

JUNIOR GOLD

Investing in the mining giants of tomorrow

Update September 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

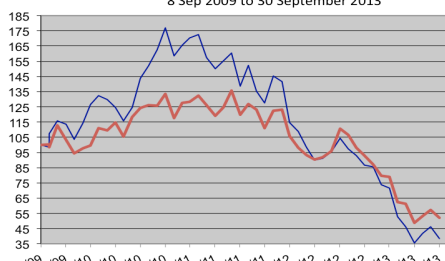
Fund NAV at 30.9.13: £6.6m, share price: 38.47p

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 30 September 2013



Since launch: -61.5%
31.8.13 to 30.9.13: -16.5%
30.9.12 to 30.9.13: -63.1%
30.9.11 to 30.9.12: -24.8%
30.9.10 to 30.9.11: -3.6%
30.9.09 to 30.9.10: +45.9%

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 October 2013

Dear Investor,

It appears that investors' interest in smaller gold mining shares waned in September as the gold price dropped back to \$1,300/oz. This is, in part, explained by the general fears on the sustainability of production at these levels. Indeed, many companies have been forced to suspend operations, placing mines on care and maintenance. CNBC recently conducted a poll that concluded that, on average, the all-in sustainable price of gold is \$1,550/oz. Below this price, those mines with high marginal cost of production are likely to suspend operations as it is happening today.

Recent meetings with senior management of several gold mining companies, large and small, confirms our view that the current capital constraints are likely to result in significantly lower new production in years to come. Mining operations, once suspended, are not easy to re-start. New feasibility studies, capital allocation and mobilisation of labour and machinery can take many months, creating a powerful barrier to supply growth. A few of the larger companies are still pursuing organic growth but others are now focusing on low-cost, profitable operations at the expense of future production. Corporate activity is also intensifying with both larger companies and value-driven specialist investors buying up distressed situations.

Looking at the fundamentals supporting high gold prices, we believe that they continue to look favourable. Washington may have delayed the debt ceiling crisis for now but the problem is far from resolved. The Fed seems unwilling to reduce the quantitative easing programmes as unemployment remains stubbornly high. Real interest rates remain in negative territory and inflation is creeping higher than economic growth. Therefore, the US Dollar is likely to continue losing its global purchasing power.

Some market participants expect gold to weaken further towards \$1,000/oz. While such talk is very likely intended to help certain trading positions, it distracts the generalist investor from the real facts. The facts show continued strong physical buying by Asian investors and central banks, who have a longer-term outlook and want a safe-haven among their assets. The drop in future production is also likely to contribute to higher prices in the near term. Geopolitical tensions seem to grow rather than recede, particularly in the Middle-East and North Africa, the most prolific oil producers. In this environment, gold should still have a prominent place in every portfolio as a diversifier and insurance against the unexpected.

Smaller gold shares have become more risky in the current low gold price environment. Careful stock picking is paramount to avoid those companies at risk of failure and those with uncertain cost structure. Junior Gold experienced a weak September as smaller shares suffered a new sell-off. Nevertheless, we took advantage of the strong market in July and August to adjust the portfolio focusing on undervalued, sustainable operations. We recently added Rio Alto (RIO.TO) as a new holding. The company has just announced a record third quarter producing 59,157 ounces of gold from its La Arena mine in Peru. Most importantly, the growth in production means that operating costs are coming down. Rio Alto is now studying a second phase in its development that should ensure its growth in years to come.

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.