

JUNIOR GOLD

Investing in the mining giants of tomorrow

10
YEARS
TRACK
RECORD

Update September 2019

Fund objective

To provide long-term capital growth, that is, increase the value of the fund's units, from a globally diversified portfolio investing primarily in small to medium capitalisation companies specialising in identifying, developing and extracting gold and other precious metals. Portfolio companies will operate in a variety of jurisdictions but those with material operational exposure to politically unstable regions will be avoided.

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

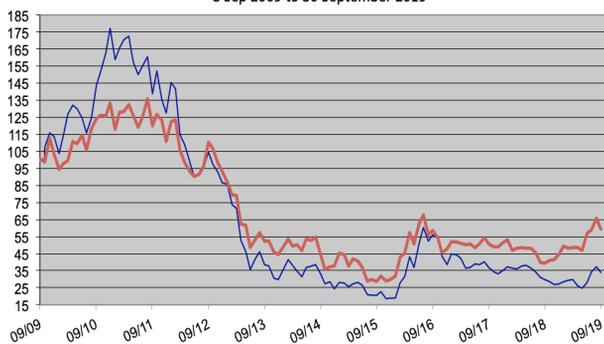
Fund NAV at 30.9.19: £16.4m, "C" price: 33.90p

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 2019



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.

Discrete Performance

Since launch: -66.1%
30.9.18 – 30.9.19: +13.8%
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%

Data Source:
Bloomberg

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 October 2019



Dear Investor,

The World Gold Council recently reported on its assessment of gold demand trends for the first half of this year. Central Bank buying and gold-backed ETFs boosted demand for gold bullion in H1 to a three-year high. Alongside China, Russia and other emerging market central banks, Poland notably purchased 100 tonnes, increasing its gold reserves by 77% in the second quarter of this year. The buying pattern appears to have continued in the third quarter even though data have not yet been reported. As of 10 October, gold backed ETF holdings had risen to almost 82 million ounces, exceeding the previous high of 2012. This strong demand for bullion is expected to support prices to higher levels, translating into expanding margins for gold mining companies. Silver has also started to outperform, with the gold to silver ratio currently at around 84 times, down from 92 times seen in June. The 30-year average is about 66 times implying that, at this historic ratio, silver should trade at US\$22.73/oz at current gold prices.



ETF Holdings of Gold - Source: Bloomberg

Gold / Silver Ratio - Source: Macrotrends.net

We believe that the main drivers for such substantial investment flows into gold are (i) rising geopolitical tensions, particularly in the Middle-East, (ii) weakening economic indicators with higher probability of a global recession as a result of the trade wars and (iii) yields on investment-grade government debt dropping further, including US Treasuries following the recent change in interest rate outlook of the Federal Reserve. There are now some 17 trillion US dollars worth of sovereign debt that yields negative returns to its holders. As the global economy appears weak, it is unlikely central banks will change their interest rate policies. In an environment of rising risk aversion, gold appears attractive compared to other safe-haven assets, justifying an increased allocation in globally diversified portfolios.

Geopolitical factors are generally unpredictable and difficult to anticipate for most macro-economic focused portfolio managers. Nevertheless, we have recently witnessed some alarming events that point to much increased risks of a major escalation. Even though Saudi Arabia appears to have taken the missile attack on its most important oil processing facilities stoically, it has said that it is likely that it was instigated by pro-Iranian factors. Such hostility, particularly causing material economic and sentimental harm, is unlikely to go unanswered for long. Then we have renewed escalation in the Syrian wars, with Turkey, militarily the second largest nation in NATO, claiming Syrian territory. It seems the Turkish offensive offers Russia fresh excuse to meddle in the Middle-East. Under the circumstances, gold increasingly appears as an important diversifier and safe-haven in a wealth preservation investment mode.

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 SIPP and ISA

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.