



JUNIOR GOLD

Investing in the mining giants of tomorrow

Update December 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

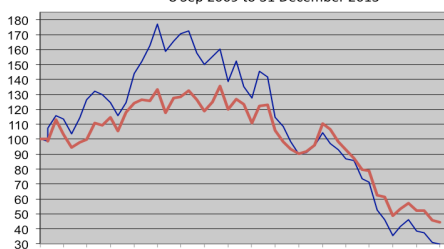
Fund NAV at 31.12.13: £6.5m, share price: 29.62p

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 31 December 2013



Since launch: -70.4%
 30.11.13 - 31.12.13: -3.8%
 31.12.12 - 31.12.13: -65.8%
 31.12.11 - 31.12.12: -32.0%
 31.12.10 - 31.12.11: -28.0%
 31.12.09 - 31.12.10: +56.0%

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.

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.

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.

Junior Gold update

15 January 2014

Dear Investor,

Last year saw the worst annual performance of gold equities in history with smaller capitalisation shares suffering the most. Our fund declined by 65.8% despite its focus on producing companies with good growth prospects and active exploration programmes. Many gold exploration stocks fell as much as 95% during the year. Gold investors fled from the sector, causing large falls in share prices in illiquid conditions. Some say they will not look at gold shares again. It is, therefore, time to ask ourselves about the prospects for our fund in 2014.

We believe that there are four key catalysts that would support higher gold prices and, consequently, a significant re-rating of gold shares:

1. The macro-economic picture has not changed. Government indebtedness continues to grow even though the US Fed promises to cut back on money printing. The global economy is still sluggish and real interest rates continue to be negative. The prospect of tapering quantitative easing has caused yields on US Treasuries to rise significantly. This has historically been a good indicator of rising inflation that increases the attractiveness of gold as a store of value. The Eurozone continues to be stressed and there still are large risks in its banking sector. Any hiccup in the US economic growth or another Euro-crisis could encourage investors to buy more gold;
2. Demand for physical gold in Asia is likely to continue to grow. China has been buying gold seeking to diversify its growing reserves and demand for gold jewellery in China is soaring. Indian government sources have indicated that they may relax import duties and restrictions on gold sales thus reinstating traditional demand forces. As far as investment demand is concerned, recent indications are that gold sales from ETFs have slowed;
3. Global gold miners last year embarked on major cost-cutting programmes, suspending marginal operations and cancelling ambitious projects. Investors' aversion to gold mining shares has caused a dearth of development capital so even solid economic projects have been delayed. This has already impacted new supply that could further exacerbate prices should investment demand rise;
4. Geopolitical problems in the Middle-East and North Africa show little signs of stability and could deteriorate, causing demand for gold as a safe-haven.

We, therefore, think that this year may end the three-year bear market for gold shares and produce the re-rating we have been waiting for so long. If history is any guide, the Philadelphia Gold & Silver index (XAU) has never had a consecutive losing streak lasting over three years in the last 30 years. With several pointers to a probable recovery, the wise investor will hold positions in gold shares and re-balance portfolios accordingly.

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.