

JUNIOR GOLD

Investing in the mining giants of tomorrow

8
YEARS
TRACK
RECORD

Update September 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

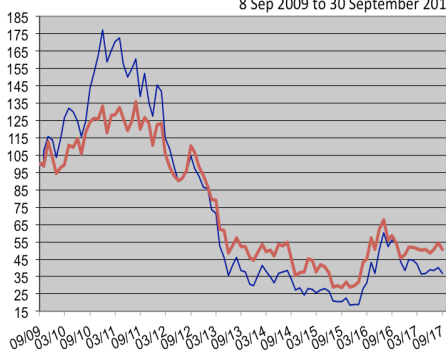
Fund NAV at 30.9.17: £12.4m, “C” price: 36.88p

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 30 September 2017



Since launch: -63.1%
30.9.16 – 30.9.17: -34.2%
30.9.15 – 30.9.16: +171.8%
30.9.14 – 30.9.15: -37.5%
30.9.13 – 30.9.14: -14.2%
30.9.12 – 30.9.13: -63.1%

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 October 2017



Dear Investor,

Whilst data indicate modest global economic growth, figures in the United States show inflation to be below the Fed's expectations, contributing to a "dovish" perception with respect to future interest rate hikes. This has weighed on the US dollar, helping gold recover the \$1,300/ounce level and resume its medium term up-trend. Uncertain geopolitics continue to gather stormy clouds, with President Trump's latest publicity stunts turning on Iran. The political situation in Washington is best described as "messy", with unclear direction and lack of cohesion in statements from the President and the rest of his administration. We believe that as a result of geo-political uncertainty, there is a continued build-up in positions in gold bullion ETFs approaching the levels of one year ago, before the surprise electoral win of President Trump. Some investors clearly believe that gold can be an effective hedge in times of potential instability and unpredictable turn of events. Silver bullion ETFs have been always more volatile but show a positive correlation to gold and we expect a similar build up in positions.



Gold and Silver bullion ETF holdings (Source: Bloomberg)

Gold and silver mining shares have continued to lag the bullion price development in the year to date. This is particularly evident in smaller capitalisation companies. Larger capitalisation shares have started re-rating and investors are likely to look down the curve to smaller producers with good growth prospects as well as near-term producers with well-funded budgets. Corporate activity has increased, with some impressive multiples paid by larger companies starved of reserves, demonstrating the growing confidence of industry players in the fundamental value of good deposits. During the five years of bear market, exploration budgets were slashed to nothing and activity ground to a halt. Following the strong market in 2016, significant exploration dollars are now getting deployed in the most prospective projects. In reality, nevertheless, it can take years before a discovery gets to production and most juniors still lack the capacity to support the significant financing burden. Such assets now get acquired by the larger companies desperate to add to reserves and lengthen their mining life. In the process, the best deposits achieve some impressive price-tags and investors have started to look for the next potential target.

In Junior Gold's portfolio, Cardinal, Minaurum Gold and West African Resources have been the outstanding performers among explorers, all becoming over-weight positions. Resolute Mining has been a notable laggard, now trading at well under half its peer-group average metrics in terms of EV/EBITDA, P/DCF and EV/Production. Beadell Resources has also lagged its peers but we believe that any concerns relating to its ramp-up of production have now been resolved. We believe that Junior Gold's portfolio is generally undervalued and offers good prospects for re-rating as gold and silver bullion prices strengthen.

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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