

JUNIOR GOLD

Investing in the mining giants of tomorrow

10
YEARS
TRACK
RECORD

Update December 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

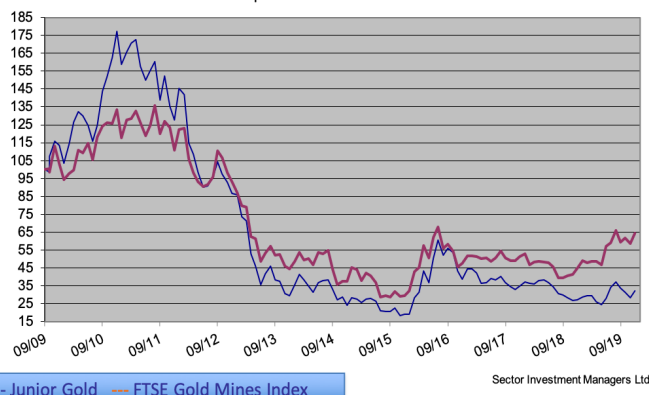
Fund NAV at 31.12.19: £13.6m, "C" price: 32.14p

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 December 2019



DISCRETE PERFORMANCE

Since launch: -67.9%
31.12.18 – 31.12.19: +17.3%
31.12.17 – 31.12.18: -21.8%
31.12.16 – 31.12.17: -9.5%
31.12.15 – 31.12.16: +102.8%
31.12.14 – 31.12.15: -21.3%

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.

TOP 10 HOLDINGS

COMPANY	% of NAV
1. Alexco Resources	6.7
2. Minaurum Gold	6.0
3. Ascot Resources	5.4
4. Americas Silver	5.3
5. Integra Resources	3.9
6. Endeavour Silver	3.8
7. Rubicon Minerals	3.7
8. Dacian Gold	3.7
9. Alio Gold	3.6
10. Cardinal Resources	3.5
Total top 10	45.6

As at 31.12.19

Junior Gold Update 15 January 2020

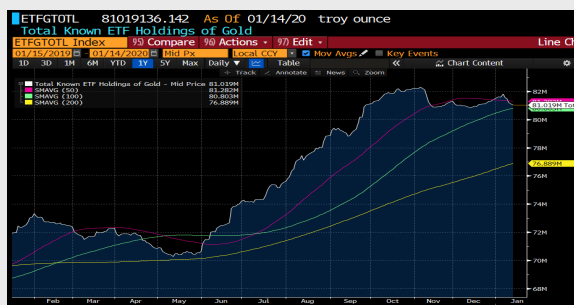


Dear Investor,

Markets started the New Year with severe strain in the Middle East. The killing of general Soleimani, leader of the Iranian Quds force and allegedly responsible for orchestrating and controlling proxy militia across the region, raised the risks of dangerous conflict between Iran and the US and its allies. At the same time, commander Muhandis of Iraq and leader of Kata'ib Hizbollah, one of the most radical Iran-backed paramilitary groups was also killed. The event prompted the retaliatory missile strike by Iran against US controlled bases in Iraq which did not result in any significant US casualties and therefore were reported with relief as an indication of Iran's "stand down" by the US administration. It remains to be seen if indeed Iran is retreating or is currently evaluating further retaliatory measures most likely by regional proxies as has been its practice for so long now. In the meantime, Saudi Arabia has been keeping a low profile even after the devastating attacks on its oil installations last year, at the time attributed to Iranian interests. In that regional melting pot, anything could happen in the future, potentially the result of a miscalculation or human error.

Gold demonstrated its safe-haven appeal under the circumstances, jumping to an intra-day high of \$1610/oz and is currently consolidating around \$1,550/oz. Interestingly, however, gold prices had held firmly around this level before the US-Iran confrontation, even though the US markets have been reaching for new all-time highs. It does seem as though the general US equities market is riding on some kind of a blind optimism, obviously fuelled by low interest rates, ample liquidity and a feel that the Fed will do all it can to support the market in any difficulty. Meanwhile, the World Bank has published a report warning on the elevated risks to economic growth and the historically high global debt levels which could cause massive problems in case of a downturn. Bullion ETF holdings have been consolidating for the past four months yet the metal price has been buoyant indicating other buyers, most likely the central banks of Asia and certain other countries, have continued to accumulate gold to boost reserves. Reports from the World Gold Council reveal that central banks have been the most active and consistent buyers of gold in the first three Quarters of 2019.

Source: Bloomberg



Gold mining equities delivered a positive performance last year, with the middle capitalisation shares doing the best as would be expected in the early stages of a new bull market. Smaller companies' shares started to catch up in the last quarter, especially after some substantial corporate deals were announced, indicating the larger companies' need to boost reserves, mine life and production grades. The general performance of the equities was, nevertheless, in stark contrast to our experience during the recovery rally of 2016 which was much broader and significant in relative move. We believe that, as this leg of upwards development in gold prices unfolds and potentially takes us to much higher levels, the dramatic valuation impact on earlier-stage growth projects becomes more compelling and attractive to both better rated corporates as well as generalist investors. Under the circumstances, such companies would get re-rated generally outperforming the rise in metal price as well as the rest of the sector. For its worth, the silver price still trades at a ratio to gold of around 86 times and could soon start to catch up, reverting towards the long-term average of 66x.

We would like to wish you all an excellent 2020.

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.