

JUNIOR GOLD

Investing in the mining giants of tomorrow

9

YEARS
TRACK
RECORD

Update October 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

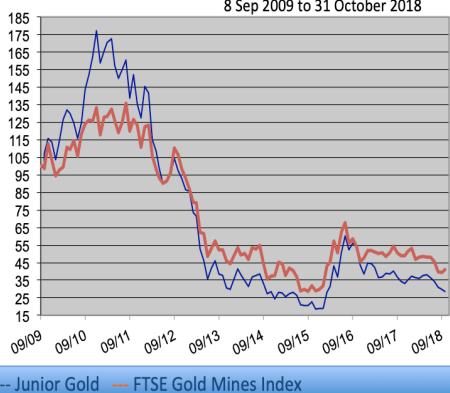
Fund NAV at 31.10.18: £9.2m, "C" price: 28.55p

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 2018



Since launch: -71.5%
31.10.17 – 31.10.18: -17.2%
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%

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

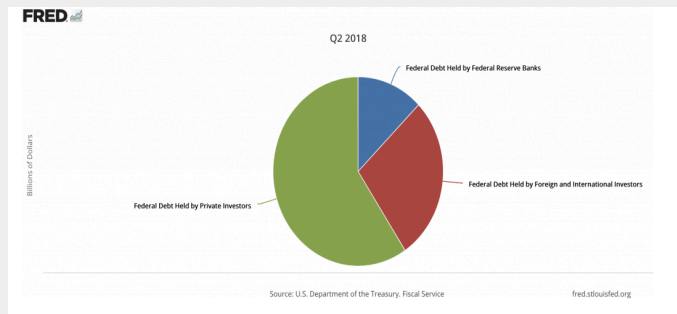
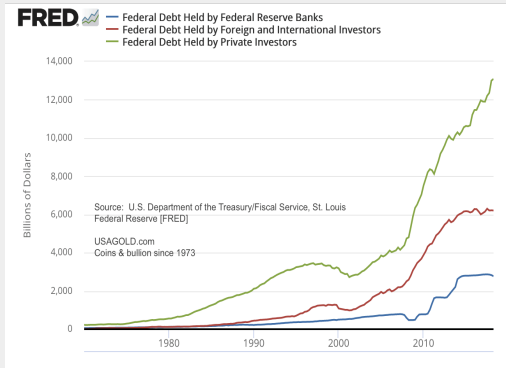
The fund is advised by Sector Investment Managers Limited (SIM), authorised and regulated by the Financial Conduct Authority. SIM also advises the Junior Oils Trust, a fund focusing its investments in junior oil and gas exploration and production companies (for information: www.junioroils.com). SIM's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

Junior Gold update 15 November 2018



Dear Investor,

The price of gold continues to be range-bound around the psychologically important \$1,200/oz level. Recent weakness in the US equity markets appears to have triggered selling in all asset classes as short-term algorithmic trading funds reacted to the momentum. The US Dollar, a reference currency for most of the investment industry, strengthened, thus putting further pressure on precious metals. Nevertheless, in an odd moment for a past FED chair, Janet Yellen expressed her concern over the strength of the US Dollar as it could further widen the trade gap. Furthermore, the US recorded a \$100.5bn budget deficit in October, an increase of about 60% from a year earlier. As the tax cuts depress fiscal revenues, it is vital that the economy continues to grow at above the historical rates, a prospect that is increasingly seen as unlikely. Looking at the development of a ballooning federal debt, most of which is held by private investors, it is likely to prove increasingly difficult to sell new treasuries at ever increasing amounts to finance the widening deficit.



Source: Federal Reserve Bank of St Louis Economic Research

In Europe, the Brexit negotiations are as fraught as ever and threaten to destabilise the British government but most importantly, Italy continues to flaunt the ECB's rules on its budget deficit. As the financial condition of Italian banking is weak and the local economy continues to suffer, it is hard to see how one of Europe's most important countries can survive a major financial crisis. In China, concerns of a slowing growth and central intervention to shore-up weak financial institutions has put pressure on base metals on expectation of weaker demand. Looking back to gold's reaction during the financial crisis of 2008, it initially lost value, caught in the volatility of all asset classes, only to subsequently more than double in price in 2011 as the crisis unfolded. We believe that we are at the initial stage of another major crisis in confidence where gold will prove its safe-haven and store of value attributes.

Precious metals mining companies have suffered too in recent months as investors worry about contracting operating margins and lack of financing. Only those companies with material projects and a solid balance sheet have fared better. Larger companies have started to consolidate attractive assets, the most recent example being the friendly takeover of Tahoe Resources by PanAmerican Silver. Whilst there are still concerns about Tahoe's Escobal suspended operation in Guatemala, PanAmerican clearly takes advantage of a depressed THO share price and weak market sentiment to buy large reserves at a knock-down price. The recent merger between Barrick and Randgold is another example of the deep value in the mining sector. We believe that once gold reaffirms a rising trend, the mining equities, especially the smaller capitalisation ones, will likely outperform the markets and the commodity. Junior Gold's portfolio should be well positioned in this scenario.

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.