

JUNIOR GOLD

Investing in the mining giants of tomorrow

7

YEARS
TRACK
RECORD

Update May 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

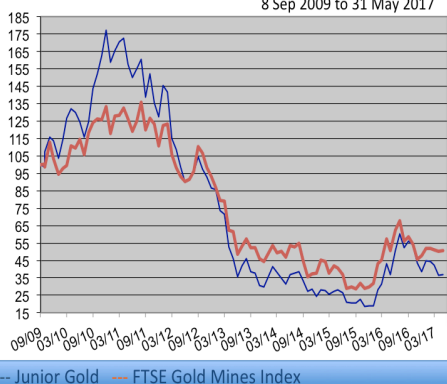
Fund NAV at 31.5.17: £13m, “C” price: 36.72p

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 2017



Since launch: -63.3%
31.5.16 - 31.5.17: -0.7%
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%

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 15 June 2017



Dear Investor,

Yesterday, the U.S. Federal Reserve raised interest rates by 0.25%, as generally expected, and indicated it might raise rates once more this year as well as commence a gradual exit from Quantitative Easing programmes. The same day, inflation indicators showed a slowing pace in the price index, which excludes energy and food components, as the economy fails to accelerate growth despite better employment figures. The Fed's may be keen to show resolve and a firm direction in policy decisions but they are really caught between a rock and a hard place; raise rates too soon, too fast and risk stagnating economic growth, leave rates too low, risk inflation picking up. The Fed US\$4.5 trillion balance sheet is clearly untenable and needs to be restructured soon in some way or form.

Gold has been remarkably resilient in the last few months, rising to near \$1,300/oz in early June. Even after the Fed decision was announced, and the resultant strength of the US Dollar, gold continued to trade above \$1,250/oz, an important level for gold mining stocks. Importantly, gold and silver bullion ETF holdings continued to rise as investors realise that persistent real inflation increases the value of precious metals. In addition, worries over the apparent overvaluation of the main equity markets, especially in the technology sector, as well as geopolitical instability in the Middle East, further encourage holding gold and silver as stores of value and a hedge against the unexpected.



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

In the junior gold miners space, the rebalancing of the Van-Eck sponsored GDXJ ETF, has caused a substantial de-rating of small-cap shares, in some cases by 25-30% below the index performance. The index has announced a major re-balancing, selling out of smaller capitalisation shares where it had reached significant minority positions, and increasing its weights in larger capitalisation companies and even an up to 25% weight in the majors-focused GDX ETF, in an attempt to effectively deploy its much larger asset-base in a relatively small and highly volatile sector. In many cases, it has created a large relative valuation gap as the larger capitalisation companies, where the GDXJ is increasing its holdings, see their cost of capital drop but also now trade at a substantial premium to the value of their resources. The arbitrage opportunity presented to investors such as the Junior Gold fund, is that the overvalued mid-caps are very likely to use their expensive paper to buy undervalued small companies that hold attractive projects. Furthermore, higher gold prices are likely to cause a much more dramatic re-rating of smaller cap shares as investors seek better relative value rather than blindly investing in an ETF that is increasingly weighed towards overvalued larger companies. The success of the GDXJ index growing so rapidly and out-pacing its target sector allows fundamentals-driven specialist investors such as the Junior Gold fund to benefit in the near term. The fund's portfolio is concentrated in producing companies with exploration potential, backed by solid balance sheets.

Please watch the latest interview with IG on gold and related equities: <https://www.youtube.com/watch?v=wN4PForOI18>

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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