



# JUNIOR GOLD

Investing in the mining giants of tomorrow

Update May 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

"P" shares (>£1m): 0.5% Initial, 1.1% 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**

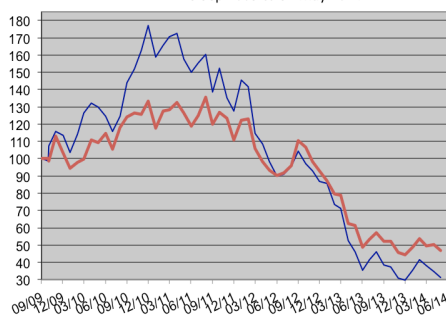
**Fund NAV at 31.5.14: £8.0m, share price: 31.40p**

## 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 May 2014



Since launch: -68.6%  
 30.4.14 – 31.5.14: -9.7%  
 31.5.13 – 31.5.14: -32.0%  
 31.5.12 – 31.5.13: -53.1%  
 31.5.11 – 31.5.12: -37.5%  
 31.5.10 – 31.5.11: +21.3%

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.

## 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 16 June 2014

Dear Investor,

The rise in geopolitical tensions, in particular the stand-off between Russia and the United Nations over Ukraine, have so far been largely ignored by the markets. However, the increasing militancy in Iraq and its government's inability to contain the fundamentalist uprising is raising serious risks to the country's oil-dependent economy. Further disruption to Iraq's 3m barrels per day production could push oil prices higher, with negative effects on the global economy. Furthermore, continued instability and civil unrest is highlighting the importance of gold as a store of value and safe-haven. As a result, its price has started rising again. Gold shares are reacting with a proportionately much bigger rebound.

The global macroeconomic picture has not changed much. Growth in the major developed economies continues to be slower than the long-run rates required to amortise the mountain of debt. Central banks continue to be uneasy as the tools available to promote growth do not appear to work. The European Central Bank has just reduced its bank deposit rate to negative; financial institutions now have to pay to keep their capital "risk-free".

After the strong returns for gold equities during the first quarter of the year, gold's inability to break above \$1,400/oz caused a reversal of sentiment. Concerns over the viability and profitability of the smaller miners depressed share prices again. Nevertheless, it appears that they are bouncing off a solid floor again and gaining ground ahead of the seasonally stronger third quarter. Geopolitics and the weak macro-economic picture can only add to the positive sentiment.

Junior Gold demonstrated its correlation to the gold price since the beginning of the year. Many of its portfolio companies are only marginally profitable at around \$1,100/oz albeit with sustainable operations at that price level. A rise in the gold price means a rapid expansion in cash flow and profits and this can quickly translate into their enterprise value. The portfolio has a significant operational gearing as gold gains strength. Among the top holdings, Endeavour Mining, Kirkland Lake and Kingsrose have issued positive updates with improvements in operating costs and additions to resources and reserves. Aureus Mining, fully funded to production subsequently to the recent fund-raise in which we participated, is making solid progress to schedule in the construction of its New Liberty mine. We believe that the second half of the year is likely to be decisive for gold and gold shares with a probable return to the longer-term rising trend.

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:**

Past performance is not necessarily a guide to the future. The value of investments and the income from them may go down as well as up. Investors may not get back their original investment. The fund invests in smaller companies and some of which are listed on the Alternative Investment Market which may carry a higher degree of risk. 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.

This material is directed only at persons in the UK and is not an offer or invitation to buy or sell securities. 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 SIM's internal analysis which may have not been verified by independent sources. They are subject to change and should not be interpreted as investment advice. Before making an investment in the fund, it is important that you read the Key Investor Information Document. Prospectus and Key Information Document are available free by visiting the websites above. Sector Investment Managers Ltd and Marlborough Fund Managers Ltd are authorised and regulated by the Financial Conduct Authority.