

# JUNIOR GOLD

Investing in the mining giants of tomorrow

Update October 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 NISAs and SIPPs**

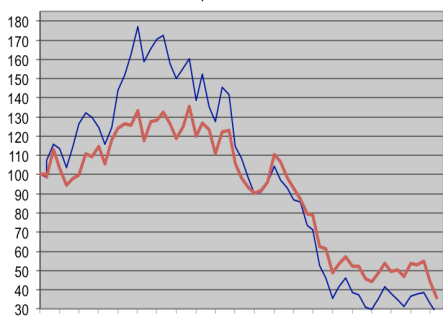
**Fund NAV at 31.10.14:** £7.1m, share price: 27.30p

## 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 October 2014



Since launch: -72.7%  
31.10.13 – 31.10.14: -27.3%  
31.10.12 – 31.10.13: -61.4%  
31.10.11 – 31.10.12: -36.1%  
31.10.10 – 31.10.11: + 0.3%  
31.10.09 – 31.10.10: +41.4%

Sector Investment Managers Ltd

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](http://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](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.

## Junior Gold update 14 November 2014

Dear Investor,

The commodities markets continue to be in turmoil with oil and base metals being particularly weak over the last four months. Whatever the cause for the slump in demand, or increase in supply of oil and base metals, the negative sentiment towards commodities has also dragged gold lower, which recently fell through the psychologically important \$1,150/oz level. At this level many mid-tier producers are losing money on an All-In Sustaining Cost (AISC) basis. Nevertheless, most companies have successfully managed to cut cash operating costs dramatically during the last year of market weakness and they are better positioned to weather a prolonged weakness in revenues.

The weakness in the price of gold is puzzling given the on-going problems in the global economy. Interest rates remain at historic lows and the central banks clearly understand that their growing mountains of debt cannot be repaid at the current rates of economic growth. The Federal Reserve of the U.S. appears now intent on cutting the QE programmes in an effort to stem the growth in debt. However, given the low inflation indicators and nascent economic growth it is unlikely to raise interest rates anytime soon. This should be supportive of gold especially if the general equity markets correct their current overvaluation.

On a positive note, the World Gold Council has recently announced that India overtook China as the world's top consumer of gold in the third quarter as its domestic demand for jewellery and bullion surged by almost 60 per cent. Lower prices, as well as the new administration of Prime Minister Modi, encouraged the renewal of interest in the precious metal. The Central banks of Russia, Kazakhstan and Azerbaijan also increased their buying of gold dramatically in the third quarter. In total, central banks around the world bought 93 tonnes of the precious metal in the third quarter, marking it the 15th consecutive quarter of net purchases. In its report, the World Gold Council said this was down to a combination of geopolitical tensions and attempts by countries to diversify their reserves away from the US dollar. Lack of interest in the gold markets by generalist financial investors remains the key driver of prices in the short-term.

At Junior Gold, we are constantly appraising the risks to business viability among our investee companies. High dependence on disinterested capital markets remains a big threat to projects that have not secured the required financing and we are steering away from such situations. Several companies have been forced to moth-ball or cancel their plans and are also to be avoided. We believe that our fund is well positioned to weather the current low price environment whilst retaining the operational capacity to perform well when the gold price starts to recover.

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 NISAs  
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.