

# JUNIOR GOLD

Investing in the mining giants of tomorrow

8  
YEARS  
TRACK  
RECORD

Update December 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**

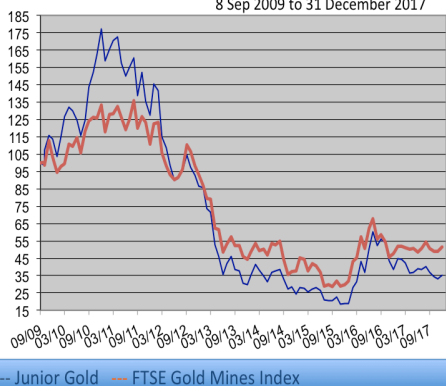
**Fund NAV at 31.12.17: £11.8m, "C" price: 35.03p**

## 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 2017



Since launch: -65.0%  
31.12.16 – 31.12.17: -9.5%  
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%

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.

## 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.

## 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)

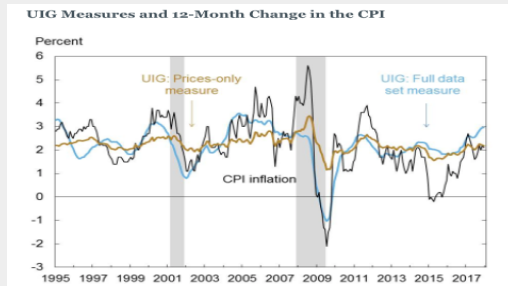
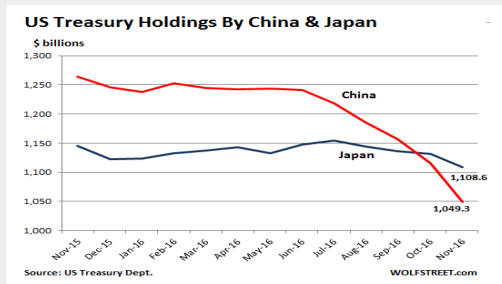
**Risk Considerations:** Past performance is not necessarily a guide to future performance. The value of your investment can go down as well as up. The fund invests in smaller companies which may carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and 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.

# Junior Gold update 15 January 2018



Dear Investor,

Gold has rebounded strongly last month even as global equity markets continued their historic bull market to new all-time highs. Recent weakness in the dollar may have been a contributing factor that has supported the price of most commodities, but gold appears to have been one of the best performers, rising 13.2% in 2017. The case of a weakening dollar is interesting, as it takes place in a period of tightening by the Fed that has been reducing its balance sheet and raising interest rates. An indication of international sentiment against US debt is the decline in US Treasury holdings by China and Japan. China, in particular, has been the most aggressive in its move away from US debt, with Bloomberg reporting “people familiar with the matter” that Chinese officials reviewing China’s foreign exchange holdings and discussing investment strategies recommended slowing or even halting purchases of US Treasuries. If implemented, this change in China’s investment strategy could come at an unfortunate time as the newly approved tax-cuts will require the US to borrow even more, offering to the world a greater supply of Treasuries, just at the same time its own Fed has started unwinding its holdings.



Right picture: Underlying Inflation Gauge (UIG); Source: Federal Reserve Bank of New York

US Dollar weakness is also peculiar as credible indicators, including those for the Fed itself, predict inflation to rise. Perhaps the market expects that central banks will be unable to match interest rate rises to inflation given the huge debt problem, thus supporting real inflation – historically poor for the US Dollar but good for gold as a safe haven. So far, gold has actually spiked along with the Fed’s interest rate hikes but, at the same time, so was the dollar falling. Under these circumstances, the bond market is likely to continue weakening as a function of both lower international appetite and higher real rates and inevitably, the stock market is likely to catch up. Portfolio hedging is becoming more important and a higher bond component is unlikely to provide much cover. Gold and gold equities global allocations will likely rise as a result.

Rising market uncertainty should further support gold prices higher and reflect positively on the share price of precious metals miners. Smaller gold shares underperformed over the last twelve months for three reasons in our view: (i) investors generally ignored the miners as global markets kept rising to new highs; (ii) in a weak market, focus was placed on large and mid-caps due to their relatively better liquidity and (iii) there were substantial profits to be booked after the significant outperformance of small caps in the strong market of 2016. As gold continues its recovery and reach towards \$1,500/oz, the relative valuation gap of smaller capitalisation companies should close, again outperforming the metal price and the sector.

We would like to wish our investors a prosperous “golden” New Year.

Please watch an interview with IG on gold and related equities: <https://www.youtube.com/watch?v=wN4PF0r0l18>

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 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.