JUNIOR GOLD

Investing in the mining giants of tomorrow

10 YEARS TRACK RECORD

Update November 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.

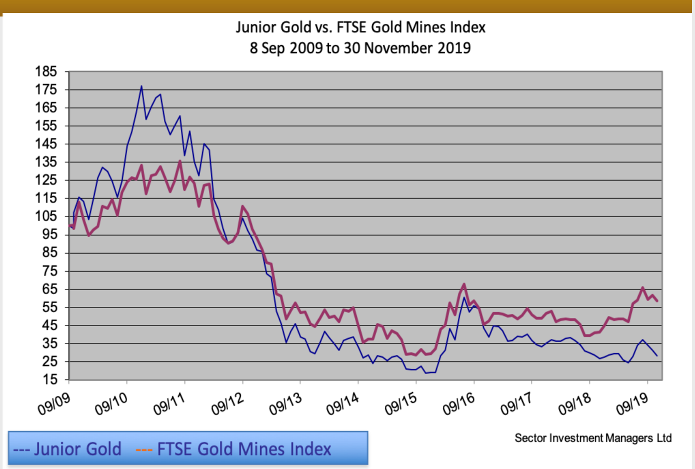
KEY FACTS

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 30.11.19: £12.0m, "C" price: 28.47p

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



DISCRETE PERFORMANCE

Data Source: Bloomberg

Since launch: -71.5%
30.11.18 – 30.11.19: +6.3%
30.11.17 – 30.11.18: -19.2%
30.11.16 – 30.11.17: -23.8%
30.11.15 – 30.11.16: +134.4%
30.11.14 – 30.11.15: -35.1%

TOP 10 HOLDINGS

	COMPANY	% of NAV
1.	Alexco Resources	5.5
2.	Minaurum Gold	4.9
3.	Americas Silver	4.9
4.	Integra Resources	4.4
5.	Ascot Resources	4.1
6.	Cardinal Resources	4.1
7.	Endeavour Silver	3.9
8.	Dacian Gold	3.7
9.	Asanko Gold	3.6
10.	Premier Gold	3.5
	Total top 10	**47.8**

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 December 2019

10 YEARS TRACK RECORD

Dear Investor,

As the year is drawing to a close, it is useful to reflect on recent developments in the gold markets and what might be the likely prospects going into 2020. The U.S. equity markets reached new all-time highs on the back of a change in interest rates policy by the Fed and other central banks and renewed quantitative easing. The US Dollar has been very strong through the year as, in addition to buoyant equity markets, US Treasuries were the only major sovereign bonds offering positive yields. Gold, nevertheless, has been a favourite safe-haven asset again, breaking its historic negative correlation to the US Dollar and rising decisively through a six-year resistance level early in June. This breakout is particularly important as gold essentially traded sideways for over eight years since its previous peak in August 2011. The previous bull market in gold, post the global financial crisis of 2008 to August 2011, lasted 3 years and represented a 150% increase in the price of gold. The current break-out is only 5 months old and represents a 15% rise in the gold price Year To Date. Given that gold typically thrives when interest rates are low, the recent change in policy by the US Fed, combined with similar policies by central banks around the world, should underpin a further rise in gold prices. We must also bear in mind that gold now trades at or near all-time highs in many major currencies, including the Australian and Canadian dollars, a typically bullish sign should the US Dollar start losing its strength as a result of economic weakness. The price of silver has been trading between 92 and 85 times the price of gold when the 30-year average is 66 times. We believe it will soon start to outperform, reverting to the longer-term relationship to its more important safe-haven counterpart.

This year we have seen an acceleration of gold bullion buying by major central banks (China, Russia, and others) who sought to diversify their reserves away from the US Dollar. These purchases essentially remove tradeable gold from the market-place, leaving less supply for the rising demand for bullion by other investors either via ETFs or physical buying, evidenced by ETF gold-backed holdings rising to new highs this year. It appears that many investors have been increasing their portfolio allocations to gold and the combined rise in demand supports prices higher. As it is usual in the early stages of a gold bull-market, demand has also extended to gold mining shares as investors realise the impact stronger commodity prices have on the miners' profitability. Whilst we saw healthy returns in the shares of larger and medium sized producing companies, the rally has yet to reach the smaller, mostly single-asset companies that are perceived as riskier. We have argued before that the larger companies are suffering from declining reserve grades and shortening average mine lives. The industry is emerging from a period of severe underinvestment and effectively cannibalises its assets by producing more than it can replace. The quick fix would be to acquire development assets with attractive growth potential and this has become easier as share valuations of the predatory larger companies have outperformed those of smaller targets. Animal spirits are on the rise with a wave of consolidation that appears to have started with four large deals having been announced in the past month alone. In addition to the currently available discount for buying ounces via Mergers & Acquisitions, the time requirement and risks associated with exploration are eliminated. We expect this activity to continue in the new year and result in the rapid re-rating of all those development assets that can provide meaningful reserves and a long mine-life.

The Junior Gold fund is positioned in the smaller, development stage gold and silver segment with approximately 28% of its portfolio invested in six projects that can advance to production quickly and are, therefore, attractive take-over targets. The rest of the portfolio is spread over 40 holdings in producing or late-stage exploration companies that should also be attractive to corporate activity. The fund experienced weakness in the first six months of the year as the gold price tested the $1,200/oz level and investors sold out of smaller shares. Junior Gold started to catch up over the past six months, subsequent to the surprisingly rapid rise of gold in June through the six year resistance level of $1,370/oz. As the rise in gold prices took many by surprise, initial attention focused on the larger producing companies and we believe that the natural evolution into the next stage of this cycle would be for the smaller companies to re-rate. We believe that the Fund's portfolio is well positioned to benefit from a re-rating of smaller shares and we look forward to 2020 with renewed optimism.

We would like to wish you all a very happy Christmas and an excellent start to the New Year.

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 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.