

# JUNIOR GOLD

Investing in the mining giants of tomorrow

**11**  
YEARS  
SINCE  
INCEPTION

Update December 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

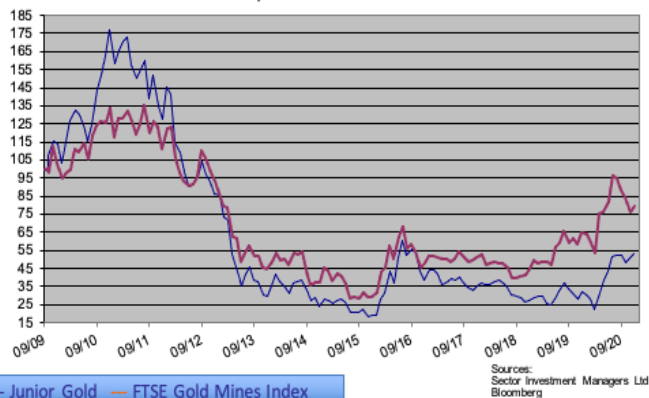
**Eligible for ISAs and SIPPs**

## 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

Junior Gold vs. FTSE Gold Mines Index  
8 Sep 2009 to 31 December 2020



## TOP 10 HOLDINGS

| COMPANY                   | % of NAV    |
|---------------------------|-------------|
| 1. Aurcana Silver         | 4.2         |
| 2. Cabral Gold            | 4.1         |
| 3. Caldas Gold            | 3.9         |
| 4. Silver One             | 3.4         |
| 5. Golden Minerals        | 3.3         |
| 6. Condor Gold            | 2.8         |
| 7. Americas Gold & Silver | 2.7         |
| 8. Pure Gold              | 2.6         |
| 9. Roscan Minerals        | 2.5         |
| 10. Integra Resources     | 2.5         |
| <b>Total top 10</b>       | <b>32.0</b> |

As at 31.12.20

## DISCRETE PERFORMANCE

Discreet 12-month performance to 31 December (%)

|                      | 2016  | 2017  | 2018  | 2019  | 2020 |
|----------------------|-------|-------|-------|-------|------|
| Junior Gold          | 102.8 | -9.8  | -21.8 | 17.3  | 65.2 |
| FTSE Gold Mines      | 61.0  | 8.1   | -12.8 | 43.6  | 23.2 |
| Relative Performance | 41.8  | -17.6 | -9.0  | -26.3 | 42.0 |

Source: Bloomberg

## 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](http://www.juniorgold.co.uk) or  
[www.sectorinvestments.com](http://www.sectorinvestments.com)

## Junior Gold Update 14 January 2021



Dear Investor,

We start the new year with apprehension over the spread of the Covid-19 pandemic and the likely vaccination and herd-immunity of the population for a return to longer-term economic activity levels. The world economic hardship is evident in the services sector which are heavy on employment and less cyclical by nature. The output gap in industrial production might start closing soon as vaccinations progress but the services sector recovery is more questionable after the catastrophic capital destruction it has suffered. The uncertainty over the speed of recovery raises questions about employment, inflation and potential policy decisions. For a long time, government and central bank policies have tended to favour supporting capital markets but the effects of the pandemic have exposed the fragility of social systems. It is therefore likely that future monetary policy will shift emphasis towards societal responses. The newly elected Biden administration in the U.S. has already flagged the new trillion-dollar support programmes will be focusing on social and environmental infrastructure spending.

Under the difficult circumstances of 2020, gold fulfilled its age-long function of store of value and safe haven. According to the World Gold Council, gold bullion backed Exchange Traded Fund holdings rose by 877t in 2020 taking total holdings to all-time highs. Accumulating investors helped the price surpass the previous all-time high established in 2012. As more fiscal stimulus is released to help the ailing economy and central banks continue to believe in Modern Monetary Theory advocating that increased debt levels are acceptable due to the ability to increase money supply, precious metals are likely to appreciate in value further. Despite a recent steepening of the long Treasury yield curve, real interest rates are expected to remain negative, providing another strong argument in favour of holding non-yielding precious metals. Furthermore, with potential capital markets volatility set to be unpredictable under the pandemic circumstances, many investors are embracing gold's effective hedging and portfolio diversifying attributes.

Silver, for its part, outperformed gold during the course of 2020, especially in the second half of the year. Silver is also considered a safe-haven metal and a store of value with some correlation to gold, albeit with much higher volatility. As an important industrial metal, it is also benefiting from increased investment in renewable energy and electric mobility. Furthermore, its use in medical applications has expanded significantly. Due to its higher volatility in relation to gold, it can outperform significantly during a rising market.

Gold and silver mining equities performed well in the past year as the rising metal prices improved free cash flow and profitability. This was especially the case for smaller, more operationally geared companies as well as those that are developing attractive growth projects. For the sector in general, debt levels have been reduced, in many cases companies holding large net cash positions. Nevertheless, capital expenditure is also at multi-year lows as most companies have few internally attractive projects to pursue. Some of the larger companies have been increasing dividend payments and share buy-backs, further improving return on equity and return on capital ratios. It is likely that such a pattern will not persist for long. Investors are already asking for future growth plans and management teams are exploring all options. Many corporate deals have been executed recently but the reality is that there have been few large new discoveries in recent years due to under-investment in exploration during the bear-market. We therefore believe it is likely that corporate activity will intensify and focus on brownfield or past-producing projects or those that have been developed enough to bring to production in a short period of time.

The Junior Gold fund performed well over the course of 2020, delivering the best return as tracked by Morningstar's Sector Equity Precious Metals category. We believe that its exceptional performance was due to the specific portfolio focus on development stage companies that control material projects with a relatively short time frame to production. There has been considerable corporate activity among portfolio holdings with either outright takeovers or value-accretive mergers and joint ventures. There has also been considerable exploration success among our portfolio holdings. Some of the fund's silver focused holdings were strong contributors to performance. The past year of increasing investor interest has resulted in a lot of capital raised by smaller companies that will enable them to progress their exploration and development programmes. As most of those concentrate on identified projects and are therefore delineating new resources, the value addition should be considerable. Those with the best drilling results are likely to be rewarded with a rerating of their share price but could also attract the interest of larger, cash-rich companies looking to add to their resources quickly. We continue to believe that the miners appear undervalued in relation to the commodity prices.

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 SIPP's 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 (SIM) 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 does not invest directly in gold bullion or related securities. 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 SIM, 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 SIM 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 with FRN: 400908.