

JUNIOR GOLD

Investing in the mining giants of tomorrow

6

YEARS
TRACK
RECORD

Update May 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

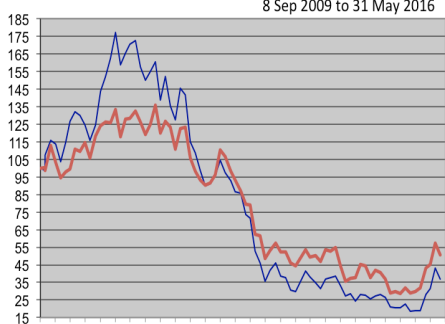
Fund NAV at 31.5.16: £11.5m, share price: 36.97p

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 2016



Since launch: -63.0%
31.5.15 – 31.5.16: +31.3%
31.5.14 – 31.5.15: -10.4%
31.5.13 – 31.5.14: -32.0%
31.5.12 – 31.5.13: -53.1%
31.5.11 – 31.5.12: -37.5%

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 15 June 2016

Dear Investor,

May was very strong for equities in general until the end of the month when the Fed indicated it might raise interest rates in June. Gold pulled back and gold mining shares corrected sharply. Since the beginning of June, "Brexit" came to dominate headlines and raise risk aversion, helping gold rebound. Gold shares quickly recovered lost ground reaching new highs. Gold Miners find themselves in a sweet spot in a rising gold price environment, especially those that lowered costs and focused on profitability. The chart on the right shows the relationship of the US index GDX, that includes seniors, to the gold price. Since the beginning of the year it has reverted to 49.6 times from 87.2 in January but is still above the long-term average of 44.4 and way higher than the 2010 low of 22.3. The implication is that we could have further upside rerating on the GDX to get to the level of 2012. The junior miners should be expected to rerate significantly more.



Source: Bloomberg / Scotiabank research

As the pull-back in gold price proved to be short-lived, there is growing confidence that we have entered a new bull-market phase. Global economic weakness and debt problems act as an impediment on the Fed's desire to raise interest rates. The rising support for Britain's exit from the European Union demonstrate the frustration among the majority of people who have not managed to improve their standard of life since the global financial crisis. The issues of immigration control and greater independence from EU policies might be argued effectively by both sides but the economic facts are unambiguous. Equity markets look, once again, down the precipice and gold appears well positioned as a safe-haven. Silver, for that matter is equally well placed and set to outperform. Gold ETF holdings have added 13.4 million ounces in the year to date while silver ETFs added 41.8 million ounces. There is clear momentum and growing confidence among investors that portfolios should be risk averse with increased allocations to precious metals.

Junior Gold continues to be the best performing gold fund in the year to date as reported by the leading fund database Morningstar: <http://www.morningstar.co.uk/uk/fundquickrank/default.aspx>. Its portfolio of smaller, well-capitalised companies with solid production and cash flow see their profitability expand rapidly as metal prices rise. In some cases, their relative strength allows them to acquire weaker players with promising projects that would benefit from tighter management and sound mining operations. One such example is the recent acquisition of Goldrock Mines by Fortuna Silver, one of Junior Gold's holdings. Despite the increased political risk for Fortuna by entering into Argentina, the relative valuation appears highly accretive and the recent positive changes in Argentine politics could make this a very material development. Fortuna silver is one of the companies that weathered the bear market well and maintained strong operations. The Goldrock acquisition provides growth potential at a relatively low cost. We believe that there will be increased corporate activity and consolidation in the sector as the stronger mining companies seek to capitalise on the new bull market in precious metals.

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.

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