

JUNIOR GOLD

Investing in the mining giants of tomorrow

7
YEARS
TRACK
RECORD

Update August 2016

Fund objective

To provide long-term capital growth from a globally diversified portfolio investing primarily in small to medium capitalisation companies specialising 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

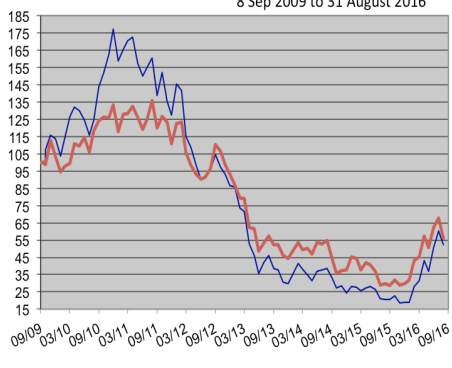
Fund NAV at 31.8.16: £18.8m, “C” price: 52.32p

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 August 2016



Since launch: -47.7%
31.8.15 – 31.8.16: +152.4%
31.8.14 – 31.8.15: -46.2%
31.8.13 – 31.8.14: -16.4%
31.8.12 – 31.8.13: -51.9%
31.8.11 – 31.8.12: -40.3%

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). 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 14 September 2016



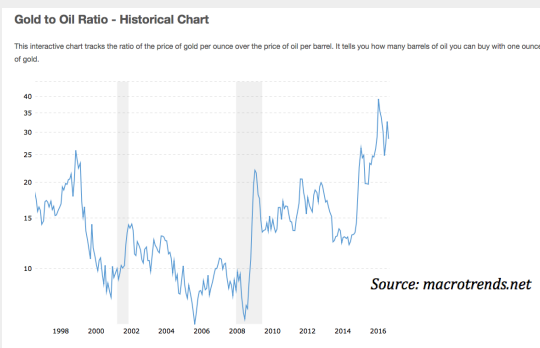
Dear Investor,

The US Federal Reserve started making stronger statements about interest rate rises towards the end of August despite some weaker than expected economic indicators. As a result, some profit taking in gold equities started a consolidation in those names that had recently outperformed. Silver, being more volatile than gold, dropped below \$20/oz and the gold/silver ratio rose above the long-term average of 66 (chart below left). Nevertheless, as at the time of writing, gold bullion ETFs have been very steady at 64.9Moz (up 17.9Moz YTD), with silver bullion ETFs continuing to build to 669.7Moz (up 66Moz YTD). It is clear that investors are increasing their allocations to safe havens, particularly in precious metals. Risk aversion towards the global markets, including long-term US Treasuries, continues to build as evidenced by a recent sharp rise in yields.



Gold/Silver ratio at 69.4; ETF holdings in Gold and Silver bullion (Source: Bloomberg)

One indicator that has caught our attention recently is the gold to oil ratio. This metric tends to rise during times of instability and economic uncertainty as investors buy into safe havens such as gold and sell commodities that are fundamental to the function of the economy, such as oil. The chart below shows the grey shaded areas of recent crises between 2000-2002 dot.com crash and the more severe financial crisis in 2008-2009. Because of the oversupply in oil since 2014 and the consequent crash in its price, gold now buys a lot more barrels of oil than before. Nevertheless, this relationship might indicate that all is not well in global markets and there is rising risk for some crisis. Gold and silver should continue to do well, under such circumstances, providing further expansion in the profitability of the specialist miners.



Source: macro trends.net

JUNIOR GOLD FUND		
TOP 10 POSITIONS AS AT 31.8.16		
Company	Ticker	Fund weight %
1 Doray Minerals	DRM.ASX	5.9
2 Endeavour Silver	EDR.TO	5.3
3 Premier Gold Mines	PMG.TO	5.0
4 Newmarket Gold	NMI.TO	4.9
5 Kingsrose Mining	KRM.ASX	4.9
6 Argonaut Gold	AR.TO	4.9
7 Teranga Gold	TGZ.TO	4.6
8 Alexco Resources	AXR.TO	4.5
9 Beadell Resources	BDR.ASX	4.5
10 Goldcorp	G.TO	4.4
Total		48.9

Junior Gold this month celebrates its seventh anniversary and 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> Our portfolio of smaller, well-capitalised companies with solid production and cash flow see their profitability expand rapidly as metal prices rise. We have reduced the relative weights in those shares that reached or exceeded our target valuation and added to others that should benefit from higher metal prices. A new holding in Goldcorp, a middle capitalisation gold and silver miner, was added as we believe its new management can correct previous strategic mistakes and improve cost control and reserves growth.

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.