

JUNIOR GOLD

Investing in the mining giants of tomorrow

10
YEARS
TRACK
RECORD

Update January 2020

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

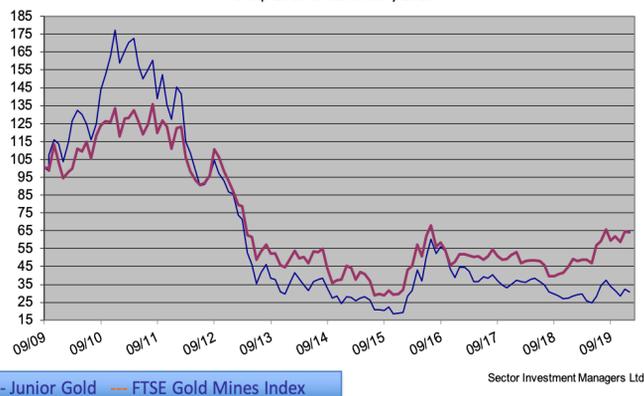
Fund NAV at 31.1.20: £13.6m, "C" price: 30.75p

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 January 2020



DISCRETE PERFORMANCE

Since launch: -69.3%
31.1.19 – 31.1.20: +7.3%
31.1.18 – 31.1.19: -22.8%
31.1.17 – 31.1.18: -16.8%
31.1.16 – 31.1.17: +133.2%
31.1.15 – 31.1.16: -32.2%

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

TOP 10 HOLDINGS

COMPANY	% of NAV
1. Minaurum Gold	6.0
2. Alexco Resources	5.1
3. Ascot Resources	4.8
4. Americas Silver	4.6
5. Integra Resources	4.3
6. Cardinal Resources	4.2
7. Rubicon Minerals	3.7
8. Alio Gold	3.4
9. Asanko Gold	3.3
10. Endeavour Silver	3.3
Total top 10	42.7

As at 31.1.20

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

12 February 2020



Dear Investor,

The year has started well for gold as investors sought safety from turbulent geopolitics and uncertainty over the health of the global economy, this risk-off sentiment was compounded further by the unfortunate Coronavirus epidemic. According to the latest World Gold Council report, global gold-backed ETFs and similar products added 61 tonnes, or net inflows of US\$3.1bn, in January. Combined with a gold price increase of nearly 5%, assets under management grew by 8% during the month and continued to grow early in February as Bloomberg indicates. As the US equity markets continue to reach for new highs and support outlandish valuations, especially in the technology and related sectors, it is interesting to see gold maintaining its strength and a rising trend. A break-out from resistance levels of \$1,600/oz could easily push bullion prices to much higher levels, especially if there is further evidence of a slow-down in the global economy.



Sources: Bloomberg, World Gold Council

With this favourable background for gold mining equities, it is frustrating to see a general reluctance by investors to commit capital to the sector. The mid-tier producers that performed best last year seem to have stalled while the smaller, development stage or growth companies have yet to re-rate to reflect the transformational impact of higher gold prices. Meanwhile, corporate activity is increasing, with several new deals being announced at relatively modest premia. This stalemate is unlikely to last long. If we consider, for example, a gold miner with marginal cost of production (All-In Sustaining Cost) of US\$1,100/oz, the pre-tax free cash flow (FCF) at US\$1,300/oz (the average price of the past 4 years) is \$200/oz. At the current \$1,575/oz market the FCF is \$475, or 237.5% greater. This improvement in earning power should result in a multiple re-rating of the share price once investors accept it is sustainable. As the rising trend in gold prices is confirmed the facts will not escape investors' attention.

Junior Gold's portfolio has started to catch up with the sector, fuelled by excellent results from some of its high conviction holdings. Revival Gold has just announced high-grade drilling results and a 50% increase in its resources. Yet, this company trades at a fraction of the \$ per ounce valuation of its peer group. Our core holding in Cardinal Resources has also started to outperform as the company announced a revised feasibility study and that it has received a number of term sheets from bankers and financiers. As is often the case, when a tier one project such as Cardinal's Namdini is ready to proceed to construction financing the attention of larger regional operators is sharpened. Several other prospective situations among our fund's holdings are also reaching important milestones. We remain optimistic in the fund's prospects over the coming months and years in a developing bull market for gold and silver.

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 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.