JUNIOR GOLD

Investing in the mining giants of tomorrow

Update June 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.

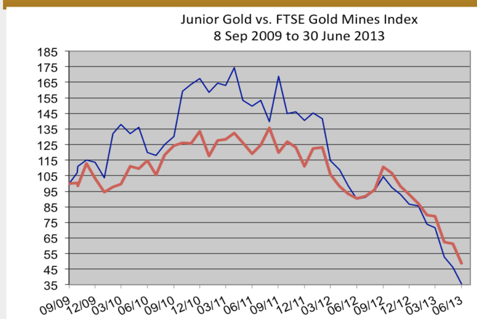
Key facts

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 30.6.13: £5.8m,share price: 35.53p

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: -64.5%
31.5.13 to 30.6.13: -23.0%
30.6.12 to 30.6.13: -60.6%
30.6.11 to 30.6.12: -40.0%
30.6.10 to 30.6.11: +20.4%

Sector Investment Managers Ltd

--- Junior Gold --- FTSE Gold Mines Index

As the first pricing point was on 8 September 2009 performance data NAV to NAV 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 July 2013

Dear Investor,

No market moves in a straight line and, more often than not, fluctuations tend to over-shoot both on the way up as well as on the way down. It appears that this has happened to the price of gold over the last 93 weeks since its peak in September 2011. The interesting aspect of this downturn is that it has lasted longer and has been much sharper than the previous three major corrections in gold's twelve-year uptrend. It is also noteworthy, as recorded in the table below, that corrections have become progressively longer and deeper as the price moved to higher levels.

Starting year of correction in gold price	**2003**	**2006**	**2008**	**2011**
Approximate duration of weakness (weeks)	29	68	75	93+?
% drop	-16.2%	-22.6%	-29.5%	-37.0%
% subsequent move	+123.9%	+75.5%	+166.0%	?

Source: Sector Investment Managers Ltd

In the current weak phase of gold, it seems that short-term traders have exploited and exaggerated the price move. Some commentators have even gone to the extent of blaming coordinated bear-raids by large financial institutions. Statistics indicate that the current net commercial short positions, mostly paper contracts on gold futures, are higher than at the bottom of the previous downturn in 2008. Whatever conditions caused or stimulated the large price drop, in the longer term fundamentals should prevail and restore equilibrium.

Taking a hard look at our main thesis for higher gold prices, we expected central bank money printing to flood the market with liquidity. We were also concerned about the financial debt burden in the U.S., E.U. and the Japanese systems causing economic weakness, while high unemployment resulted in social unrest and political instability. Geopolitical events and upheaval in the Middle East add to the uncertainty and risk aversion.

All of the above are still centre-stage among the world's economic drivers and should be supportive of a higher gold price. Nevertheless, the reality is that secular trends take a long time to develop and are prone to changes in short-term sentiment. While it is always impossible to call the peak and troughs of any market, there are growing indications that we may be close to a major turning point for gold. The price decline has been met with a surge in physical demand, in particular from the Chinese. The US Mint has also recently reported growing sales of gold coins, with volumes surpassing those at the 2011 price peak.

The dramatic fall in gold mining shares is, perhaps, the most difficult to comprehend under the circumstances. The only fundamental that seems relevant to share valuations at this stage is the long-term price of gold. All other parameters such as size of resources, production and profitability, longer term capital expenditure and future projects appear to be ignored in the current flight from gold stocks. Adding to the confusion is the central bank rhetoric which, by default, is designed to introduce optimism. The US Fed has recently indicated that it may start withdrawing from current liquidity supportive policies and the ECB appears to have little option but to follow. The strange thing about this stance is that it appears that the economic growth required for an orderly exit is not expected, even by the Fed. Could it be that central bankers finally realise that monetary stimulus has yet to produce a meaningful impact on the economy and the danger of higher inflation, which no one expects at the moment, is rising? If that is the case, real interest rates could dip further into negative territory, increasing the value of gold. Confirmation of a turn in the gold price to higher levels is likely to result in a dramatic rerating of gold mining shares. Until then, patience is being tested, but those investors who understand the function of gold as a safe haven are likely to hold their positions.

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 Conduct Authority.