

JUNIOR GOLD

Investing in the mining giants of tomorrow

Update August 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 31.8.13: £8.1m, share price: 46.06p

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 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 6 September 2013

Dear Investor,

Following confirmation by UN inspectors that chemical weapons of mass destruction were used by the Assad regime, the threat of military intervention by the United States and other UN members in Syria is unsettling the markets. Gold continued its rise to exceed \$1,400/oz in late August. However, we believe that the main drivers of the gold price in July and August were the rise in demand for physical bullion from Asian investors and a reversal of sentiment among holders of ETFs and other financial instruments.

UN intervention in Syria could cause greater instability in the region, especially as Iran is its key ally. Rising risks in the world's most prolific oil-producing region could cause investment flight to safe heavens, principally gold. The next phase of gold's rebound would be hitting \$1,500/oz. At this level investor confidence should increase significantly as this is believed to be the average replacement cost of new production.

Gold mining shares continued their recovery in August and Junior Gold's portfolio rose by 10.5% during August, following a rise of 17.4% in July. It appears that, just as smaller capitalisation shares fell the hardest in the two-year bear-market, they can also recover quickest as sentiment changes.

Among the main contributors to Junior Gold's portfolio performance for the month were:

Aureus Mining (AUE.LSE) rose by 35% when it announced that construction of its New Liberty project in Liberia is on track to start production in Q1 2014. Progress by a banking syndicate in arranging the necessary financing was also seen as positive. The feasibility study of the project finalised in 2012 showed a pre-tax net present value of \$234m (5%), an IRR of 37% and payback within 2.2 years at an average gold price of \$1,400/oz. As expectations for the future gold price rise, the economics of this project improve and could help re-rate the company's current market capitalisation of about \$140m.

Alexco Resources ([AXR.TO](#)) is one of our selected silver investments in the portfolio (silver currently accounts for approximately 18% of the fund). It rose 73% after it announced its second quarter operational results. Mine and mill output rose by 25% and metal production was up 52% over the first quarter, while operating costs continued to drop. The suspension of operations during the winter months will allow further review of mine plans and the cost structure. With silver also benefitting from safe-haven demand, the company is set to return to profitable mining at one of the world's highest-grade silver mines early next year.

With sentiment towards gold mining shares improving, the fund's portfolio should continue its recovery.

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 SIPP's 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.