JUNIOR GOLD

Investing in the mining giants of tomorrow

7 YEARS TRACK RECORD

Update April 2017

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.

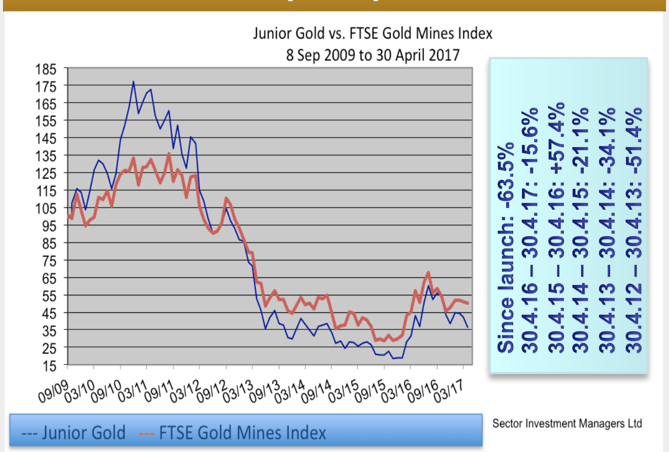
Key facts

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 30.4.17: £12.9m, "C" price: 36.54p

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



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
12 May 2017

7
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Dear Investor,

The spotlights are firmly on China these days as its government attempts to tackle off-balance sheet debt and the overall leverage in the economy. Chinese equity and bond markets have sold-off recently, as the resultant balance sheet restructuring is likely to impact economic growth, with some early warnings of recession. This week, the US$1.7 trillion Chinese bond market inverted, for the first time ever since records begun, with 5-year yields rising above the 10-year benchmark. Rising cost of short-term debt in an economy where the reported debt to GDP ratio is about 260% is a sure way to cause economic activity to contract, with significant risks of a financial crisis as bad debts accumulate. The risk of delinquent loans eating-up equity capital of the banking system is particularly acute in China where the rapid economic growth of the past decade has stimulated a debt binge that has seen household and corporate debt more than double since 2008. A relatively immature portfolio of loans concentrated in high growth activities is particularly vulnerable to rising rates, especially when the economy is slowing down. The price of most bulk commodities has fallen sharply in the last few weeks as a direct result of slowing Chinese demand and de-leveraging. Whilst markets believe, at the moment, that the government of China is firing warning shots and could quickly change stance if its markets show sustained weakness or there is a cascade of defaults, there is worry that things may get out of hand as they did during the stock market melt-down in 2015.

Gold fell, along with other commodities, from the recent highs of $1,285 in the middle of April, testing the $1,220/oz level this week. Junior gold equities suffered a much steeper decline as the announced major re-weighting of the junior miners ETF, the Van Eck GDXJ, took many by surprise. It turns out the GDXJ grew in size from $1 billion in early 2016, to about $5 bn in the fourth quarter. As it grew so large, it ended up holding large stakes in mid-cap miners, in many cases near the 20% regulatory threshold when it would have had to bid for the company. The index last month decided to re-weight its holdings, adding several larger cap constituents and cutting back the smaller ones. In the process, it will move much closer to the large-cap ETF, the Van Eck GDX, in terms of performance. This should be good news for smaller, specialised active funds like Junior Gold. Investors seeking a pure junior exposure will likely look at Junior Gold as one of the few liquid allocation tools in this segment. We have always run the fund with the scope of a much larger size, by focusing mainly on producing, well capitalised companies rather than early stage plays. The shift of ETF money towards the larger cap space will likely allow the better quality smaller companies to benefit from a re-rating, based not on a flood of money but on their attractive fundamentals.

In the meantime, ETF holdings of gold bullion held steady, whilst those of silver grew significantly, recovering from earlier weakness. From the discrepancy between bullion holdings and the sell-off in equities, we believe that gold and silver mining shares are due a re-rating. Such recovery would be supported further by precious metals prices rising from current levels. Economic, financial or geopolitical instability could be a trigger.

Gold and silver bullion-backed ETF holdings (Source: Bloomberg)

Please watch the latest interview with IG on gold and related equities: https://www.youtube.com/watch?v=wN4PForOll8

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.