

JUNIOR GOLD

Investing in the mining giants of tomorrow

6
YEARS
TRACK
RECORD

Update April 2016

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

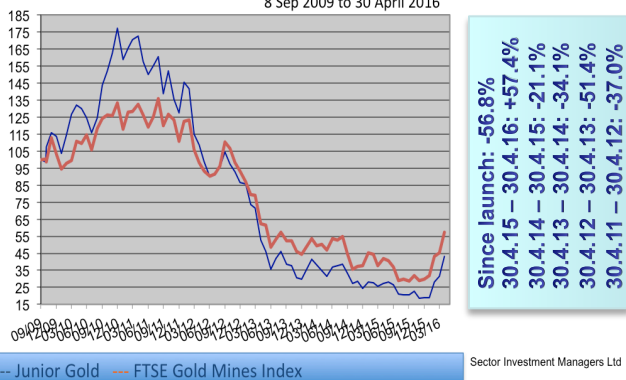
Fund NAV at 30.4.16: £17.0m, share price: 43.21p

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 30 April 2016



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

6 May 2016

Dear Investor,

Precious metals have consolidated in the month of April as investors analyse U.S. economic data and try to assess the Fed's outlook on interest rates. The decline of the Dollar has helped gold as well as general risk aversion. We read reports that some \$11 billion was withdrawn from US stock funds in April, with total YTD redemptions topping \$60bn. With the potential for a new correction in equities heading into the summer, financial investors are likely to accumulate gold and silver ETFs, pushing prices higher.

Our Junior Gold fund has benefited from the re-rating of mid-tier producers that have seen their profitability expand rapidly. Investors have been buying the fund as a result, with its value as of today standing at £18.3 million. The top ten holdings offer an attractive blend of gold and silver exposure via well-capitalised, producing companies that have demonstrated an ability to survive and prosper during the bear market of the past four to five years.

Among the top holdings, (1) First Majestic Silver is focused exclusively on silver production in Mexico, the world's largest silver producing country. Owns and operates six producing mines, expecting to deliver between 12-13.5 million ounces of pure silver in 2016, with by-products of lead and zinc adding another 5-6 million ounces silver equivalent. The company grew production almost ten times in the last decade, organically and by acquisition, the latest purchase was Silver Crest in October 2015 at very attractive multiples. There are two large development projects that could add materially to future resources and production. Probably the purest silver quoted company, Market Cap C\$2bn, with very low debt and current liabilities. Operating efficiencies have reduced AISC to around \$13/oz; so at today's silver prices its profitability expands rapidly – every dollar of higher realized silver price adds between \$35-45m of EBITDA. At \$18/oz we would expect EBITDA of \$142m per annum; (2) Endeavour Mining is a West-African focused gold producer, expecting to deliver 535-560k oz in 2016 from its four mines in Cote D'Ivoire, Mali, Ghana and Burkina Faso. A significant project in Burkina Faso is planned to start production in 4Q 2017 and add another 235koz. The company focused on paying down debt and lowering its costs during the last two years and the forecast AISC for 2016 is \$870-920/oz. Market cap of \$1.4bn with net debt of about \$90m and Free Cash Flow of \$53m at \$1,200/oz gold. EDV offers compelling, fully funded growth of 57% in the next two years, trading at 4.9xP/CF, a discount to peers; (3) Alexco Resources is based in Yukon, Canada, operator of one of the world's highest grade silver deposits that plans to re-start production shortly and (4) Great Panther Silver is another Mexican silver producer that has outperformed in the current re-rating, more than tripling in value YTD. It projects production between 4-4.2 million ounces of silver in 2016 with AISC between \$13-15/oz from its two wholly-owned mines. In recent years it also focused on cost control and operational efficiencies. Market cap of \$380m, no debt and therefore significant operational leverage to a rising silver price. In addition, it has significant growth potential from an advanced stage project in Peru.

Please watch our 5th May interview with IG on precious metals and the miners, by copying the following link to your browser:
<https://www.youtube.com/watch?v=mSSfPvNDMf4>

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 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.

JUNIOR GOLD FUND				
TOP 10 POSITIONS AS AT 29.4.16				
Company	Ticker	Fund weight	Market Cap	
		%		\$ m
1 First Majestic Silver	FR.TO	6.0	1970	
2 Endeavour Mining	EDV.TO	5.1	1400	
3 Alexco Resources	AXR.TO	4.8	122	
4 Great Panther Silver	GPR.TO	4.8	380	
5 Argonaut Gold	AR.TO	4.6	420	
6 Timmins Gold	TMM.TO	4.2	163	
7 Kingsgate Consolidated	KCN.ASX	4.2	108	
8 Endeavour Silver	EDR.TO	4.0	564	
9 Troy Resources	TRY.ASX	3.9	216	
10 Terranga Gold	TGZ.TO	3.8	392	
	Total	45.4		

