



# JUNIOR GOLD

Investing in the mining giants of tomorrow

Update February 2014

## 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**

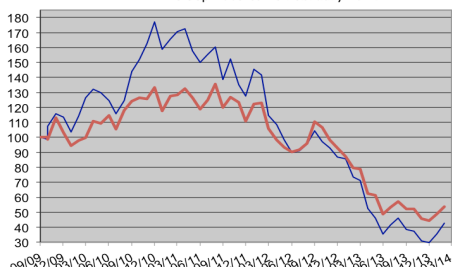
**Fund NAV at 28.2.14: £11.0m, share price: 42.73p**

## 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 28 February 2014



Since launch: -57.3%  
 31.1.14 – 28.2.14: +20.2%  
 28.2.13 – 28.2.14: -42.0%  
 28.2.12 – 28.2.13: -48.0%  
 28.2.11 – 28.2.12: -14.4%  
 28.2.10 – 28.2.11: +44.8%

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](http://www.juniorgold.co.uk) or  
[www.sectorinvestments.com](http://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](http://www.junioroils.com)). SIM's management and advisers have extensive experience of investing in gold mining companies.

# Junior Gold update

## 12 March 2014

Dear Investor,

It appears that sentiment towards gold changed at the start of the year. The price of gold has been on a steady, rising trend but the real change in future expectations has been reflected in gold mining shares. It seems that listed equities have started to discount significantly higher gold prices and, therefore, improved profitability for gold miners.

Expectations on improved profitability are founded on three premises:

- (i) **Cost controls:** Over the last two years, miners across the board focused on reducing operating and capital costs, by suspending marginal operations, cutting back on exploration spending, high-grading and debt restructuring. Lower, more focused production and less exploration spend also contributed to a drop in labour cost inflation. Improvements have started to appear regularly in quarterly results including some positive surprises from companies previously thought of as vulnerable;
- (ii) **Impact of currencies on operations:** Investors turned against Emerging Markets (EM) in 2013 withdrawing from regional exposure across the board. Along with EM equity markets, the respective currencies dropped precipitously against the US Dollar, the Euro and Sterling. In this environment, currencies of stable but commodities-linked economies, such as Canada and Australia also suffered. A basket of AUD and CAD fell by more than 16% over a one-year period against one of USD, EURO and GBP. We would argue that the economies of Canada and Australia are in a much better financial state than those of the US, UK and the Eurozone, with lower national debt and better employment fundamentals. Their economic fortunes have certainly not deteriorated, or conversely, those of the US, UK and Eurozone improved, over the last year to such an extent that a 16% change in the relative currency parities was justified. These currency moves highlight that today's markets are driven primarily by liquidity and momentum trading rather than fundamentals. Nevertheless, the effect of weaker EM currencies has been a significant contributor to lowering miners' operating costs.
- (iii) **New perspective on the value of gold and silver as safe-havens and portfolio insurance:** Geopolitical tension has continued to escalate. Alongside North Africa and the Middle East, Russia's effective invasion of Crimea and efforts to influence or control Ukrainian politics in its favour have demonstrated, once again, the importance of holding gold as part of a balanced portfolio. Given that the large outflows from gold ETFs were the main contributor to its price fall over the last two years and that Asian investors, including central banks, have been buying physical bullion at current levels, even a small re-allocation of global portfolios into gold can have a disproportionate effect on the price.

Junior Gold has benefited, under the circumstances, with a strong re-rating of its portfolio. During the month of February, we have introduced some new holdings in companies like Doray Minerals and added significantly to our position in Endeavour Mining. With continued improvement in the price of gold, we expect further good performance as solid, smaller capitalisation gold mining companies outperform the sector and the commodity.

Angelos Damaskos  
Chief Executive Officer

***For dealing/inquiries on Junior Gold call Marlborough Fund Managers:***

**0808 145 2501** or email [dealing@marlboroughfunds.com](mailto:dealing@marlboroughfunds.com)

Junior Gold qualifies for SIPPs and ISAs  
Further information on Junior Gold at [www.juniorgold.co.uk](http://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.