



JUNIOR GOLD

Investing in the mining giants of tomorrow

Update March 2015

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

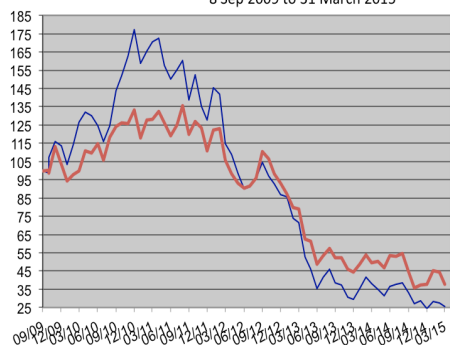
Fund NAV at 31.3.15: £6.8m, share price: 25.74p

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 2015



Since launch: -74.3%
 31.3.14 - 31.3.15: -32.6%
 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

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

14 April 2015

Dear Investor,

Gold appears to have found firm support at around \$1,200/oz during the last two years. The gold mining shares, nevertheless, have been weak, with the FTSE Gold Mines Index down by 52% in the past 24 months. The smaller capitalisation shares have been sold-off much harder as indicated by the US Junior gold miners index GDXJ:US which is down by 66.1% while the Junior Gold fund is down 64% in the same period. Looking at the past 30 years of performance of gold mining shares, as illustrated by the Philadelphia Gold and Silver Mines index (arguably the most widely used index in the precious metals industry), it appears that we may be at the fourth major low point. Subsequent to each previous low, bull rallies of over 100% ensued, including the over 300% gain between 2000-2011, that rerated the entire sector. Of course, history is no guarantee of future developments but those investors favouring technical charts may find the situation interesting.

Another technical analysis chart that we find compelling is the ratio of gold as currency (XAU) over the FTSE Gold Mines Index (FTMIGMI). This ratio fluctuated between 0.3 and 0.4 times for the first 16 of the past 20 years, only to shoot up to over 1.1 times in the last four years of bear-market in gold mining shares. Whilst this is, again, a technical ratio relying on past performance, it does indicate that gold mining shares may be very undervalued in relation to the commodity they seek to produce. As far as fundamentals are concerned, PWC, the major international accounting and audit firm, recently published an analysis (Mine 2014, realigning expectations) of impairments taken by the global mining industry in the fiscal year 2013. Whilst the top 40 largest mining companies booked approximately 5% of their aggregate market cap in impairments, the global gold miners, by comparison, booked impairments equivalent to 19% of their aggregate market cap. This implies that the gold mining sector has cleaned up its balance sheet aggressively in recent years, writing off those marginal, ambitious projects that are uneconomic at current metal prices. Cost control and profitability has been the top priority.

Based on the above technical and fundamental observations, we believe that the global gold and silver mining shares are undervalued in relation to the precious metals. This does not necessarily mean that investors should rush to buy shares in the entire sector, particularly via an ETF. Many companies are on the brink of failure due to capital starvation and many others are just getting by, burning whatever cash reserves they have left from the heady days, hoping they will be around for the next bull market. Others have been cannibalising their reserves, mining the high grade, more profitable areas, shortening mine life and leaving behind low grade ore that would not be economic even at much higher prices. Stock selection is paramount in today's market not only to ensure survival at low metal prices, but to also offer good prospects of expanding operations as markets recover.

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 SIPP's and NISAs
Further information on Junior Gold at 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.