construction of their mines and plan to come into production in the next twelve months. The balance is held in three development stage companies that are preparing feasibility studies on potentially large mines. In all, we believe that the loss of value in the fund's portfolio is due to lack of investor interest in smaller gold mining shares and their general concern that many companies could go out of business. Whilst it is true that many undercapitalised explorers and promoters of marginal assets may disappear in the current malaise, we remain confident in the fundamental strength of Junior Gold's portfolio companies and, therefore, of their recovery potential.

Junior Gold – Top 5 holdings as at 31.3.2013

- 1.Focus Minerals (FML.ASX)
- 2.Kingsrose Mining (KRM.ASX)
- 3.Rambler Metals (RMM.LSE)
- 4.Scorpio Mining (SPM.TO)
- 5.New Gold (NGD.TO)

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.