



JUNIOR GOLD

Investing in the mining giants of tomorrow

Update March 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

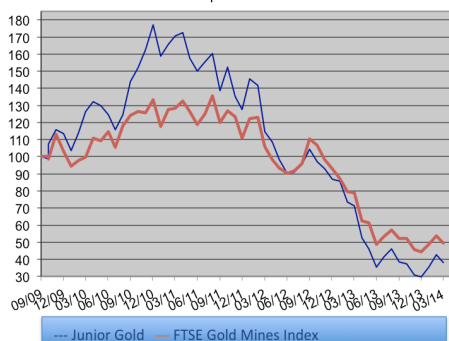
Fund NAV at 31.3.14: £9.8m, share price: 38.21p

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 March 2014



Since launch: -61.8%
28.2.14 – 31.3.14: -8.1%
31.3.13 – 31.3.14: -46.5%
31.3.12 – 31.3.13: -37.7%
31.3.11 – 31.3.12: -32.7%
31.3.10 – 31.3.11: +34.6%

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

16 April 2014

Dear Investor,

The dramatic geopolitical friction between Russia and Ukraine has recently highlighted the importance of gold as insurance and store of value. Asian investors, including central banks, have been buying bullion recently taking advantage of lower prices. Since the beginning of this year, Exchange Traded Funds, the main instrument for financial investors to gain exposure to gold, have been growing again. A small change in sentiment in favour of gold can cause disproportionate moves in its price. In view of the sharp fall in its price during the last two years, it should be expected that volatility is likely to remain high. From January to mid-March gold rallied by 15% but subsequently tailed-off and retreated to a 10% gain for the year to 10 April. Gold equities, as represented by the FTSE Gold Mines Index, rose significantly more recording a 24% gain by mid March that, in similar fashion to the metal, retraced to currently stand 12% up year to date. Smaller capitalisation shares have, in general, been twice more volatile and have outperformed both the index and the metal.

Whilst the behaviour of shares in relation to their market capitalisation and the underlying commodity is expected, the high volatility is likely to keep the generalist investors away. In a bottoming-out process, such as the one we believe is currently in progress, shares usually attract short-term speculators that are likely to sell at the first sign of slowing momentum. Nevertheless, since the beginning of the year we have seen a large increase in capital raising activity, mostly undertaken by smaller companies that had been drawing down on their reserves during the bear-market. By its nature, significant capital raises are funded by specialist sector investors with a medium-term view. This activity strengthens the balance sheets of companies that have been cutting back on expenses drastically to survive in a lower gold price environment improving their sustainability should gold fall again. However, there are two important factors distinguishing current optimism: (i) specialist investors direct their funding to the healthier companies with projects that are economically viable on conservative expectations and (ii) only small, low risk exploration programmes, focusing on expanding the reserves and mine life of advanced projects is acceptable. The bull-market days when prospectors secured a licence area and presented blue-sky exploration potential on the back of scant evidence are over. Until such time when gold enters into the next phase of its development as store of value and exceeds previous highs, early stage investments should be avoided. In today's market, near-term cash flow is paramount.

We believe that the companies best positioned to capitalise on a general change in sentiment towards gold mining are those with projects located in safe political territories, organic growth in production driving operating costs lower, large reserves that could add to mine life and production growth and a strong balance sheet affording sustainability in a lower price environment. A core holding in the Junior Gold fund is Endeavour Mining (EDV.TO). It is a Canadian listed gold producer that is exclusively focused in West Africa. Since 2008, Endeavour has grown from a merchant bank to an owner and operator of four mines that are expected to produce 417.3koz at All-in Sustaining Cost (AISC) of USD 994/oz, in 2014 on a 100% ownership basis. Additionally, by 2017 we see the Company growing its production profile to 646koz while costs continue to drop. A very experienced management team is likely to meet the stated targets. Companies like Endeavour have a high operational leverage on the gold price albeit with a structure that is resilient to prolonged market weakness. Other, similar core holdings of Junior Gold include Kirkland Lake Gold (KGI.TO) and Kingsrose Mining (KRM.ASX). We expect that, with further confidence in the gold price building, longer-term investors are likely to favour this type of company and help their re-rating.

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.