

JUNIOR GOLD

Investing in the mining giants of tomorrow

11
YEARS
TRACK
RECORD

Update September 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 30.9.20: £17.5m, "C" price: 52.59p

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 30 September 2020



DISCRETE PERFORMANCE

Discreet 12-month performance to 30 September (%)

	2016	2017	2018	2019	2020
Junior Gold	171.8	-34.2	-19.2	13.8	55.1
FTSE Gold Mines	103.7	-13.0	-22.3	50.7	48.1
Relative Performance	68.1	-21.1	3.1	-36.9	7.0

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. Caldas Gold	5.7
2. Aurcana Silver	5.3
3. Cabral Gold	4.5
4. Roscan Gold	3.9
5. Discovery Metals	3.5
6. Silver One	3.5
7. Minaurum Gold	3.1
8. Avino Silver & Gold	3.0
9. Geopacific Resources	2.7
10. Condor Gold	2.7
Total top 10	37.9

As at 30.9.20

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

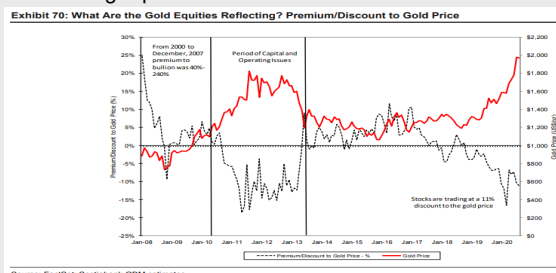
15 October 2020



Dear Investor,

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.

The shares of precious metals mining companies have performed well since the middle of 2019 as investors recognised the increase in profitability as the gold price rose. Nevertheless, analysis of a select universe of company data sourced from Factset by Scotiabank, indicates that mining equities still trade at a substantial discount to the gold price.



The explanation might be that for several years of a protracted bear-market, mining companies concentrated their efforts in managing operations cost-effectively and strengthening their balance sheets. They were forced to high-grade resources, abandon marginal projects and reduce exploration expenditure. Even though, therefore, producing companies now enjoy increasing free cashflow generation, they are starved of growth. Most experience declining average production grades and shortening mine lives as they produce more than they can replace. Senior management of these companies is naturally concerned and is frantically allocating more capital to project development. Previously moth-balled deposits hidden deep in archives are getting dusted-off and re-evaluated in the light of higher gold prices. The argument of marginality versus deep value has been raised to the top of Board agendas and corporate activity might just be the only option remaining. This is where smaller companies controlling projects with substantial resources start to shine. Most of these suffered severe capital starvation during the bear market and many went bankrupt or were sold to new owners for a fraction of historical cash spent in discovering and delineating their projects. In the past six to nine months, the most promising of these have been recapitalised, refreshed old resource statements, economic and feasibility studies and now present themselves as beautiful trophies ready for engagement. Specialist investors that sensed this coming over a year ago are again making multiple returns as share prices get re-rated.

The party is only getting started though as gold keeps rising. Growth in production cannot come quickly from exploration as it is now estimated that a new discovery might take ten to fifteen years to pour new gold or silver. Acquiring an old, previously considered marginal project presents a much quicker path and it seems that prices are still cheap. Some impressive deals have already been concluded in the sector by the most entrepreneurial teams but it is certain there is more to come. The rapid rise in gold prices has taken most by surprise and it is only a matter of time before a tsunami of deal-making arrives. Wise investors should prepare by assembling a carefully selected portfolio of development opportunities. The key criteria which we apply in selecting holdings for the JUNIOR GOLD fund are (i) location in a safe, stable political jurisdiction with a long mining history, (ii) experienced management team in geology and deal making, (iii) large and growing resource base preferably with a developed economic or feasibility study and (iv) proximity to large producing mines to which they might present strategic importance. Endowed with such embedded wealth and store of value, one hopes to weather economic and political crises as well as the debasement of leading currencies.

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: 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.