JUNIOR GOLD

Investing in the mining giants of tomorrow

Update April 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.

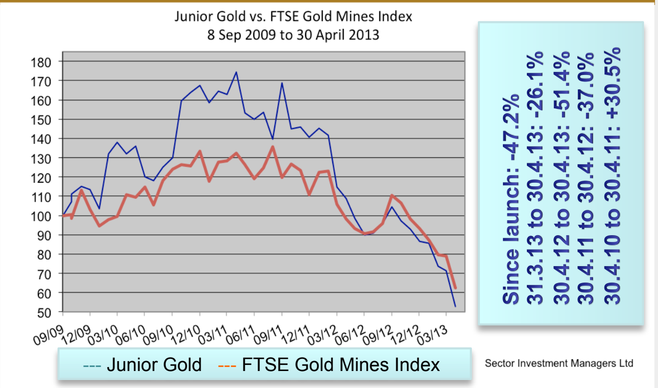
Key facts

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 30.4.13: £8.9m,share price: 52.79p

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



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 Conduct 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 May 2013

Dear Investor,

Inspite of generally weak economic indicators and political events such as the Cypriot bail-in of private depositors, gold suffered its biggest two-day sell-off in April sparked by fears that Cyprus would be forced to sell gold from its reserves. In reality, even if this were the case, the sale of Cyprus' 13.9 ton reserves should hardly be felt in the market. According to Bank of America estimates, each $45/oz price drop represents a net sale of 100 tons of gold. The price move in April would, on this basis, discount the sale of the combined reserves of Portugal and Greece. It would disregard the fact that these nations are signatories of the Central Bank Gold Agreement, which limits collective sales of its members to 400 tons per year. It is important to remember that gold reserves underpin the weaker Eurozone members' sovereignty. Selling their reserves would make it difficult to settle international trade should they have to withdraw from the Eurozone. Furthermore, the World Gold Council estimates that the aggregate gold holdings of Portugal, Ireland, Italy, Greece and Spain (the "PIIGS"), represent only 3.3% of their outstanding government debt. The proceeds from the sale of their entire reserves would probably not even cover one year's worth of their debt service costs. Creditors would still knock on the door for return of the principal.

The question in most gold investors' minds is whether the market is now discounting better global economic conditions and stability that would reduce gold's value as an insurance policy. American economic indicators have recently been positive, albeit pointing to weak growth. Nevertheless, the rapid expansion of the FED's balance sheet cannot go on forever; when it starts reigning it in, it could put the brakes on nascent growth. Emerging markets are slowing even though indicators may be distorted by short-term political changes. The Eurozone is still in recession and expected to shrink further as a result of austerity programmes. According to my former colleague and distinguished chief-economist of Citigroup Willem Buiter, the Eurozone's balance sheet recession is caused by excessive sovereign debt and deficits in the periphery, zombie banks throughout the EU and excessive household indebtedness in many countries. Willem argues that, even when the deleveraging process is complete and domestic demand expands again, we cannot be sure that there will be more than a cyclical recovery. For the growth rate of potential output to rise, deep structural supply-side reforms are needed. Unfortunately, regional politics and embedded cultural differences make progress of reforms dangerously slow.

The recent drop in gold price has happened at a time when the mining groups have seen their costs rise significantly. The metal's twelve-year long bull market encouraged the pursuit of production volumes almost at any expense. Industry also failed to anticipate the cost inflation introduced by the inexorable rise of base metal and energy prices nor could they control labour inflation due to the scarcity of skilled personnel. These important elements to their business blew all management budgets out of control. According to Thomson-Reuters GFMS, global average cash costs for the first nine months of 2012 rose 17% to $736 per once over the prior period. A recent analysis by CIBC World Markets concludes that the replacement cost of mined gold is $1,500/oz. On this basis, gold now sells for less than the replacement cost and below sustainable levels. The reaction of industry has been to cut exploration spending, delay or cancel marginal projects and focus on the higher grade, better margin production. It is almost certain that future global production of the metal will drop. Should the global economy take a turn for the worst, investors may look to gold, again, as a safe haven at a time when supply of the metal is shrinking. That will be interesting headline news.

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: