

JUNIOR GOLD

Investing in the mining giants of tomorrow

8
YEARS
TRACK
RECORD

Update April 2018

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

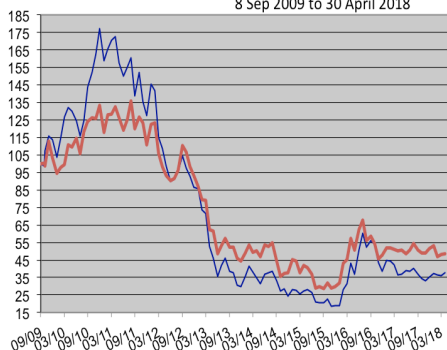
Fund NAV at 30.4.18: £12.6m, "C" price: 37.84p

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 April 2018



Since launch: -62.2%
30.4.17 – 30.4.18: +3.6%
30.4.16 – 30.4.17: -15.4%
30.4.15 – 30.4.16: +57.4%
30.4.14 – 30.4.15: -21.1%
30.4.13 – 30.4.14: -34.1%

--- 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 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

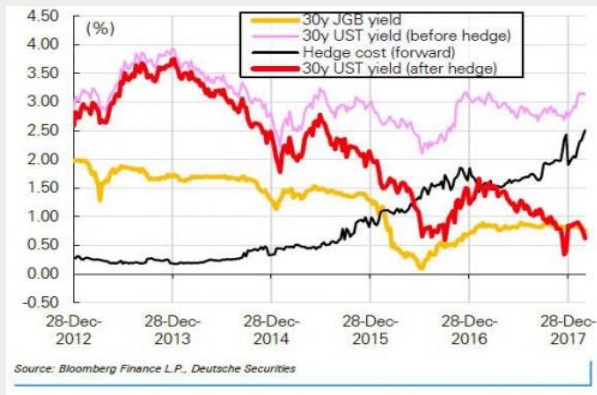
The fund is advised by Sector Investment Managers Limited (SIM), authorised and regulated by the Financial Conduct Authority. SIM also advises the Junior Oils Trust, a fund focusing its investments in junior oil and gas exploration and production companies (for information: www.junioroils.com). SIM's management and advisers have extensive experience of investing in gold mining companies.

Junior Gold update 14 May 2018



Dear Investor,

The benchmark yield on 10 year Treasuries crossed above the 3% threshold recently and many (including JP Morgan's CEO Jamie Dimon) expect it to rise further. This is a result of increased issuance of paper by the US Treasury in its effort to plug the widening fiscal deficit. As a result, bond markets have been under pressure, notwithstanding the relative resilience of global equities. According to Jeff Gundlach, CEO of DoubleLine, a prominent US hedge fund specialising in bonds, inflation indicators are rising and US Treasuries are now the least economical of all government bonds due to the high hedging cost, despite higher yields. This is good for gold as it is an alternative safe haven asset to treasuries in times of rising inflation and market volatility.



Hedged 30Y government bond yields (USD/JPY)

Real rates show a breakout from a 5yr triangle pattern

Sources: Left chart from Bloomberg, Right chart from StockCharts.com

Another indication that gold may be entering the next phase of a major leg up is the recent breakout of “real rates” as shown by the chart of Treasury yields minus inflation protected Treasury yields. This indicator is widely followed as the true cost of money and is bullish for gold which is seen as an asset providing an effective hedge against inflation. The improving prospects for precious metals prices have recently started to reflect on the miners’ valuations. Australian listed shares, in particular, have been closing the valuation gap with their Canadian listed counterparts. It looks like investors are getting interested in the sector again. The middle-capitalisation, producing companies with strong balance sheets and good growth plans have been catching most of the attention but we expect that smaller companies will be beneficiaries of the next intra-sector rotation and new capital allocated by generalist investors.

The Junior Gold fund continues to perform well in the year to date, at the top of the Morningstar database (<http://www.morningstar.co.uk/uk/fundquickrank/default.aspx> select “Sector Equity Precious Metals”). A notable strong performer in recent weeks has been K92 Mining, which has been ramping-up production from its mine in Papua New Guinea and new high grade intersects from its exploration drilling programme. Another emerging producer in our portfolio enjoying a re-rating is Gascoyne Resources that is successfully commissioning its Dalgarranga gold project plant in Western Australia, expecting an annual rate of 100k oz of gold production.

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. 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.