SPROTT ASSET MANAGEMENT

SPROTT DIVERSIFIED BOND CLASS

Sprott Corporate Class Funds

Are you looking for a tax-efficient income fund?

Sprott Diversified Bond Class is designed to provide tax-efficiency without the use of forward contracts.

Sprott Diversified Bond Class is part of Sprott Corporate Class Inc., a mutual fund corporation. Because the corporation is treated as a single taxable entity, it can aggregate all income and expenses, as well as any realized capital gains and losses from its underlying share classes, providing enhanced tax-efficiency for investors.

Interest income earned from Sprott Diversified Bond Class underlying fund's bond holdings may be re-characterized as capital gains for tax purposes. These capital gains may be deferred until the shares are redeemed. This may allow for more to remain invested to grow and compound over the long-term.

For investors seeking tax-efficient cash flow, Sprott Diversified Bond Class is also available in Series T and Series FT, both provide monthly distributions, targeted at approximately 6% annually. The distributions consist mostly of return of capital (ROC), which is not immediately taxable, but reduces the investment's adjusted cost base.

The table below compares the after-tax returns of a traditional bond fund (mutual fund trust) to Sprott Diversified Bond Class, Series A and T, based on a $100,000 hypothetical investment that generates 6% in annual income distribution. We assume that there are no market gains on the underlying holdings and the entire investment is redeemed after 15 years.

HYPOTHETICAL EXAMPLE		TRADITIONAL BOND FUND (MUTUAL FUND TRUST)	SPROTT DIVERSIFIED BOND CLASS, SERIES A	SPROTT DIVERSIFIED BOND CLASS, SERIES T
AFTER 15 YEARS	Initial Investment	$100,000	$100,000	$100,000
	Cash Flow[1]	$90,000	$0	$90,000
	Tax on Interest Income[2]	$48,177	$0	$0
	After-Tax Cash Flow	$41,823	$0[3]	$90,000
	Market Value at End of 15 Years	$100,000	$239,656	$100,000
	Adjusted Cost Base	$100,000	$100,000	$10,000
	Tax on Capital Gains at Redemption[4]	$0	$37,379	$24,088
	Total After-Tax Return	$41,823	$102,277	$65,911

Assumptions used in the hypothetical example are as follows:

[1] Based on an assumed annual bond yield of 6%. Assumes distributions are all ROC. Actual distributions may be a combination of ROC and capital gains.

[2] Assumes interest income is taxed at Ontario's top 2016 marginal rate of 53.53%.

[3] Canadian tax legislation permits mutual fund corporations to distribute only Canadian dividends and capital gains, not ordinary income.

[4] Assumes a marginal tax rate of 53.53% and a 50% inclusion rate for capital gains.

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Traditional Bond Fund (mutual fund trust), Series A

In this example, interest income of $90,000 is generated and distributed each year and is fully taxable in the year it's received. As a result, when the investment is redeemed at the end of 15 years, the total after-tax return is $41,823.

Sprott Diversified Bond Class, Series A

In this example, the interest income generated by the Corporate Class Fund through its underlying investment in Sprott Diversified Bond Fund is automatically reinvested because, under Canadian tax law, a Mutual Fund Corporation is unable to distribute interest income. Compounded over a 15-year period, the value of the investment grows to $239,656. The gain of $139,656 is subject to capital gains tax upon redemption. Because of the favourable tax treatment of capital gains, $37,379 in taxes would be paid, resulting in an after-tax return of $102,277 – a 145% increase when compared with the traditional bond fund.

Sprott Diversified Bond Class, Series T

In this example, the investor opts to receive the cash flow generated by the Corporate Class Fund by taking advantage of our Series T option which provides a target monthly distribution of approximately 6% per annum. In this case, the cash flow distributions are treated as return of capital (ROC), reducing the adjusted cost base (ACB) of the investment. Again, all shares are redeemed after year 15. At that time, capital gains tax of $24,088 would be incurred, for an after-tax return of $65,911 – a 58% increase over the traditional bond fund.

Fund Codes

CODE	NL	FE	LL
Series A		SPR 200	SPR 237
Series T		SPR 224	SPR 239
Series F	SPR 221		
Series FT	SPR 227		

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The Fund is generally exposed to the following risks. See the prospectus of the Fund for a description of these risks: capital depletion risk (series T and FT shares only); capital gains risk; class risk; concentration risk; credit risk; currency risk; derivatives risk; exchange traded funds risk; foreign investment risk; inflation risk; interest rate risk; regulatory risk; securities lending, repurchase and reverse repurchase transactions risk; series risk; short selling risk; substantial shareholder risk; tax risk; tracking risk.

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