

JUNIOR GOLD

Investing in the mining giants of tomorrow

9
YEARS
TRACK
RECORD

Update September 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

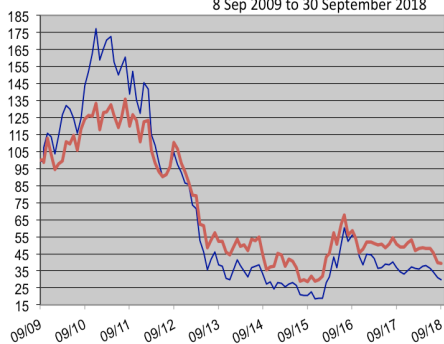
Fund NAV at 30.9.18: £10.1m, “C” price: 29.80p

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 2018



Since launch: -70.2%
30.9.17 – 30.9.18: -19.2%
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%

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 October 2018



Dear Investor,

The past week felt like we may have reached the point when longer-term asset valuations are starting to re-set. US 10-year Treasury yields rose above 3.2%, the main equity market indices fell, led by the S&P 500 which lost 7% in four trading days and gold rose the most in one day since 2016. In fact gold was up in every major currency including the Chinese Yuan. We have also observed that the precious metals mining equities have started to outperform the commodity despite the notable lack of generalist investor interest (judging by capital flows in our fund). Finally, crypto-currencies were also crushed in the sell-off, dispelling any argument that they present a modern alternative safe-haven.

Gold responds in inverse correlation to the US Dollar and equity market weakness

Source: Bloomberg



President Trump continued to blame the Fed's policies, especially increases in interest rates, for the market turmoil and managed to squeeze a meeting in the Oval Office with the artist formerly known as Kayne West with interesting language exchanges! Such attention seeking and posturing is apparently expected to be beneficial in the mid-term elections approaching soon. Nevertheless, the markets seem to have started to see the growing problems of trade wars, mounting debt loads and the rise of populism that have caused the International Monetary Fund to lower its global economic growth expectations and warn about Emerging Markets instability. Interestingly, China this month embarked on its own monetary easing by reducing the reserve requirement of smaller lenders as some have started feeling the strain on their loan book. The private sector in emerging markets, including China, have more than doubled their indebtedness since the financial crisis of 2008 and the bulk of such debt is linked to the US Dollar. With US interest rates on the rise and continued strength in the dollar it is not surprising that the debt load is becoming problematic. If economic growth slows, as the IMF expects, it would become even harder to service large debts.

Precious metals mining companies have been oversold for over six months now but rebounded strongly last week as sentiment appeared to change. Junior Gold has actually out-performed its benchmark in the year to end of September, dropping by 14.9% while the FTSE Gold Mines Index lost a more significant 23.4% in the same period. Several portfolio holdings present outstanding value, with material reserve upgrades and production increases and some we consider as potential acquisition candidates. The recently announced merger, which could in practice be a reverse take-over, between Barrick with Randgold signals the need of major producers to replenish reserves and extend the life of their production. Smaller capitalisation companies, particularly those developing attractive projects, would be natural take-over targets and we expect corporate activity to intensify. With the gold price demonstrating its safe-haven value, the equities should re-rate strongly even in generally turbulent and weak global equity market conditions.

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.