

# JUNIOR GOLD

Investing in the mining giants of tomorrow

10  
YEARS  
TRACK  
RECORD

Update October 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 SIPP's**

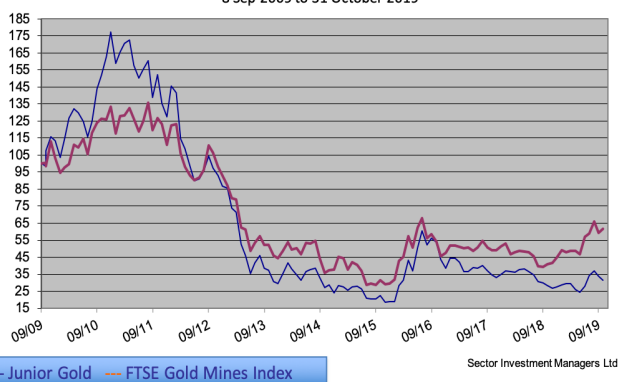
**Fund NAV at 31.10.19: £14.4m, "C" price: 31.43p**

## 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 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](http://www.junioroils.com)). SIM's management and advisers have extensive experience of investing in gold mining companies.

## DISCRETE PERFORMANCE

Since launch: -68.6%  
31.10.18 – 31.10.19: +10.1%  
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%

Data Source:  
Bloomberg

## HOW TO INVEST

Call Marlborough Fund Managers:

**0808 145 2501**

For further information and documentation visit:

[www.juniorgold.co.uk](http://www.juniorgold.co.uk) or  
[www.sectorinvestments.com](http://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 November 2019

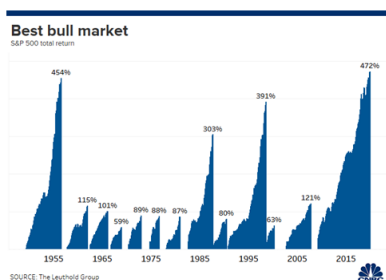


Dear Investor,

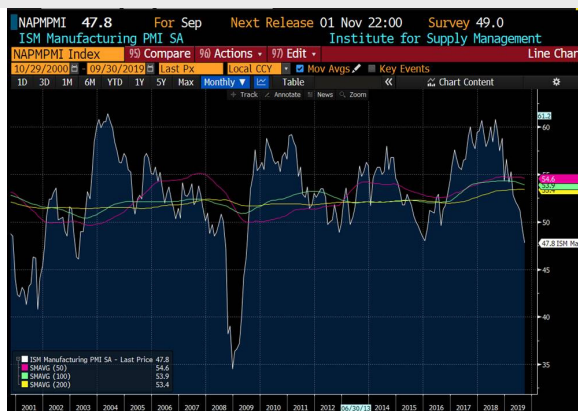
Demand for gold bullion, as indicated by global gold-backed ETF flows, remains strong despite main stock market indices reaching new all-time highs. Data from the World Gold Council (WGC) show that October saw the equivalent of US\$1.9 billion of net inflows, primarily across Europe and North America, increasing the collective gold holdings by 44.4 tonnes. The WGC also reports that global gold-backed assets under management have grown by 38% this year, in part driven by appreciation in the gold price. Certain central banks have also been buyers of gold bullion in efforts to diversify their reserves. Serbia's central bank reportedly bought nine tons of gold in October, raising its gold holdings to 10% of total reserves. Early November data do indicate some selling of ETF holdings in gold, perhaps as expected given the strength of equity markets and investors' confidence in the world's economic health. But many are asking a pertinent question – if the economy is healthy, why is the Institute for Supply Management's (ISM) manufacturing PMI index contracting. As this indicates lower capital investment, and therefore, weakening confidence among industry about their prospects, when will this start impacting profits and share valuations?

The S&P 500 is up more than 468% since March 9, 2009, when markets began recovering from a financial crisis, according to The Leuthold Group.

That tops a 454% surge after World War II. It also overshadows the 1990s bull run of 391% and the 2002-to-2007 rally that notched a 121% gain, [writes CNBC's Yun Li](#).



Source: CNBC Yun Li, 14.11.2019



ISM index - Source: Bloomberg

We believe that the market euphoria is a result of renewed quantitative easing by key central banks around the world. In a world of negative interest rates, investors are penalised for holding cash and borrowers, particularly governments, are encouraged to gear-up in the hope that this will result in stronger economic growth. As Sir John Templeton once said, the most expensive words in investment history are "this time is different". In a market dominated by momentum and algorithmic trading, sentiment is prone to rapid changes which may result in price moves many standard deviations from the norms. Those investors who are increasingly cautious and defensive about their exposure to stock market moves are diversifying into safe havens including gold.

Gold mining equities have enjoyed a good year so far, particularly producing companies that experience an expansion of their profitability. Smaller companies have yet to catch up with their larger peers as there has not been much interest for corporate activity. However, the fact that reserve grades of producers are falling is becoming a major conversation topic as is the need to extend average mine life and improve longer-term prospects. As producing companies sought to survive the past seven years of bear market, exploration spending was cut to the minimum required and cash flow used to reduce debt and improve business viability. This strategy naturally produces immediate results when the commodity price recovers but would not work well in the medium to longer term as proven resources get depleted. As the gold price recovery from early June to date has surprised many, management teams are now re-thinking their approach and see corporate or project acquisitions as a quicker fix to reserve replenishment, particularly as they can use their relatively higher-valued paper. Confirmation of this change in thinking should result in a general re-rating of smaller companies in the sector.

Angelos Damaskos

Chief Investment Officer

**For dealing/inquiries on Junior Gold call Marlborough Fund Managers:**

**0808 145 2501** or email [dealing@marlboroughfunds.com](mailto:dealing@marlboroughfunds.com)

Junior Gold qualifies for SIPPs and ISAs

Further information on Junior Gold at [www.juniorgold.co.uk](http://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.