



JUNIOR GOLD

Investing in the mining giants of tomorrow



Update December 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

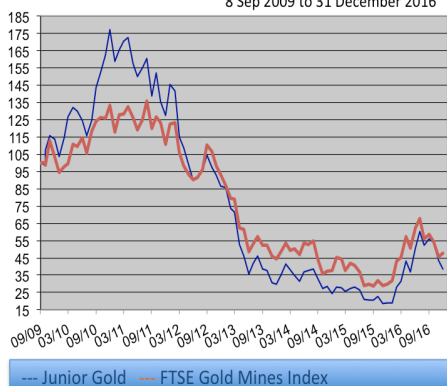
Fund NAV at 31.12.16: £12.9m, “C” price: 38.7p

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 December 2016



Since launch: -61.3%
 31.12.15 – 31.12.16: +102.8%
 31.12.14 – 31.12.15: -21.3%
 31.12.13 – 31.12.14: -18.2%
 31.12.12 – 31.12.13: -65.8%
 31.12.11 – 31.12.12: -32.0%

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 January 2017



Dear Investor,

The year 2016 will undoubtedly hold special mention in history books for presenting two major, unexpected events in global geopolitics. Brexit was previously dismissed by the majority of government and business as an unlikely outcome but now obviously highlights the fragility of the European Union. Across the Atlantic, president elect Trump has been transformed from a widely scorned pariah with few noble principles pre-election, to a much admired and revered world leader that could potentially solve the ills of the modern economy.

Whilst the sharp devaluation of the Sterling post the Brexit referendum has produced an immediate positive economic stimulus to the UK, the market reaction to the Trump victory is much more difficult to understand. The main US equities indices rose between 7-13% in the last two months of the year and world stock markets added more than \$3 trillion in market capitalisation in contagion as consensus believed that a combination of tax-cuts, fiscal stimuli and administrative efficiencies could invigorate world economic growth thereby resolving the massive debt problems. Of course, the negative effects of protectionism, anti-immigration and trade wars, are ignored, for now. Nevertheless, some evidence of investors perceiving the dangerous negative effects can be seen in the behaviour of the bond markets. After the US election result, coupled with the Fed's decision to raise rates by 25bps for the second time only in over ten years, the 10-year US Treasury yield rose by more than 50%, sparking a vicious sell-off in bonds across developed markets. The chart below-left shows the rotation of about \$3 trillion of capital from bonds to stocks. The generally conservative bond investors appear concerned of the inflationary impact of the policy proposals whilst equity investors only see growth, disregarding the risks of protectionism and de-globalisation. On the right-hand side, the sell-off in gold and silver ETF holdings post the Trump victory is evident; once the risks of his policies become apparent, investors are likely to buy back into ETFs, elevating the gold price.



The great rotation from bonds to stocks of 2016 and gold/silver ETF holdings (Source: Bloomberg, DB Markets Research)

The Junior Gold fund was one of the top three performing gold funds last year as reported by the leading fund database Morningstar: <http://www.morningstar.co.uk/uk/fundquickrank/default.aspx>. Despite high volatility and the sell-off in gold equities since the Trump victory, 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. 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.

We would like to thank our investors for the confidence vested in us and hope that 2017 will be happy and prosperous.

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 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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