JUNIOR GOLD

Investing in the mining giants of tomorrow

8 YEARS TRACK RECORD

Update August 2018

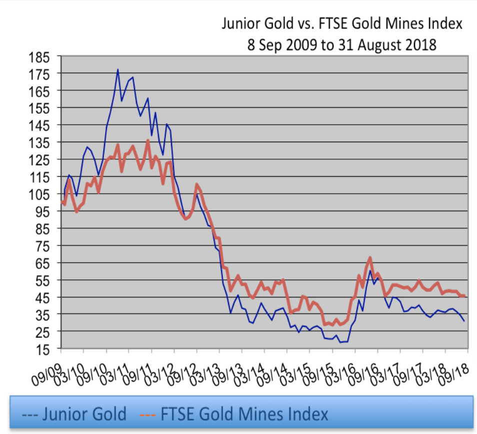
Fund objective

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 31.8.18: £10.8m, "C" price: 31.20p

Fund share price performance



Since launch: -68.8%
31.8.17 – 31.8.18: -22.5%
31.8.16 – 31.8.17: -23.1%
31.8.15 – 31.8.16: +152.4%
31.8.14 – 31.8.15: -46.2%
31.8.13 – 31.8.14: -16.4%

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). SIM's management and advisers have extensive experience of investing in gold mining companies.

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

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
16 September 2018

8 YEARS TRACK RECORD

Dear Investor,

The Fed's recent dual policy of simultaneous rate increases and withdrawal from bond buy-backs has triggered significant turmoil in emerging markets. The most notable crises are seen in Turkey and Argentina, with several other highly indebted emerging market countries having their currencies devalue sharply. The peripheral financial stress has reached China where the leading equities index, the Hang-Seng, dipped into bear-market territory last week having dropped more than 20% from the high reached in January. The ECB has also just announced its intention to withdraw from quantitative easing measures by first stopping the extensive bond-buying programme. The results of the ECB action are yet to be felt, particularly given the banking stress in Italy and some leading Eurozone financial institutions. The US Dollar has been a beneficiary of the turmoil, being perceived as a safe-haven for capital fleeing from trouble-zones. Furthermore, the Trump administration's apparent crusade to alter trade flows via punitive tariffs has caused a broad sell-off in the commodities complex. As a result, gold has been surprisingly weak, nevertheless retaining the $1,200/ounce level as key support of future direction.

The Trump administration clearly and openly attempts to use U.S. dominance of financial markets and financing of trade as a blunt instrument for the punishment of nations not aligned with US interests. Sanctions have now been imposed on 11 countries: China, Colombia, Cuba, Iran, Libya, North Korea, Pakistan, Russia, Syria, Turkey and Venezuela in addition to trading tariffs on Canada, Mexico and the EU. This strategy appears to be far easier and lower cost than military intervention in order to maintain US hegemony. The problem is that it is being pursued at a time of record indebtedness not only in the US but across the world, with unpredictable and potentially damaging effects on global economic growth and financial stability. The populist wave sweeping across the world could build up to be a much bigger problem than currently perceived as nations realise that their external debts are obviously untenable and seek dramatic write-downs if not write-offs. In the short-term, financial markets are drawn to the dollar's strength and large traders are encouraged to short assets that are perceived to be inversely correlated, including commodities and gold.

Sources: Zero Hedge, Bloomberg

A very interesting chart illustrating this point is how the Fed has managed to contain the 10-year Treasury yield at less than 3% this year. With the US fiscal deficit ballooning due to tax cuts and increased spending, the Fed's two priorities are to support the stock market and maintain market liquidity in the bond market, especially as it tries to reduce its balance sheet. The obvious way to achieve these two objectives is by supporting a stronger dollar and the Trump policies have been helping do just that. It would be a big problem if there was a stock market crash when investors realised that US-listed corporates, especially the over-priced technology sector giants, are not immune to financial trouble at Emerging Markets. It will be interesting to see if the Fed would then abandon Quantitative Tightening (QT) for Quantitative Easing (QE), version four. Gold would then shine as the obvious store of value and a true safe-haven.

Angelos Damaskos
Chief Investment 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.