

# JUNIOR GOLD

Investing in the mining giants of tomorrow

10  
YEARS  
TRACK  
RECORD

Update July 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**

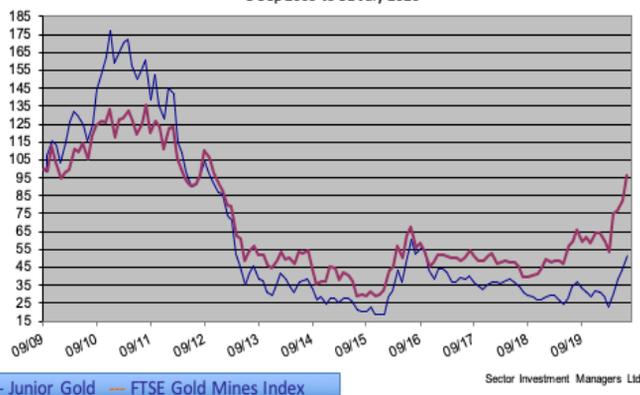
**Fund NAV at 31.7.20: £27.0m, "C" price: 51.60p**

## 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 July 2020



## DISCRETE PERFORMANCE

Since launch: -48.4%  
31.7.19 – 31.7.20: +51.0%  
31.7.18 – 31.7.19: -1.0%  
31.7.17 – 31.7.18: -10.4%  
31.7.16 – 31.7.17: -36.3%  
31.7.15 – 31.7.16: +188.4%

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)

## TOP 10 HOLDINGS

COMPANY	% of NAV
1. Roscan Gold	4.8
2. Cardinal Resources	4.4
3. Silver One Resources	4.2
4. Caldas Gold	3.9
5. Alexco Resources	3.8
6. Aurcana	3.6
7. Americas Silver	3.5
8. Minaurum Gold	3.5
9. Great Panther Mining	3.2
10. Avino Silver & Gold	2.8
<b>Total top 10</b>	<b>37.7</b>

As at 31.7.20

**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 14 August 2020



Dear Investor,

The world is still struggling to cope with the spread of Covid-19 and despite the easing of lock-downs and resumption of economic activity it is proving hard to recover from a deep recession. Governments and central banks around the world are throwing stunning amounts of money to help retain as much productive capacity as possible until we gain control of the pandemic. During the housing crisis of 2007-2009, the then comprehensive bailout programmes were developed and released over a period of about one year and a half, this time, programmes of some ten times larger magnitude were deployed in about two weeks. Clearly there had been extensive emergency plans ready to launch before the pandemic struck unexpectedly. The first signs that the global credit bubble was at risk appeared in September 2019 when the overnight secured lending rate rose to a 7% premium over the Fed Funds rate. Perhaps it was the result of the Fed reducing its balance sheet during 2019 thus draining reserves from the banking system. Realising the danger, the Fed quickly launched its "Liquidity Expansion" and injected funds directly into the system. By late February, before the virus crisis started taking hold in major economies, the overall size of the Fed balance sheet had increased by 12% to \$4.2 trillion in just four months. Upon confirmation of the pandemic and the dramatic measures taken to control its spread, there was little hesitation to flood the market with cash, pushing the Fed's balance sheet to over \$6.1 trillion, some 62% larger than in early September 2019. What is worse, the dramatic effect of the current deep recession is estimated by Goldman Sachs to result in a \$3.6 trillion budget deficit in the United States. Deficits of such magnitude can cause monetary debasement and currency crises as more money printing will be required to finance them. Unsurprisingly, the US Dollar has been losing its value against a basket of foreign currencies. As similar conditions prevail in other major economies such as Japan, the UK and the Eurozone, most leading currencies are likely to follow suit.

In such unprecedented conditions, investors have rushed to assets with perceived value. Stock prices of industries seen to be resilient, such as the internet technology giants, have led the gains. Defensive investment strategies have also looked at the traditional safe-havens such as gold and pushed its price to new highs, above the level reached in the aftermath of the housing crisis. Silver initially suffered in the liquidity crash during March as some believed industrial demand for the metal would collapse. As gold continued to rise, silver started catching up in the past two months moving towards the longer-term correlation. The unfortunate effects of the pandemic striking at a time of global economic weakness cannot be overstated. It is becoming clear that the economic consequences will be severe and there are few places and assets to offer safety. As interest rates are set to stay at zero or negative for a long time and inflation to rise as industries try to rebuild there can hardly be more supportive conditions for precious metals. As supply of gold and silver bullion is limited, their prices may be set to rise further and even the most ambitious sounding forecasts could be exceeded.

Our Junior Gold fund has been benefiting from a strong rerating of its portfolio holdings. As we had been positioning it primarily in late-stage exploration and development companies, the recent increase in take-over activity has benefitted the most attractive growth projects. Investors now realise that rising demand for bullion cannot be readily met by existing production and near-term projects are becoming very important. The larger producers of precious metals are generating record amounts of free cash flow and need to address their future growth strategies. We are seeing a significant improvement in the premiums agreed in recent asset transactions as vendors are now able to raise development financing and are becoming harder negotiators. The marketplace for precious metals resources-rich assets is now firmly tilting in favour of the vendors and some of those are choosing to develop their projects organically as the ability to finance construction of new mines continues to improve. As gold and silver prices are rising quicker than previously expected, equity valuations of most of the mining sector still lag the shifting medium-term outlook in the underlying commodities. We believe that further strong rerating of share prices is justified.

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:** All data is provided by Sector Investment Managers Ltd unless otherwise stated. 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.