JUNIOR GOLD

Investing in the mining giants of tomorrow

Update April 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.

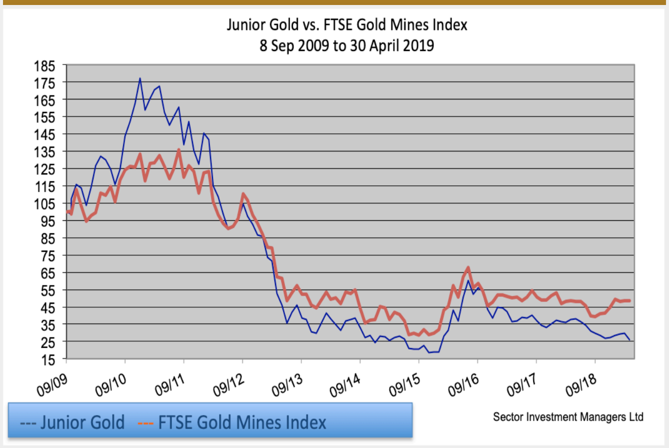
Key facts

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 30.4.19: £11.1m, "C" price: 25.98p

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: -74.0%
30.4.18 – 30.4.19: -31.3%
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%

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:

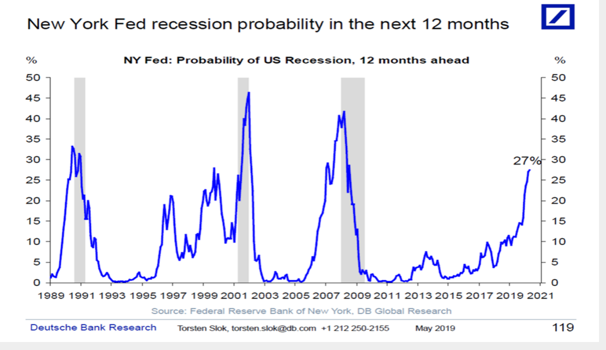
www.juniorgold.co.uk or www.sectorinvestments.com

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.

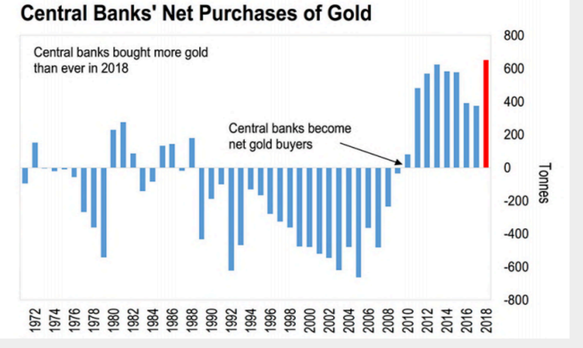
Junior Gold Update
15 May 2019

Dear Investor,

Central bankers appear to be wondering if their single-minded pursuit of Modern Monetary Theory (MMT) economics can finally succeed in stimulating growth to a sustainable level. MMT advocates suggest that ever-growing fiscal deficits can be financed indefinitely by printing money as long as fiscal policy supports full employment. The risk of inflation, they argue, can be controlled by removing excess money from the system when required. The problem that became evident in the last quarter of 2018 is that such monetary tightening threatens de-stabilising capital markets and undermining investors' confidence. At a time when the probability of a near-term recession has risen, the debate focuses on the ability of central banks to provide further fiscal stimulus when necessitated by an unexpected crisis. According to research by Deutsche Bank, the probability of a recession in the next 12 months has risen to 27%, a level seen only just before the three major economic crises of the past 30 years. An early May survey, conducted by Bank of America, of 250 fund managers with total assets under management of $687 billion indicated that over one third of those polled have taken protection against a fall in stock markets over the next three months, the highest level on record.



Source: Deutsche Bank Research



Source: World Gold Council

Gold has responded to this week's fall in markets by rising back above the psychological level of $1,300 per ounce. The World Gold Council reports that central banks bought the most gold on record in 2018 and have continued to be strong buyers in the year to date. In April, the Bank of International Settlements, whose members include 60 central banks from the world's largest nations, issued the Basel III directive which allows banks to treat physical gold as a zero risk asset. This important change brings gold closer to being considered as money and a credible allocation in large asset portfolios that require risk-weighting. Trading in bullion has also grown as a result of US sanctions on Russia, Iran and Venezuela as gold is not under the control of the US government. Furthermore, turnover is growing in the Chinese crude oil futures contracts denominated in Yuan that can be converted into physical gold. This system allows oil producers to bypass US sanctions and could result in large amounts of money remaining invested in gold rather than US dollars or Treasuries.

Gold mining shares were sold-off in April as the price of gold bullion dropped to $1,260/oz, threatening key technical levels. We believe the de-rating was an over-reaction by investors who thought that equity markets were set to rise further and decided to follow the momentum. They may now wonder if a potential correction in global equities is more likely than a fall in the gold price which is supported by central bank buying and the de-dollarisation efforts of Russia and China. Current share prices of most miners provide an excellent buying opportunity and patient investors are likely to be rewarded in the next leg of gold's recovery. Development stage companies with important projects that could provide material growth in production have been particularly over-sold and stand in stark contrast to the weak growth prospects of their larger producing peers.

Angelos Damaskos
Chief Investment Officer

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For dealing/inquiries on Junior Gold call Marlborough Fund Managers:
0808 145 2501 or email dealing@marlboroughfunds.com
Junior Gold qualifies for SIPPs and ISAs
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.