



# **Junior Gold**

## **Short Report**

**For the period from 1st September 2012 to 31st August 2013**

## **Fund Details**

### **Junior Gold**

#### **Registered Office**

Marlborough House  
59 Chorley New Road  
Bolton BL1 4QP

#### **Authorised Corporate Director and Registrar**

Marlborough Fund Managers Ltd  
Marlborough House  
59 Chorley New Road  
Bolton BL1 4QP

Customer Support: 0808 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority

#### **Depository**

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

Authorised and regulated by the Financial Conduct Authority

#### **Investment Adviser**

Sector Investment Managers Limited  
67 Grosvenor Street  
London  
W1K 3JN

Authorised and regulated by the Financial Conduct Authority

#### **Auditors**

Barlow Andrews LLP  
Carlyle House  
78 Chorley New Road  
Bolton  
BL1 4BY

# JUNIOR GOLD

## GENERAL INFORMATION

### Investment Objective

To provide long-term capital growth from a globally diversified portfolio investing primarily in small to medium capitalisation companies specialising in identifying, developing and extracting gold. It may also invest in mining companies extracting other precious metals. There may be occasions, in light of adverse market conditions, where the Investment Manager chooses to hold high levels of cash, bonds and government securities. The Investment Manager may use derivatives for efficient portfolio management purposes only.

### Risk Profile

The fund invests primarily in small cap stocks, including AIM quoted companies. Smaller companies and AIM quoted companies are subject to a higher degree of performance and market risk than larger companies. Investments in the fund are subject to normal stock market fluctuations and other risks inherent in all investments where market prices can change. It focuses investment in one particular industry which may give rise to higher risk than a fund which has a more broad spread of investments. The fund aims to achieve capital growth over time by a spread of investments in the UK and overseas. The main risks arising from the financial instruments held are foreign currency and market price. These risks are monitored by the ACD in pursuance of the investment objective and policy set out in the prospectus. There is considered to be little exposure to credit risk and liquidity risk is monitored closely by the ACD.

### Change in Prospectus

No changes have been made since the last report.

Up to date key investor information documents, the full prospectus and reports and accounts for any fund can be requested by the investor at any time.

### Risk Warning

The past is not necessarily a guide to future performance. Investments and the income derived from them can fall as well as rise and the investor may not get back the amount originally invested. The fund is subject to an initial charge and consequently charges are not made uniformly throughout the period of the investment. Changes in exchange rates between currencies may cause the value of the investment to diminish or increase. The Fund invests in smaller companies which carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and their performance more volatile over shorter time periods. The Fund has a concentrated portfolio which means greater exposure to a smaller number of securities than a more diversified portfolio. The Fund focuses on a specific sector which can lead to greater volatility.

### Reports and Accounts

The purpose of sending this Short Report is to present you with a summary of how the fund has performed during the accounting period in accordance with the FCA rules. If you wish to request further information, the more detailed long form report is available. For a copy please write to Marlborough Fund Managers Ltd, Marlborough House, 59 Chorley New Road, Bolton BL1 4QP or telephone customer services on 0808 145 2500.

# JUNIOR GOLD

## AUTHORISED INVESTMENT ADVISER'S REPORT

For the year ended 31 August 2013

### Percentage change to 31 August 2013

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>Since launch (1 September 2009)</u>
Junior Gold	-37.49%	-51.88%	-63.03%	-53.94%

External Source of Economic Data: Morningstar (mid to mid, net income reinvested)

The fund's performance in the twelve-month period to 31 August 2013 was disappointing, losing 51.88% of its value. Its benchmark, the FTSE Gold Mines Index was down by 40% indicating the poor market conditions. We believe that the drop in the value of the fund was due to the general risk-aversion of investors towards gold mining, especially smaller capitalisation, less liquid shares. Gold shares are equities first and proxies for gold second. In times of market instability investors sell out of smaller, less liquid stocks regardless of fundamentals. There is also an element of dis-belief and lack of trust in the gold price remaining at historically high levels after a twelve-year bull market that has seen the price of gold rise six-fold.

In the current weak phase of gold, it seems that short-term traders have exploited and exaggerated the price move. Some even go to the extent of blaming coordinated bear-raids by large financial institutions. Statistics point that the current net commercial short positions, mostly paper contracts on gold futures, are higher than at the bottom of the previous downturn in 2008. Whatever conditions caused or stimulated the large price drop in the longer term fundamentals should prevail and restore equilibrium. Taking a hard look at our main thesis for higher gold prices, we expected central bank money printing to flood the market with liquidity. We also worried about the financial debt burden in the U.S., E.U. and the Japanese systems causing economic weakness while high unemployment resulted in social unrest and political instability. Geopolitical events and upheaval in the Middle East could also cause uncertainty and risk aversion. All of the above are still at centre-stage among the world's economic drivers and should be supportive to a higher gold price. Nevertheless, the reality is that secular trends take a long time to develop and are prone to changes in short-term sentiment. Whilst it is always impossible to call the peak and troughs of any market there are growing indications that we may be close to a major turning point for gold. The price decline has been met with a surge in physical demand, in particular from the Chinese. The US mint has also recently reported growing sales of gold coins, with volumes surpassing those at the 2011 price peak.

The dramatic fall in gold mining shares is, perhaps, the most difficult to comprehend under the circumstances. The only fundamental that seems relevant to share valuations at this stage is the long-term price of gold. All other parameters such as size of resources, production and profitability, longer term capital expenditure and future projects appear irrelevant in the current flight of investors out of gold stocks. Whilst the gold price looks technically weak and its future direction is in doubt, investors stay out of gold mining. Adding to the confusion is the central bank rhetoric which, by default, is designed to introduce optimism. The US Fed has recently indicated that it may start withdrawing from current liquidity supportive policies and the ECB appears to have little option but to follow. The strange thing about this stance is that it appears that the economic growth required for an orderly exit is not expected even by the Fed. Could it be that central bankers finally realize that monetary stimulus has yet to produce a meaningful impact on the economy and the danger of higher inflation, which no one expects at the moment, is rising? If that is the case, real interest rates could dip further into negative territory thus increasing the value of gold. Confirmation of a turn in the gold price to higher levels is likely to result in a dramatic rerating of gold mining shares. Until then, patience is being tested but those investors who understand the function of gold as a safe haven are likely to still hold their positions. We remain optimistic for a recovery in your fund during the next twelve months.

Angelos Damaskos  
8 October 2013

## JUNIOR GOLD

### Portfolio Changes

For the year ended 31 August 2013

Purchases	Cost (£)	Sales	Proceeds (£)
PMI Gold	950,252	Fortuna Ventures	1,129,625
Aureus Mining	600,000	Integra Minerals	1,076,115
Perseus Mining	446,971	Alamos Gold	867,169
San Gold	392,279	New Gold	770,107
Banro Corporation	341,956	Colossus Minerals	720,360
Maudore Minerals	326,946	Osisko Mining	519,549
Scorpio Mining	213,096	Rambler Metals & Mining	504,976
Allied Nevada Gold	208,637	Allied Nevada Gold	459,779
Spanish Mountain Gold	202,345	Alexco Resource	363,875
Alexco Resource	188,488	Aurico Gold	333,844
Kirkland Lake Gold	147,846	Kirkland Lake Gold	293,236
Osisko Mining	133,405	Aurcana	219,434
Argentex Mining	89,705	PMI Gold	132,828
Great Panther Silver	63,739	Focus Minerals	124,178
Aurcana	35,418	Scorpio Mining	112,555
Endeavour Mining	32,550	Aureus Mining	79,840
		Kingsrose Mining	55,064
Total purchases for the year	4,373,633	Total sales for the year	7,762,534

### TOP TEN HOLDINGS AS AT 31 AUGUST 2013

	%
Focus Minerals	7.94
Rambler Metals & Mining	7.58
Kingrose Mining	6.25
Spanish Mountain Gold	5.92
ECI Exploration & Mining	5.52
Aureus Mining	5.36
Fortuna Ventures	4.84
Alexco Resources	4.44
PMI Gold	4.22
San Gold	3.96

### TOP TEN HOLDINGS AS AT 31 AUGUST 2012

	%
Focus Minerals	10.17
Kingrose Mining	8.46
Fortuna Ventures	7.31
Spanish Mountain Gold	6.62
Rambler Metals & Mining	6.31
Kirkland Lake Gold	5.37
Allied Nevada Gold	5.16
Alamos Gold	5.10
Aurcana	4.98
New Gold	4.98

## JUNIOR GOLD

### FUND FACTS

**Launched Accumulation Shares**

1 September 2009 at 100p

**Accounting Dates**

(Final)  
(Interim)

31 August  
last day of February

**Distribution Dates**

(Final)  
(Interim)

31 October  
30 April

**Minimum Investment**

Class C Retail  
Class I Institutional

£1,000  
£50,000

**IMA Sector**

Specialist

**Ongoing Charge Figure as at 31 August 2013**

Class C 1.95% Class I 1.70%

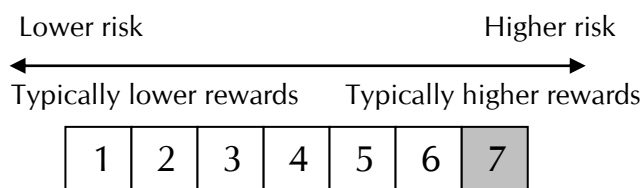
**Ongoing Charge Figure as at 31 August 2012**

Class C 1.87% Class I 1.62%

The ongoing charges figure is based on expenses for the year. This figure may vary from year to year. It excludes:

- Performance fees
- Portfolio transaction costs, except in the case of an entry/exit charge paid by the fund when buying or selling units in another collective investment scheme.

### SYNTHETIC RISK AND REWARD INDICATOR



The risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the fund. It is calculated based on the volatility of the fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used.

This Fund has been measured as 7 because it has experienced very high volatility historically.

## JUNIOR GOLD

### SUMMARY OF FUND PERFORMANCE

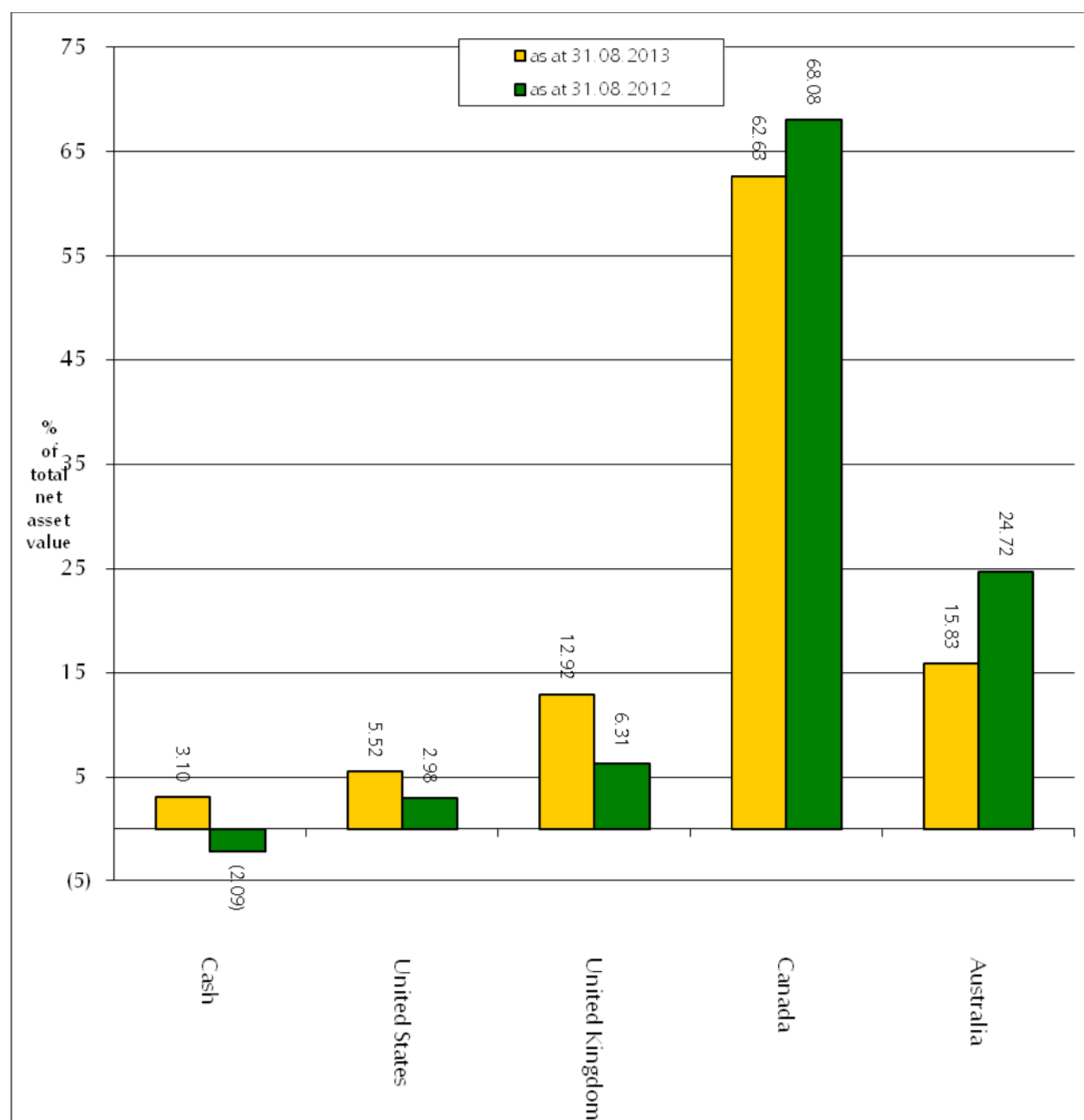
Year	Share Class	Share Type	Highest Price	Lowest Price	Distribution Per Share
2009	Class C	Accumulation	122.77p	96.07p	-
2010	Class C	Accumulation	177.09p	102.85p	-
2011	Class C	Accumulation	184.47p	127.25p	-
2012	Class C	Accumulation	145.42p	85.96p	-
2013*	Class C	Accumulation	91.72p	35.53p	-
2009	Class I	Accumulation	122.65p	96.05p	-
2010	Class I	Accumulation	176.97p	102.77p	-
2011	Class I	Accumulation	184.38p	127.46p	-
2012	Class I	Accumulation	145.73p	86.28p	-
2013*	Class I	Accumulation	92.08p	35.77p	-

\*up to 31 August 2013

Date	Share Class	Share Type	Net Asset Value of Scheme Property	Net Asset Value Per Accumulation Share
31 August 2011	Class C	Accumulation	£18,244,944	158.63p
31 August 2012	Class C	Accumulation	£10,481,952	94.68p
31 August 2013	Class C	Accumulation	£4,486,118	45.19p
31 August 2011	Class I	Accumulation	£21,192,689	158.81p
31 August 2012	Class I	Accumulation	£8,532,709	94.70p
31 August 2013	Class I	Accumulation	£3,354,478	45.50p

## JUNIOR GOLD

### GEOGRAPHICAL PORTFOLIO BREAKDOWN





Marlborough Fund Managers Limited  
Marlborough House  
59 Chorley New Road  
Bolton  
BL1 4QP

Customer

Support: 0808 145 2500

Intermediary

Support: 0808 145 2502

Dealing: 0808 145 2501

Fax: 01204 533045

Email: [enquiries@marlboroughfunds.com](mailto:enquiries@marlboroughfunds.com)

Website: [www.marlboroughfunds.com](http://www.marlboroughfunds.com)

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