

# JUNIOR GOLD

Investing in the mining giants of tomorrow

8  
YEARS  
TRACK  
RECORD

Update October 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**

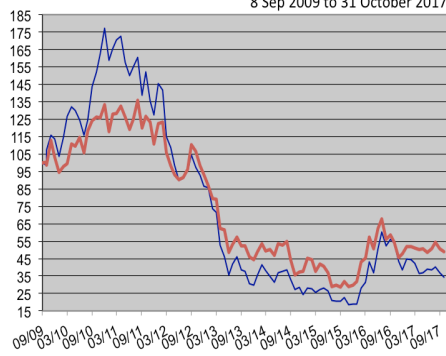
**Fund NAV at 31.10.17: £11.6m, "C" price: 34.46p**

## 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 2017



Since launch: -65.5%  
31.10.16 – 31.10.17: -36.0%  
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%

--- Junior Gold --- FTSE Gold Mines Index  
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](http://www.juniorgold.co.uk) or  
[www.sectorinvestments.com](http://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](http://www.junioroils.com)). SIM's management and advisers have extensive experience of investing in gold mining companies.

## Junior Gold update 15 November 2017



Dear Investor,

Gold prices have remained range-bound for several months now as economists disagree with the markets over the direction of inflation and interest rates. Research from major investment banks indicates that there is growing consensus on the increasing probability price pressures (inflation) will soon gain momentum, as also stated by the chair of the US Federal Reserve. Whilst the Fed has repeatedly stated its intention to gradually withdraw from its ultra-loose monetary policy, worries over the strength of economic growth have prevented it from raising interest rates significantly. Bond markets, for their part, refuse to acknowledge the economists' message, with the US Treasuries yield curve flattening and that of German bunds actually falling even after the ECB announced plans to reduce its stimulus programmes.

An interesting chart demonstrating the divergence of the macro-economic picture and market expectations, tracks the spread between nominal and inflation-linked Treasury debt, often viewed as investors' outlook on price pressures. The current spread predicts US consumer prices will stay under 2% for the next 30 years. A bond market gauge often cited by the Fed also indicates sub-2% inflation for many years. Yet, J.P. Morgan analysts expect global consumer prices to rise by a 3% annualised rate this quarter, about double the rate of the previous six months.



*"Break-even" rates charted as the difference between nominal and inflation adjusted debt (Source: Bloomberg)*

Such disconnect usually gets corrected in an abrupt fashion upon confirmation of economic data. We believe that there is increased risk markets will adjust by raising yield expectations, thereby causing bond prices to drop. Equity markets will likely react in a similar fashion especially given the current high earnings multiples built into stock prices. As central banks will likely react slower than real inflation growth, safe havens such as gold should benefit. This view was advocated recently by one of the world's largest hedge fund managers, Ray Dalio – chief of Bridgewater Associates, who urged his investors to buy gold. Filings by Bridgewater Associates show that their funds increased holdings in gold bullion backed ETFs almost six-fold in the last quarter, propelling them to 8<sup>th</sup> place among gold-paper holders of GLD. Dalio, of course, does not make the market, but such a move may be an indication the market is turning to an agreement with economists.

Gold mining equities have been ignored by investors in the past twelve months given the yield expectations impasse. When the dead-lock breaks, we expect another sharp move as the miners enjoy large operating gearing to the bullion price. Large to middle capitalisation producers have been the favourites so far, maintaining their outperformance over smaller companies. As the next leg of the bull-cycle unfolds, small-caps should grab the title. Junior Gold's portfolio is positioned well in this segment with 42 promising, we believe, positions.

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](mailto:dealing@marlboroughfunds.com)

Junior Gold qualifies for SIPP's and NISAs

Further information on Junior Gold at [www.juniorgold.co.uk](http://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. This material is directed only at persons in the UK and is not an offer or invitation to buy or sell securities. Opinion expressed whether in general or both on the performance of individual securities and in a wider economic context represents the views of Sector Investment Managers Ltd at the time of preparation based on SIM's internal analysis which may have not been verified by independent sources. They are subject to change and should not be interpreted as investment advice. Before making an investment in the fund, it is important that you read the Key Investor Information Document. Prospectus and Key Information Document are available free by visiting the websites above. Sector Investment Managers Ltd and Marlborough Fund Managers Ltd are authorised and regulated by the Financial Conduct Authority.