

JUNIOR GOLD

Investing in the mining giants of tomorrow

11
YEARS
SINCE
INCEPTION

Update January 2021

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): 0% Initial, 1.75% Annual

"I" shares (>£50K): 0% Initial, 1.5% Annual

"P" shares (>£1m): 0% Initial, 1.1% Annual

Authorised Corporate Director: Marlborough Fund Managers Ltd

Fund Adviser: Angelos Damaskos

Minimum Investment: £1,000 or £100 per month

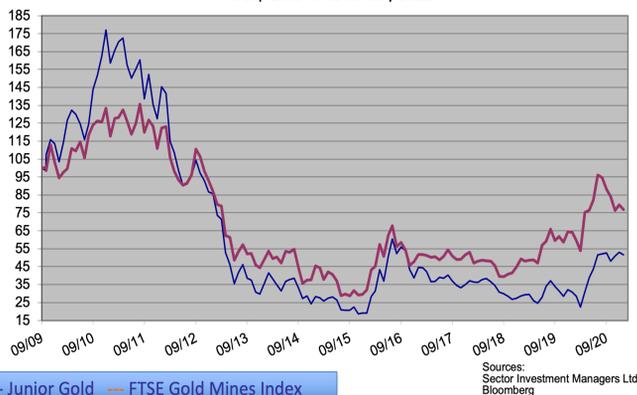
Eligible for ISAs and SIPPs

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 January 2021



TOP 10 HOLDINGS

COMPANY	% of NAV
1. Aurcana Silver	3.7
2. Americas Gold & Silver	3.2
3. Endeavour Silver	2.9
4. Cabral Gold	2.8
5. Aris Gold	2.7
6. Premier Gold	2.6
7. Integra Resources	2.5
8. Golden Minerals	2.4
9. Avino Silver & Gold	2.3
10. Silver One Resources	2.3
Total top 10	27.4

As at 31.1.21

DISCRETE PERFORMANCE

Discreet 12-month performance to 31 January (%)

	2017	2018	2019	2020	2021
Junior Gold	133.2	-16.8	-22.8	7.3	68.0
FTSE Gold Mines	61.7	2.3	-7.1	30.2	19.8
Relative Performance	71.5	-19.1	-15.7	-22.9	48.2

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 or
www.sectorinvestments.com

Junior Gold Update

12 February 2021



Dear Investor,

The pandemic induced government support programmes have raised world debt to new record levels potentially creating large fiscal deficits. This support has been essential during the prolonged lock-down periods in order to prevent mass unemployment and to allow quicker recovery once activity resumes. Nevertheless, along with hope of strong economic recovery as global vaccination progresses, inflation expectations are also rising as indicated by the recent increase of benchmark yields on 10-year and 30-year US Treasury notes. The head of the US Federal Reserve (Fed) has re-iterated this week that “patiently accommodative” monetary policy is still required to support the labour market and economic recovery. The Fed is signalling that they will keep this policy until unemployment gets back to pre-pandemic levels. A major driver of this stance is also the debt levels that would make interest rate rises difficult to finance in view of much smaller fiscal revenues.



30-year US Treasury yield

Source: Bloomberg



US Unemployment Rate

Such indicators point to historically supportive conditions for safe haven assets, especially gold and silver. Increased infrastructure spending, a major component of global stimulus programmes is also supportive of other major commodities, particularly those needed to promote environmentally friendly renewable energy, transportation electrification and emissions reduction projects. Silver, as an industrial metal and a safe-haven asset, benefits from both these macro-trends. Its use in photovoltaics and electronic technologies is increasing industrial demand for the metal at a time when reported new mined production is dropping. The Silver Institute reports that new mined production has declined by 5% in the last two years, a trend likely to continue as new mines seem unable to replace lost production. In the pandemic-induced global market turmoil in February-March 2020, silver prices dropped to as low as US\$11/ounce. Gold remained relatively strong due to safe-haven flows during that period and in the following three months, resulting in the gold/silver price ratio rising to about 120 times by July, an all-time high. The 30-year average for this ratio is approximately 60 times, with several occasions dropping to less than 40 times when silver prices outperformed those of gold. Silver staged a remarkable recovery in the second half of last year, outperforming gold and restoring the gold/silver ratio to the current 68x and testing the US\$30/oz level twice. It is likely that silver's outperformance may continue, providing improving operating conditions for silver-focused mining companies. As the average all-in sustaining cost of silver producers is around \$16/oz, current and rising prices would result in material free-cashflow generation.

Junior Gold's portfolio is approximately one-third weighted towards silver mining. Several of its holdings are primary silver mine producers or developers but there are also substantial silver by-product credits by predominantly gold mines. A strong bias of its investments is in “brown-field” projects, mines that were past producers which suspended operations during periods of low silver prices. Some of these projects are very attractive at present prices as they can be brought back into production in a relatively short time frame. As the larger precious metals mining companies are currently flush with free cashflow and are looking to improve their reserves and growth in production, brown-field projects should be most attractive with their quick timelines and lower risk. We therefore expect an increase in corporate activity which could re-rate the valuations of the stronger growth companies.

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: 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.