JUNIOR GOLD

Investing in the mining giants of tomorrow

Update November 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.

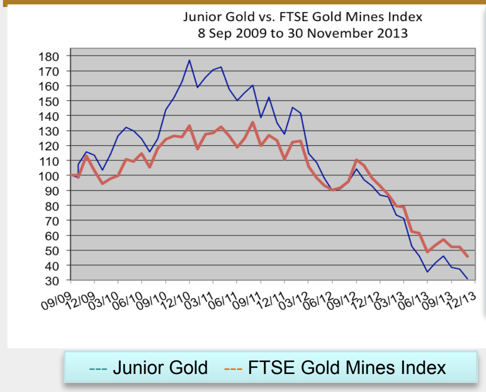
Key facts

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 30.11.13: £6.3m,share price: 30.79p

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



Since launch: -69.2%
31.10.13 - 30.11.13: -18.0%
30.11.12 - 30.11.13: -66.8%
30.11.11 - 30.11.12: -31.4%
30.11.10 - 30.11.11: -16.8%
30.11.09 - 30.11.10:+40.4%

Sector Investment Managers Ltd

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
9 December 2013

Dear Investor,

Mainstream investors appear to have accepted that the US economy is now growing steadily, therefore, the debt problem should be manageable. The consensus is that the debt ceiling should be raised again, the debt-fuelled money printing should continue and that negative real rates are sustainable. The bulls avoid any discussion on the exponential rise of US debt, from under $1 trillion in 1980 to $17 trillion today. By comparison, the US government revenue grew from about $500 billion in 1980 to about $3 trillion today while the budget turned from a surplus to a deficit of about $1 trillion in the same period. The Federal Reserve's balance sheet is now leveraged 67 times on its capital, nevertheless, money supply in the economy has not changed much because banks deposit their capital back with the Fed. It is clear that the Fed is keen to encourage investors to own risk investments in the hope that the economy will be stimulated to grow faster. This has been achieved, so far, by taking on more debt and keeping interest rates artificially low. Five years on from the financial crisis and the adoption of the state-leveraged approach, the economy has not responded as hoped for, growing at half the target rate. The strategy clearly cannot work forever but the Fed is trapped in it for as long as the economy continues its sub-trend growth. Admittedly, the US dollar is still the world's preferred reserve currency and most central banks rely on it for their reserves. The question is when will US indebtedness become so large that a crisis of confidence is triggered.

Gold has suffered its own crisis of confidence in the last two years. After a rush into safe-havens in view of the Eurozone instability in 2011, gold has dropped some 37% from its highs. It is clear to us that this move in the price of gold is a result of capital market flows rather than lack of physical demand. The Comex paper-leveraging of physical stocks is now as high as 80-90 times, unprecedented in its history. Whilst financial investors have been selling paper gold, Asian people have been buying bullion. In India, in spite of the government introducing a 10% duty and an additional 7% tax on gold imports, physical buying has been strong. Smuggling of gold has grown taking advantage of the arbitrage situation. Should there be a trigger for financial investors to buy gold as a safe haven again, there will likely be much less physical availability causing a corresponding rise in price.

Gold mining shares have performed much worse than the metal, as the industry failed to control its costs and spent too much on marginal exploration. Investors became disillusioned and moved out of the sector fearing insolvency of unprofitable operations. Junior companies fared the worst as the lack of liquidity depressed share prices well below net asset values, in some instances, below cash reserves. It is clear that, with average replacement all-in cost in excess of $1,500/ounce, many operations are closing down. Prolonged trading of the gold price at current levels will likely cause many more to move into care-and-maintenance. Expensive management teams will have to be cut and overheads reduced to the bare minimum. It has thus become paramount to focus on those operations that can survive current conditions and are in a position to benefit from any recovery. It is interesting to see, therefore, that even the shares of companies operating with costs well below current prices, still profitably, have been hit just as hard in the indiscriminate selling of the three-year bear market. Some exceptional and compelling investment opportunities exist that could rise several times from current levels when the recovery comes. Under such conditions, patient and careful investors will be rewarded with exceptional returns. We would like to take this opportunity to wish our investors a Merry Christmas and a healthy, happy and golden New Year.

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.