JUNIOR GOLD

Investing in the mining giants of tomorrow

9 YEARS TRACK RECORD

Update March 2019

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.

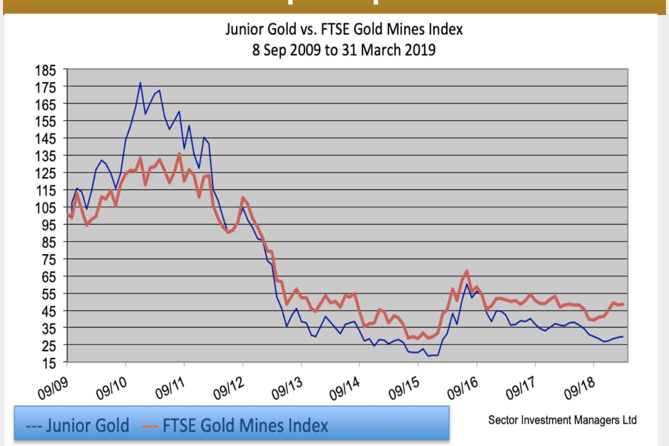
Key facts

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 ISAs and SIPPs
Fund NAV at 31.3.19: £12.5m, "C" price: 29.61p

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



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.

Discreet Performance

Data Source: Bloomberg

Since launch: -70.4%
31.3.18 – 31.3.19: -18.2%
31.3.17 – 31.3.18: -14.3%
31.3.16 – 31.3.17: +33.9%
31.3.15 – 31.3.16: +22.5%
31.3.14 – 31.3.15: -32.6%

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.

How to invest

Call Marlborough Fund Managers:

0808 145 2501

For further information and documentation visit:

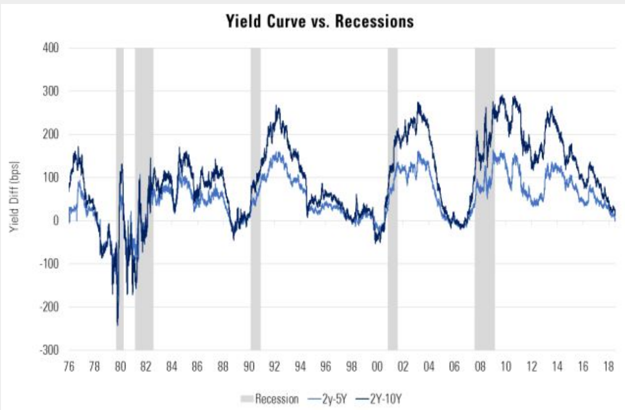
www.juniorgold.co.uk or www.sectorinvestments.com

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
15 April 2019

Dear Investor,

On the 22nd of March 2019 the United States Treasury yield curve inverted for the first time since 2007. Whilst this development was on trend for the past quarter, it has prompted a debate among various strategists whether it gives a clear signal of an on-coming recession or not. Those arguing in favour of the yield inversion as a predictor of slowing economic growth point to the historical correlation with previous recessions. Sir John Templeton once said that the four most expensive words in the English language are “this time is different”. Some argue that the economic conditions “this time” remain healthy, and the yield curve has been influenced by the unprecedented central bank monetary intervention, therefore, losing its predictive power. The fact remains that an inversion of the yield curve in principle means that more difficult credit conditions forces businesses to bid up the cost of short-term capital while longer-term creditors accept lower yields as they expect a slow-down in future activity.



Sources: Yahoo finance *Bloomberg*

Global equity markets corrected sharply in the last quarter of 2018 as the yield curve flattened towards the recent inversion. Investors were clearly worried that the risks of a recession increased and reduced exposure in equities. Interest in gold as a safe-haven pushed its price higher, in the process breaking the historically inverse correlation to the US Dollar. Under pressure from market action, the US Federal Reserve (Fed) was forced to reverse its hawkish stance and say that it was prepared to even cut rates again. Markets regained confidence in the central bank’s ability to regulate the economy and surged to new highs by early April. Interestingly, gold maintained its poise around the $1,300/ounce level as many market participants remain unconvinced by the Fed rhetoric and return of greed in equities. Data from Zerohedge suggest that some “smart-money” (hedge funds and macro-funds) did not participate in the latest equities rally, keeping record levels of cash instead in anticipation of market volatility. Similarly, retail investors have been pulling record amounts from mutual funds in the past four months seeking to reduce their market exposure. Institutional fund managers, nevertheless, have been buying the market back to new highs in a bull-rush. Who is right? We believe that even if the next recession is a year away and be of lower severity that in 2008-9, financial markets are likely to react much more violently when indicators of a slow-down become clearer. The magnitude of corrections in equity markets is usually driven by the level of valuations in the preceding bull market. As we are now back to lofty levels of multiples, a new correction could be sharper. Credit markets will ultimately be hit harder than before due to the record-high ratio of corporate debt to GDP, exacerbated by a probable significant wave of corporate failures. Gold is currently demonstrating its safe-haven value with a steady dollar/gold spot ratio despite the recent strong recovery of US equities and dollar strength. The precious metal is likely to rise dramatically during the next correction as investors’ fears of a recession are confirmed and they seek to reduce portfolio risk. Gold, silver and the relevant mining shares will then offer both protection from volatility and attractive returns compared to most other asset classes. Junior Gold’s smaller producers and explorers could outperform as growth becomes important again in the major miners’ strategy.

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 issued by Sector Investment Managers Ltd, 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.