

JUNIOR GOLD

Investing in the mining giants of tomorrow

7
YEARS
TRACK
RECORD

Update October 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

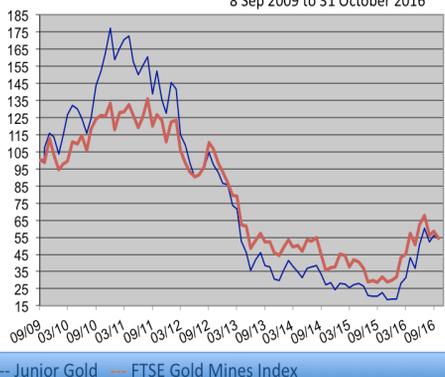
Fund NAV at 31.10.16: £20.1m, “C” price: 53.84p

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 2016



Since launch: -46.2%
31.10.15 – 31.10.16: +139.3%
31.10.14 – 31.10.15: -17.6%
31.10.13 – 31.10.14: -27.3%
31.10.12 – 31.10.13: -61.4%
31.10.11 – 31.10.12: -36.1%

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 16 November 2016



Dear Investor,

The outcome of the US presidential elections, with Donald Trump convincing middle America that he can single-handedly solve domestic economic problems, is another reminder of the fragile state of global geo-politics. Trump has, of course, no magic wand and his proposed policy of cutting taxes and increasing infrastructure spending is likely to face severe headwinds. By some accounts, such an approach would require a further \$5 trillion of US debt to be issued, launched in an environment of rising inflation and a steepening yield curve. The most important message of the Trump victory, nevertheless, is that the world is moving rapidly towards populism, protectionism, de-globalisation and, therefore, rampant inflation. It compounds on the impact of Brexit, with the UK set to face severe imported inflationary pressure over the next 3-6 months as imported goods are re-priced to take into account Sterling's 10-12% drop against most currencies. A protectionist Trump administration is most certainly going to increase the costs of imports but its anti-immigration policies are also likely to push wage inflation higher especially as the construction-skilled workforce is limited and heavily reliant on low-wage migrants. Rising global inflation would be good for gold, especially as central banks will be reluctant to raise interest rates preemptively, rather lagging economic developments and thereby supporting real inflation.

The chart below shows how rising yields have put pressure on the gold price in recent months. What is interesting, however, is that the fall in the price of gold has been proportionally less than the rise in yields. The inverse correlation of the two could ultimately de-couple due to the inflationary pressures. Similarly, the selling in ETF holdings in both gold and silver bullion has been muted and driven primarily by investors such as Soros and Druckenmiller that are known for their contrarian bets. Other famous investors such as Bill Gross and Jim Chanos believe that the Trump policies can be damaging for America and the global economy. The next catalysts that will likely boost gold will be the Italian referendum before year-end and the Dutch, Austrian and German elections due next year.



Rising yield curve vs. gold; ETF holdings in Gold and Silver bullion (Source: Bloomberg)

The Junior Gold fund 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>. Despite high volatility and the recent sell-off in gold equities, we think that global economic worries, coupled with rapidly rising inflation in the UK, the Eurozone and America are likely to continue to support gold and silver prices as investors seek safe havens. The bond market crash post-US elections further highlights the over-valuation of equity markets and cause severe corrections. Precious metals should be, in our view, a key component in every investor's asset base as insurance against the inevitable turbulence and the current sell-off in gold/ silver equities presents an excellent buying opportunity. Junior Gold's portfolio should continue to benefit from the recovery in precious metals prices and those of related equities.

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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