JUNIOR GOLD

Investing in the mining giants of tomorrow

11 YEARS SINCE INCEPTION

Update November 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.

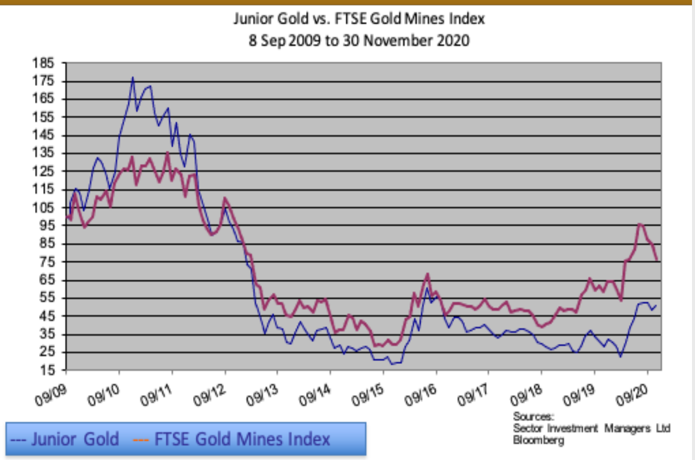
KEY FACTS

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

MACRO-ECONOMIC POSITIONING

- The Fund invests in shares of gold and other precious metals smaller mining companies
- Current macro-economic conditions of very low interest rates and large fiscal imbalances can be favourable for safe haven assets like gold and silver
- Gold mining equities can offer better returns than gold bullion due to the greater profitability as the price of gold rises
- Smaller companies can outperform their larger counterparts in a rising market

FUND SHARE PRICE PERFORMANCE



DISCRETE PERFORMANCE

Discreet 12-month performance to 30 November (%)

	2016	2017	2018	2019	2020
Junior Gold	134.4	-23.8	-19.2	6.3	78.7
FTSE Gold Mines	56.8	7.6	-15.6	41.4	30.0
Relative Performance	77.6	-31.4	-3.7	-35.1	48.7

Source: Bloomberg

TOP 10 HOLDINGS

	COMPANY	% of NAV
1.	Caldas Gold	5.9
2.	Aurcana Silver	5.1
3.	Cabral Gold	4.6
4.	Silver One	3.8
5.	Pure Gold Mining	3.4
6.	Discovery Metals	3.2
7.	New Found Gold	3.2
8.	Gascoyne Resources	3.2
9.	Roscan Minerals	3.1
10.	Golden Minerals	3.1
	Total top 10	**38.6**

As at 30.11.20

HOW TO INVEST

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.

Call Marlborough Fund Managers:

0808 145 2501

For further information and documentation visit:

www.juniorgold.co.uk or
www.sectorinvestments.com

Junior Gold Update
14 December 2020

11 YEARS SINCE INCEPTION

Dear Investor,

As the year approaches its final days, it can be useful to reflect on the dramatic events that will probably define 2020 as one of the most important in human history, affecting our lives to an extent hardly thought of before. The speed of spread and severity of the Covid-19 pandemic wrought havoc across the world and caused massive upheaval in the world economy. As multiple businesses were forced to suspend operations and put their staff on furlough or dismissed from service, governments and central banks responded by unleashing unprecedented, in absolute terms, financial assistance programmes. With interest rates at extremely low or even negative levels, politicians do not seem to think much of the huge debt levels assumed by both the public and private sectors. After all, it is of paramount importance that humanity copes collectively with a danger faced by all, regardless of wealth or standing in society.

Markets appear to have dismissed the effects of the pandemic as a short-term impact that will be managed and controlled in the near term with the help of mass vaccination and government funding and support. Whilst we all hope this to be the case, the reality seems to be that recovery might take some time during which the global economy will suffer from lower productivity as businesses struggle to rebuild under the weight of greatly increased debt loads. Governments, on the other hand, are likely to also struggle to manage fiscal imbalances that have spiralled out of control. Inflation could creep up as businesses seek to recover from shutdowns by passing costs to consumers and governments are more willing to allow inflation to erode the value of outstanding debt, whilst keeping interest rates low to help the economic recovery. In classical economics, low or negative interest rates coupled to high real inflation tend to result in monetary devaluation and loss in purchasing power of established currencies.

Precious metals like gold and silver have long been considered as stores of value and safe-haven assets in times of instability and monetary debasement. Gold, for its part, seems to have started a new rising trend in the middle of 2019, well before the pandemic hit the world. As many investors have become increasingly risk-averse and focused on wealth preservation, their portfolio allocations in safe haven assets has increased. In the past few months, some have chosen to reallocate capital back into recovery sectors, partly discounting an economic revival and partly as a reflation trade. We believe that a realisation the world faces a slower transition back to pre-pandemic levels of economic activity can encourage renewed interest in safe havens such as gold bullion. Central banks, the most important ones of which have in recent years been large buyers of gold, have recently reduced their holdings, according to the World Gold Council data, possibly in efforts to raise liquidity to support the massive pandemic support programmes. Bullion backed gold Exchange Traded Funds, for their part, have also seen outflows in the past few months although these seem to have stopped or reversed in recent days. Nevertheless, gold has remained resilient and traded above $1,800/oz in the last three months, near its all-time high of US$2,058/oz reached in August. A resurgent interest in safe havens could support its price higher again.

In the precious metals mining space, producing companies have not had it this good for a decade. The rise in gold and silver prices during the last 18 months have swelled the free cash flow generated by all. The expansion in profitability came at a time when most companies had cleaned up their operations and reduced debt levels after several years in a deep bear market of declining gold prices (2011-2019). Nevertheless, it has also caught most of the larger companies in operating preservation mode with few growth projects in active development. Whist investors had been demanding operation efficiency and lower debt levels during the poor times, they now seem to question growth and returns to shareholders. Management teams are responding by looking at shorter-term options to address future growth in production. Some of the assets previously thought of as uneconomic and sold at knock-down prices, are now becoming valuable again and the argument of marginality is gaining strength. We have seen some interesting corporate transactions this year, in our view split in two categories (i) nil-premium mergers of large regional players seeking to benefit from economies of scale and (ii) takeovers of near-term development companies at substantial premiums. One of the most notable examples is that of Cardinal Resources, the Australian developer of the Namdini gold project in Ghana. It shares traded at around A$0.37c before the first take-over approach by Russian Nordgold at A$0.46c, followed by a contested battle joined by Chinese Shangdong Gold and, most recently, a Ghanaian group, pushing the acquisition offers to the current A$1.05c, nearly three times the share price before these corporate activities started. This and other examples demonstrate the eagerness of larger, well capitalised and cash-generative companies to gain access to highly prospective near-term projects.

The Junior Gold fund has enjoyed good performance this year, in the Year To Date ranking at the top of the Morningstar Sector Equity Precious Metals sector, as its portfolio of smaller companies holding material projects gets rerated. We believe that as gold continues to be supported from current macro-economic conditions, smaller gold mining companies can continue to benefit. We would like to wish you all a happy Christmas, keeping safe and healthy.

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**