

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exemptions, will not be offered or sold within the United States or to U.S. persons.

PROSPECTUS

Initial Public Offering

June 28, 2011



SPROTT STRATEGIC FIXED INCOME FUND

**Maximum \$250,000,000
(Maximum 25,000,000 Units)**

Sprott Strategic Fixed Income Fund (the "**Fund**") is a closed-end investment fund established under the laws of the Province of Ontario that proposes to issue transferable, redeemable units (the "**Units**") of the Fund (the "**Offering**") at a price of \$10.00 per Unit.

The Fund's investment objectives are:

- (i) to maximize absolute total returns to holders of Units (the "**Unitholders**") with low volatility relative to traditional, long-only bond funds; and
- (ii) to provide Unitholders with monthly tax-advantaged distributions.

It is expected that monthly distributions received by Unitholders will consist primarily of returns of capital for tax purposes. Amounts distributed on the Units that represent returns of capital are generally not subject to tax but will reduce the Unitholder's adjusted cost base for tax purposes. See "Canadian Federal Income Tax Considerations". For the Fund's initial targeted distributions, see "Investment Objectives" and "Distribution Policy".

The Fund has been created to provide exposure, on a tax advantaged basis, to an actively managed portfolio (the "**Portfolio**") comprised primarily of long and short positions in fixed income securities from across the globe. In addition, the Portfolio Manager will actively manage the Portfolio's currency exposure to both mitigate risk and enhance Portfolio returns. Sprott Asset Management LP will manage, administer and oversee the Portfolio (in such capacity, the "**Portfolio Manager**"). The Fund will obtain economic exposure to the Portfolio through a Forward Agreement (as defined below). The return of the Fund will, by virtue of the Forward Agreement, be based on the performance of the Sprott SFIF Trust (the "**Portfolio Trust**"), a newly created investment trust that will acquire the Portfolio. See "Investment Strategies".

Sprott Asset Management LP is the Manager of the Fund and the Portfolio Trust.

The Portfolio Trust will seek to generate total returns through well established, institutional long/short fixed income strategies designed to have: (i) low duration; and (ii) low correlation to traditional fixed income and equity investment strategies. The Portfolio Manager, through its investment process, will select investments in an effort to take advantage of differences in country outlooks, currencies, interest rates and corporate credits based on the Portfolio Manager's global macroeconomic analysis. The Portfolio Manager will also seek to identify investments

that it believes have the potential to outperform investments in other countries and currencies and to anticipate changes in global economies, capital markets and credit cycles.

Given the nature of the strategies employed by the Portfolio Trust, the Portfolio Manager expects that a significant component of the total return generated by the Portfolio will consist of gains from trading positions, as opposed to interest payments on Portfolio securities. The Fund will not have a fixed distribution, but intends to make monthly distributions based on the actual and expected distributions and returns generated by the Portfolio less the Fund's estimated expenses. See "Distribution Policy".

Price: \$10.00 per Unit
Minimum Purchase: 200 Units

	<u>Price to the Public⁽¹⁾</u>	<u>Agents' Fee</u>	<u>Net Proceeds to the Fund⁽²⁾</u>
Per Unit	\$10.00	\$0.525	\$9.475
Minimum Total Offering ^{(3) (4)}	\$75,000,000	\$3,937,500	\$71,062,500
Maximum Total Offering ⁽⁴⁾	\$250,000,000	\$13,125,000	\$236,875,000

- (1) The terms of the Offering were established through negotiation between the Agents and Sprott Asset Management LP (in such capacity, the "**Manager**") on behalf of the Fund.
- (2) Before deducting the expenses of the Offering, estimated to be \$550,000 in the case of the minimum Offering and \$730,000 in the case of the maximum Offering (but not to exceed 1.50% of the gross proceeds of the Offering) which, together with the Agents' fee, will be paid by the Fund from the proceeds of the Offering.
- (3) There will be no Closing unless a minimum of 7,500,000 Units are sold. If subscriptions for a minimum of 7,500,000 Units have not been received within 90 days after a final receipt for this prospectus is issued, the Offering may not continue unless an amendment to this prospectus has been filed and a receipt therefore has been issued.
- (4) The Fund has granted to the Agents an option (the "**Over-Allotment Option**"), exercisable for a period of 30 days from the Closing Date, to offer additional Units in an amount up to 15% of the Units sold on the Closing Date on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offering, the price to the public, Agents' fee and net proceeds to the Fund are estimated to be \$287,500,000, \$15,093,750 and \$271,676,250, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Agents' over-allocation position acquires such Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

The Fund will obtain exposure to the Portfolio through the Forward Agreement. The return to the Unitholders and the Fund will be based upon the return on the Portfolio by virtue of one or more forward purchase and sale agreements (the "**Forward Agreement**") with a Canadian chartered bank or any one of its affiliates whose obligations are guaranteed by the Canadian chartered bank (the "**Counterparty**"). The Fund will use the net proceeds of the Offering to prepay the purchase price under the Forward Agreement, pursuant to which the Counterparty has agreed to deliver to the Fund, on July 19, 2016 (the "**Forward Termination Date**"), the Canadian Securities Portfolio (as defined below) with an aggregate value equal to: (i) the redemption proceeds of a corresponding number of units of the Portfolio Trust; or (ii) the value of the Notional Portfolio (as defined below), as applicable, net of any amount owing by the Fund to the Counterparty. References throughout this prospectus to the "Portfolio" will be considered to include the "Notional Portfolio" where the context so requires. This prospectus assumes that the Counterparty will acquire units of the Portfolio Trust.

There is no guarantee that an investment in the Fund will earn any positive return in the short or long term, nor is there any guarantee that the net asset value per Unit will appreciate or be preserved. An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. There are certain risk factors associated with an investment in Units including general risks of investing in corporate bonds and other credit instruments, the use of short selling, derivatives and leverage by the Portfolio,

and foreign currency exposure. There is no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Units and the extent of issuer regulation. The Toronto Stock Exchange ("TSX") has conditionally approved the listing of the Units. The listing of the Units will be subject to the Fund fulfilling all of the requirements of the TSX on or before September 26, 2011. See "Risk Factors".

RBC Dominion Securities Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., Canaccord Genuity Corp., GMP Securities L.P., HSBC Securities (Canada) Inc., Wellington West Capital Markets Inc., Desjardins Securities Inc., Mackie Research Capital Corporation, Macquarie Private Wealth Inc., Manulife Securities Incorporated, Raymond James Ltd. and Rothenberg Capital Management Inc. (collectively, the "Agents") as agents, conditionally offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the agency agreement between the Fund, the Manager and the Agents dated June 28, 2011 (the "Agency Agreement") referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Fund by Stikeman Elliott LLP and on behalf of the Agents by Wildeboer Dellelce LLP. The Agents may over-allot and effect transactions to cover their over-allotted position. See "Plan of Distribution".

On closing, the Fund will enter into the Forward Agreement with the Counterparty, which will be a Canadian chartered bank or an affiliate of a Canadian chartered bank and an affiliate of one of the Agents. Accordingly, the Fund may be considered to be a "connected issuer" of such Agent. The Manager is entitled to receive certain fees from the Fund. See "Organization and Management Details of the Fund — The Manager of the Fund" and "Plan of Distribution".

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the Fund reserves the right to close the subscription books at any time without notice. All prospective purchasers will be entitled to withdraw their purchase on or before midnight (Toronto time) on the second Business Day after receipt or deemed receipt of the final prospectus and any amendment in accordance with applicable securities laws. See "Purchasers' Statutory Rights of Withdrawal and Rescission". The Agents may over-allot or effect transactions as described under "Plan of Distribution". Registrations of interests in and transfers of Units will be made only through non-certificated interests issued under the Book-Entry Only System administered by CDS Clearing and Depository Services Inc. ("CDS"). Non-certificated interests representing the aggregate Units subscribed for under the Offering will be recorded in the name of CDS, or its nominee, on the register of the Fund maintained by Computershare Investor Services Inc. on the date of Closing, which is expected to occur on or about July 19, 2011 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a final receipt for this prospectus is issued. A purchaser of Units will receive a customer confirmation from the registered dealer from or through which the Units are purchased and will not have the right to receive physical certificates evidencing their ownership in the Units.

Although units of the Portfolio Trust are not being offered to the public, the Fund will obtain a receipt for a prospectus of the Portfolio Trust from each of the Autorité des marchés financiers du Québec and the Ontario Securities Commission. The Fund will also deliver a copy of such prospectus to purchasers of Units in the Province of Québec prior to the purchase of Units by any person in the Province of Québec.

TABLE OF CONTENTS

<p>PROSPECTUS SUMMARY.....1</p> <p>THE OFFERING.....1</p> <p>SUMMARY OF FEES AND EXPENSES9</p> <p>FORWARD-LOOKING STATEMENTS11</p> <p>GLOSSARY OF TERMS12</p> <p>OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND17</p> <p>INVESTMENT OBJECTIVES17</p> <p>INVESTMENT STRATEGY17</p> <p style="padding-left: 20px;">Global Approach17</p> <p style="padding-left: 20px;">Core Strategy.....17</p> <p style="padding-left: 20px;">Long/Short Strategies18</p> <p style="padding-left: 20px;">Long/Short Fixed Income Investing19</p> <p style="padding-left: 20px;">Investment Process.....19</p> <p style="padding-left: 20px;">Use of Derivatives20</p> <p style="padding-left: 20px;">Currency Hedging20</p> <p style="padding-left: 20px;">Leverage21</p> <p style="padding-left: 20px;">Short Selling21</p> <p style="padding-left: 20px;">Securities Lending, Repurchase and Reverse Repurchase Transactions.....21</p> <p style="padding-left: 20px;">Overview of the Investment Structure21</p> <p>THE PORTFOLIO24</p> <p>INVESTMENT RESTRICTIONS25</p> <p style="padding-left: 20px;">Investment Restrictions of the Portfolio Trust25</p> <p style="padding-left: 20px;">Investment Restrictions of the Fund.....27</p> <p>FEES AND EXPENSES.....27</p> <p style="padding-left: 20px;">Fees and Expenses of the Fund27</p> <p style="padding-left: 20px;">Fees and Expenses of the Portfolio Trust.....28</p> <p style="padding-left: 20px;">Fees and Expenses Paid by the Manager29</p> <p>RISK FACTORS.....29</p> <p style="padding-left: 20px;">Speculative Investment29</p> <p style="padding-left: 20px;">Fluctuation in Value of Portfolio Securities...29</p> <p style="padding-left: 20px;">No Assurance in Achieving Investment Objectives or Distributions30</p> <p style="padding-left: 20px;">Operating History30</p> <p style="padding-left: 20px;">Forward Agreement Counterparty Risk.....30</p> <p style="padding-left: 20px;">Redemptions30</p> <p style="padding-left: 20px;">Illiquidity30</p> <p style="padding-left: 20px;">Performance Fees30</p> <p style="padding-left: 20px;">Unitholders are not Entitled to Participate in Management31</p> <p style="padding-left: 20px;">Reliance on the Manager31</p> <p style="padding-left: 20px;">Dependence of the Manager on Key Personnel31</p> <p style="padding-left: 20px;">Potential Indemnification Obligations31</p> <p style="padding-left: 20px;">Use of Prime Brokers to Hold Assets31</p>	<p>Valuation of the Fund Investments31</p> <p>Changes in Legislation32</p> <p>Taxation of the Fund.....32</p> <p>No Ownership Interest in the Portfolio33</p> <p>Conflicts of Interest - the Fund.....33</p> <p>Conflicts of Interest - the Portfolio Trust33</p> <p>Status of Fund.....33</p> <p>Not a Trust Company.....33</p> <p>Nature of Units.....33</p> <p>General Economic and Market Conditions ...33</p> <p>Market Call.....33</p> <p>Fixed Income Securities.....34</p> <p>Credit Risk.....34</p> <p>Non-Investment Grade Securities.....34</p> <p>Currency Risk34</p> <p>Foreign Investment Risk34</p> <p>Derivative Instruments.....34</p> <p>Equity Securities.....35</p> <p>Trading Costs.....35</p> <p>Short Sales35</p> <p>Concentration35</p> <p>Liquidity of Underlying Instruments.....36</p> <p>Hedging.....36</p> <p>Securities Lending, Repurchase and Reverse Repurchase Transactions36</p> <p>Indebtedness.....36</p> <p>Suspension of Trading.....36</p> <p>DISTRIBUTION POLICY.....36</p> <p>PURCHASE OF SECURITIES37</p> <p>REDEMPTION OF UNITS37</p> <p style="padding-left: 20px;">Annual Redemptions.....37</p> <p style="padding-left: 20px;">Monthly Redemptions.....38</p> <p style="padding-left: 20px;">Pre-Settling the Forward Agreement38</p> <p style="padding-left: 20px;">Exercise of Redemption Right.....38</p> <p style="padding-left: 20px;">Suspension of Redemptions39</p> <p>CANADIAN FEDERAL INCOME TAX</p> <p>CONSIDERATIONS.....39</p> <p style="padding-left: 20px;">Status of the Fund39</p> <p style="padding-left: 20px;">Taxation of the Fund.....40</p> <p style="padding-left: 20px;">Taxation of Unitholders40</p> <p style="padding-left: 20px;">Taxation of Registered Plans41</p> <p style="padding-left: 20px;">Taxation Implications of the Fund’s Distribution Policy41</p> <p>ORGANIZATION AND MANAGEMENT</p> <p>DETAILS OF THE FUND42</p> <p style="padding-left: 20px;">The Manager of the Fund.....42</p>
--	---

Officers and Directors of the Manager and of the General Partner of the Manager	42	PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION	62
Duties and Services to be Provided by the Manager	44	AUDITORS' CONSENT	F-1
Details of the Management Agreement	44	INDEPENDENT AUDITOR'S REPORT	F-2
Portfolio Advisor	45	STATEMENT OF NET ASSETS	F-3
Broker Arrangements	46	CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER	C-1
Conflicts of Interest	46	CERTIFICATE OF THE AGENTS	C-2
Independent Review Committee	47		
Remuneration of Directors, Officers and Independent Review Committee Members	47		
Trustee	48		
Custodian	48		
Auditor	49		
Transfer Agent and Registrar	49		
Valuation Agent	49		
Promoter	49		
MANAGEMENT DETAILS OF THE PORTFOLIO TRUST	49		
The Portfolio Trust	49		
Duties and Services to be Provided by the Portfolio Manager	49		
Details of the Portfolio Management Agreement	50		
Conflicts of Interest	51		
Independent Review Committee of the Portfolio Trust	51		
Trustee	51		
Prime Brokers	52		
CALCULATION OF NET ASSET VALUE	52		
Calculation of Net Asset Value	52		
Valuation Policies and Procedures	52		
Reporting of Net Asset Value	56		
ATTRIBUTES OF THE UNITS	56		
Description of the Units Distributed	56		
Purchase for Cancellation	56		
Book Entry Only System	56		
UNITHOLDER MATTERS	57		
Meetings of Unitholders	57		
Amendment of Declaration of Trust	57		
Reporting to Unitholders	58		
TERMINATION OF THE FUND	59		
USE OF PROCEEDS	59		
PLAN OF DISTRIBUTION	59		
INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	61		
PROXY VOTING DISCLOSURE	61		
MATERIAL CONTRACTS	62		
EXPERTS	62		

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used, but not defined, in this summary are defined in the "Glossary of Terms".

THE OFFERING

Fund:	The Fund is a closed-end investment fund. The Fund is an investment trust established under the laws of the Province of Ontario pursuant to the Declaration of the Trust. See "Overview of the Legal Structure of the Fund".
Offering:	The Offering consists of transferable, redeemable units of the Fund (the "Units"). See "Plan of Distribution".
Offering Size:	Maximum \$250,000,000 (25,000,000 Units) Minimum \$75,000,000 (7,500,000 Units)
Price:	\$10.00 per Unit. See "Purchase of Securities".
Minimum Purchase:	200 Units (\$2,000)
Commitment by Sprott Inc.	Sprott Inc. and/or its affiliates intend to invest \$5 million in the Fund (500,000 Units), on a private placement basis. See "Plan of Distribution".
Investment Objectives:	<p>The Fund will seek to achieve the following investment objectives:</p> <ul style="list-style-type: none">(i) to maximize absolute total returns to holders of Units (the "Unitholders") with low volatility relative to traditional, long-only bond funds; and(ii) to provide Unitholders with monthly tax-advantaged distributions. <p>The Fund has been created to provide exposure, on a tax advantaged basis, to an actively managed portfolio (the "Portfolio") comprised primarily of long and short positions in fixed income securities from across the globe. In addition, the Portfolio Manager will actively manage the Portfolio's currency exposure to both mitigate risk and enhance Portfolio returns.</p>
Investment Strategy:	<p>The Fund will seek to accomplish its investment objectives through exposure to the Portfolio. The Portfolio Manager will seek to generate total returns through well established, institutional long/short fixed income strategies designed to have: (i) low duration; and (ii) low correlation to traditional fixed income and equity investment strategies.</p> <p><u>Core Strategy:</u></p> <p>The Portfolio will initially be invested in an investment grade, short duration portfolio comprised primarily of government bonds, cash or cash equivalents and investment grade corporate bonds (the "Collateral Portfolio"). Generally, approximately two-thirds of the Collateral Portfolio will be invested in floating rate notes and cash instruments with little interest rate sensitivity. The remaining one-third of the Collateral Portfolio will generally be invested in short duration corporate bonds. In addition to providing a source of interest income, the Collateral Portfolio will be used as a capital base for investing in the fixed income trading strategies described below.</p> <p><u>Long/Short Strategies:</u></p>

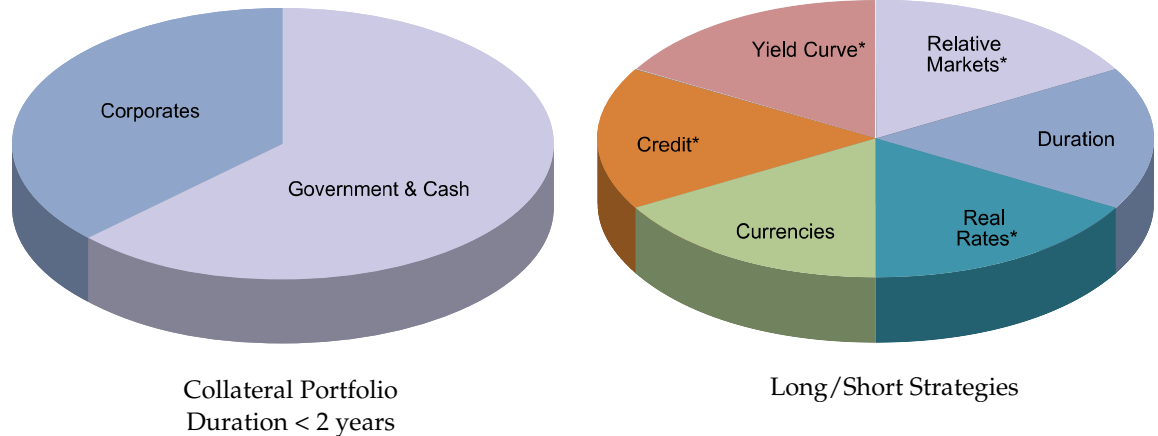
In managing the Portfolio, the Portfolio Manager will employ the following fixed income trading strategies, in addition to the Collateral Portfolio. Most of these strategies are “pairs” or “relative” value trades (e.g., long one bond or currency versus another). In addition, all strategies except Foreign Exchange are duration-neutral strategies. As such, the Portfolio Manager estimates that the Portfolio will have very little sensitivity to interest rates. The relative allocation to each strategy from time to time will be based on the Portfolio Manager’s assessment of market opportunities and the expected risk/reward profile of a given trade.

Generally, all trades entered into by the Portfolio Manager are structured in order to mitigate the potential loss from any given position to an acceptable amount.

- (a) **Yield Curve:** The yield curve represents the difference in yield between two maturity points (e.g., a 2 year treasury bond versus a 10 year treasury bond). This strategy typically involves the simultaneous purchase and sale of two or more securities typically in developed market government bonds along the yield curve in a duration neutral manner based on the Portfolio Manager’s estimation as to whether the yield curve is flattening or steepening.
- (b) **Relative Markets:** This strategy involves capturing yield curve changes related to the interest rate spread relationship between two countries. This is effectively a “pairs” trade that involves purchasing a government bond of one country and selling short a government bond of another country, based on the Portfolio Manager’s expectations as to the timing of central bank interest rate increases in each country. The relationship is typically compared on a like maturity basis and structured in both a duration and a currency neutral basis.
- (c) **Real Rates:** This strategy involves analyzing breakeven inflation and real interest rates across and within different markets. The trade is executed through the simultaneous purchase/sale of nominal government bonds and the sale/purchase of government inflation linked bonds (real return bonds). The differential is referred to as the breakeven inflation rate and is an important measure of the bond markets’ assessment of inflation expectations.
- (d) **Credit:** This strategy can take different forms including a spread transaction which involves, for example, the simultaneous buying of a corporate bond and selling of a government credit with the same term to maturity, which captures the incremental yields spread with minimal duration (or interest rate) risk. The Portfolio can also take long or short exposure in different credits.
- (e) **Foreign Exchange:** This strategy involves the simultaneous purchase and sale of different currencies. The intention is to benefit from changes in risk tolerance, changes in interest rates and other variables. Any currency pair can be traded but generally the most liquid pairs are traded such as Euro / U.S. dollar and Canadian dollar / U.S. dollar.
- (f) **Duration:** A duration strategy is the investment in a fixed income security, generally a sovereign bond, with the expectation of benefiting from interest rates either moving higher or lower. For example, an investor could sell the ten year Government of Canada bond and benefit as interest rates increase.

Most of the strategies employed by the Portfolio Manager involve taking a long position in a security and hedging this position with a short position in another security. Since a short position typically involves borrowing the security to be shorted, the Collateral Portfolio would be posted as collateral, with the proceeds of the sale of the borrowed security used to purchase the long security.

The relation between the Collateral Strategy and the Long/Short Strategies can be demonstrated as follows:



*Duration Neutral Strategies

The Portfolio Manager, through its investment process, will select investments in an effort to take advantage of differences in country outlooks, currencies, interest rates and corporate credits based on the Portfolio Manager’s global macroeconomic analysis. The Portfolio Manager will also seek to identify investments that it believes have the potential to outperform investments in other countries and currencies and to anticipate changes in global economies, capital markets and credit cycles.

The flexibility of the mandate allows the Portfolio Manager to identify and focus on opportunities and the appropriate strategy, as well as diversify and eliminate undesirable risks, with a view to positioning the Portfolio to achieve low volatility returns. See “Investment Strategy”.

The Manager and Promoter of the Fund:

Sprott Asset Management LP will be the investment fund manager, portfolio manager and administrator of the Fund and the Portfolio Trust and will provide or cause to be provided all administrative services required by the Fund and the Portfolio Trust, respectively. The Manager may be considered to be a promoter of the Fund within the meaning of the securities legislation of certain provinces and territories in Canada.

Founded in 2000, the Manager is an independent asset management company that is wholly-owned by Sprott Inc. Sprott Inc.’s common shares trade on the TSX under the symbol SII. The Manager is dedicated to achieving superior returns for its clients over the long term. As at April 30, 2011, the Manager had \$9.2 billion in assets under management in various mutual funds and other investment funds. The Manager emphasizes independent thinking and seeks consistently to be a leader in understanding macro trends and their implications for specific industries.

The Portfolio will be monitored and reviewed by Sprott Asset Management LP, as manager of the Portfolio Trust, on a daily basis to ensure that it complies with the investment objectives, strategies and restrictions applicable to the Portfolio. See “Management Details of the Portfolio Trust – Duties and Services to be Provided by the Portfolio Manager”.

Distribution Policy:

The Fund intends to make monthly tax-advantaged distributions to Unitholders of record on the second last Business Day of each month. Distributions will be paid on a Business Day designated by the Manager that will be no later than the 10th day of the following month. The Fund will not have a fixed monthly distribution amount but will at least annually (commencing in January 2012) determine and announce an expected distribution amount for the following 12 months. The initial monthly distributions are targeted to be \$0.05 per Unit (\$0.60 per Unit per annum representing an

annual cash distribution of 6.00% based on a \$10.00 per Unit issue price). See “Distribution Policy”.

Given the nature of the strategies employed by the Portfolio Trust, the Manager expects that a significant component of the total return generated by the Portfolio will consist of gains from trading positions, as opposed to interest payments on Portfolio securities. Based on its initial anticipated composition, the Portfolio is expected to generate interest income of approximately 6.25% per Unit per annum. In order for the Fund to pay distributions on the Units of 6.00% per annum, funded by partial pre-settlements of the Forward Agreement, while maintaining a stable Net Asset Value of the Fund, the Portfolio will be required to generate additional returns of approximately 2.32% in excess of the current anticipated cash yield of the Portfolio through the sale of securities or other returns assuming: (i) an aggregate size of the Offering of \$100 million; (ii) fees and expenses described under “Fees and Expenses”; and (iii) no defaults in the fixed income securities included in the Portfolio. The total return required to meet such distributions is 8.57% (the aggregate of the current cash yield of 6.25% and the aforementioned 2.32% additional return required to be generated). The Fund will not have a fixed distribution, but intends to make monthly distributions based on the actual and expected distributions and returns generated by the Portfolio less the Fund’s estimated expenses.

Amounts distributed on the Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder’s adjusted cost base of the Units for tax purposes. See “Canadian Federal Income Tax Considerations”.

There can be no assurance given as to the amount of targeted distributions in the future. There is no assurance that the Fund will meet its investment objectives. See “Distribution Policy” and “Risk Factors”.

Leverage:

The Portfolio Trust employs leverage through the use of margin, short sales and derivatives. However, most of the Long/Short Strategies of the Portfolio Trust are executed as pairs trades where each long position in an investment is acquired with a corresponding short position in a different investment that hedges certain risks associated with the long position. The Portfolio Manager does not believe that pairs trades made under the Long/Short Strategies constitute “leverage” as they do not increase the Portfolio’s market exposure. Taking the hedged pairs trades into account, the net exposure of the Portfolio Trust will not exceed 100% of the Net Asset Value of the Portfolio Trust on a daily mark-to-market basis. Net exposure is calculated as the value of the total unhedged long security positions, excluding cash and cash equivalents, plus the absolute value of the total unhedged short positions, excluding any negative cash balances, divided by Net Asset Value of the Portfolio Trust. See the table entitled “Indicative Total and Net Exposure by Strategy” under “The Portfolio”.

The amount of the Portfolio that may be invested in long positions and short positions will be subject to certain investment restrictions of the Portfolio Trust. See “Investment Restrictions – Investment Restrictions of the Portfolio Trust” and “Investment Strategy – Leverage”.

Currency Hedging:

Certain of the securities included in the Portfolio may be denominated in currencies other than the Canadian dollar. The Portfolio Manager will take into consideration the foreign exchange exposure of the Portfolio and will enter into currency hedging transactions to reduce the effects on the Portfolio of changes in the values of such foreign currencies relative to the Canadian dollar. The Portfolio Manager intends that no more than 30% of the investments of the Portfolio may be denominated in foreign currencies and remain unhedged to the Canadian dollar. See “Investment Strategy – Currency Hedging”.

Forward

The Fund will obtain exposure to the Portfolio through the Forward Agreement. The return to the Unitholders and the Fund will be based upon the return on the Portfolio (or the Notional Portfolio)

Agreement:	by virtue of the Forward Agreement. If the Counterparty hedges its exposure under the Forward Agreement, it will acquire units of the Portfolio Trust, which will be a newly formed investment trust. The Portfolio Trust will use the proceeds of that issuance to acquire the Portfolio. If the Counterparty does not acquire the Portfolio Trust units, the Counterparty will engage the Manager to maintain a notional portfolio with an initial invested amount equal to the amount of the net proceeds of the Offering (the “ Notional Portfolio ”) and will retain the Portfolio Manager to apply the investment strategy described in this prospectus to the Notional Portfolio. There can be no assurance that the Counterparty will maintain a hedge or that it will do so with respect to the full amount or term of the Forward Agreement. The Fund will use the net proceeds of the Offering to prepay the purchase price under the Forward Agreement, pursuant to which the Counterparty has agreed to deliver to the Fund, on the Forward Termination Date, the Canadian Securities Portfolio with an aggregate value equal to: (i) the redemption proceeds of a corresponding number of units of the Portfolio Trust; or (ii) the value of the Notional Portfolio (as defined below), as applicable, net of any amount owing by the Fund to the Counterparty. This prospectus assumes that the Counterparty will acquire units of the Portfolio Trust.
The Portfolio Trust:	The Portfolio Trust is a newly created investment trust established for the purpose of acquiring and holding the Portfolio. The initial beneficial owner of all of the units of the Portfolio Trust is expected to be the Counterparty or its affiliate. On the Closing Date, the Counterparty or one of its affiliates may subscribe for units of the Portfolio Trust with an aggregate purchase price of not less than the pre-payment amount received from the Fund as the payment of its purchase obligations under the Forward Agreement. The Portfolio Trust will use any subscription proceeds to acquire the Portfolio. See “Overview of the Investment Structure – the Portfolio Trust”.
Redemption Privileges:	<p>Annual Redemption Right: Units may be redeemed at the option of Unitholders on the Annual Redemption Date of each year, commencing in December 2012. Units so redeemed will be redeemed at a redemption price equal to the Net Asset Value per Unit on the Annual Redemption Date, less any costs associated with the redemption, including commissions and other such costs, if any, related to the partial settlement of the Forward Agreement to fund such redemption. Units must be surrendered for redemption by no later than 4:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the Annual Redemption Date. Payment of the proceeds of redemption will be made on or before the 10th Business Day of the following month.</p> <p>Monthly Redemption Right: Units may be redeemed at the option of Unitholders on the second last Business Day of each of month (each, a “Monthly Redemption Date”), subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered by no later than 4:00 p.m. (Toronto time) on the date which is the second last Business Day of the month preceding the Monthly Redemption Date. Payment of the redemption price will be made on or before the 10th day of the following month (each, a “Redemption Payment Date”), subject to the Manager’s right to suspend redemptions in certain circumstances. Unitholders surrendering a Unit for redemption will receive a redemption price equal to the lesser of: (i) 94% of the Market Price (as defined herein) of a Unit; and (ii) 100% of the Closing Market Price (as defined herein) of a Unit on the applicable Monthly Redemption Date, less in each case any costs associated with the redemption including brokerage costs (the “Monthly Redemption Amount”). See “Redemption of Units” and “Risk Factors —Redemptions”.</p> <p>The Net Asset Value per Unit will vary depending on a number of factors. See “Calculation of Net Asset Value”, “Redemption of Units” and “Risk Factors”.</p>
Termination of the Fund:	<p>The Forward Agreement has a term of approximately 5 years ending on July 19, 2016 (the “Forward Termination Date”).</p> <p>Under the terms of the Declaration of Trust, on or after the Forward Termination Date, the Manager may cause the Fund to enter into a new forward agreement with a term to be determined</p>

by the Manager at such time or, if it is not practicable to enter into such a new forward agreement at such time, the Manager may cause the Fund to invest the remaining assets of the Fund directly in securities of the kind that comprise the Portfolio, in each case without Unitholder approval. In the event that the Manager does not cause the Fund to enter into a new forward agreement or invest the remaining assets of the Fund directly in securities of the kind that comprise the Portfolio, within 30 days after the Forward Termination Date, the Manager shall terminate the Fund. The Manager shall inform Unitholders by way of press release not less than 20 Business Days prior to the Forward Termination Date whether the Manager intends to cause the Fund to enter into a new forward agreement, invest the remaining assets of the Fund directly in securities of the kind that comprise the Portfolio or terminate the Fund. See "Termination of the Fund".

Use of Proceeds:

The net proceeds from the issue of the maximum number of Units offered hereby after payment of the Agents' fee and the expenses of the Offering are estimated to be \$236,145,000 (\$70,512,500 if the minimum number of Units are issued). The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) for the pre-payment of its purchase obligations under the Forward Agreement with the Counterparty. Under the Forward Agreement, the Fund will, on or about the Termination Date, acquire the Canadian Securities Portfolio having an aggregate value equal to the redemption proceeds of the relevant number of units of the Portfolio Trust. See "Use of Proceeds".

Risk Factors:

An investment in Units is subject to certain risk factors, including:

Risks associated with an investment in the Fund:

- (a) Speculative Investment;
- (b) Fluctuation in Value of Portfolio Securities;
- (c) No Assurance in Achieving Investment Objectives or Distributions;
- (d) Operating History;
- (e) Forward Agreement Counterparty Risk;
- (f) Redemptions;
- (g) Illiquidity;
- (h) Performance Fees;
- (i) Unitholders are not Entitled to Participate in Management;
- (j) Reliance on the Manager;
- (k) Dependence of the Manager on Key Personnel;
- (l) Potential Indemnification Obligations;
- (m) Use of Prime Brokers to Hold Assets;
- (n) Valuation of the Fund Investments;
- (o) Changes in Legislation;
- (p) Taxation of the Fund;
- (q) No Ownership Interest in the Portfolio;
- (r) Conflicts of Interest – the Fund;
- (s) Conflicts of Interest – the Portfolio Trust;
- (t) Status of Fund;
- (u) Not a Trust Company; and
- (v) Nature of Units.

Risks associated with the Fund's Portfolio:

- (a) General Economic and Market Conditions;

- (b) Market Call;
- (c) Fixed Income Securities;
- (d) Credit Risk;
- (e) Non-Investment Grade Securities;
- (f) Currency Risk;
- (g) Foreign Investment Risk;
- (h) Derivative Instruments;
- (i) Equity Securities; and
- (j) Trading Costs.

Risks of Special Techniques:

- (a) Short Sales;
- (b) Concentration;
- (c) Liquidity of Underlying Instruments;
- (d) Hedging;
- (e) Securities Lending, Repurchase and Reverse Repurchase Transactions;
- (f) Indebtedness; and
- (g) Suspension of Trading.

See "Risk Factors".

**Canadian
Federal Income
Tax
Considerations:**

The Fund intends to distribute a sufficient amount of its income for each taxation year so that it will generally not be liable for Part I tax under the Tax Act. A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year. The Fund intends to make designations so that the portion of net realized taxable capital gains of the Fund that are distributed to Unitholders will be treated as taxable capital gains to Unitholders. Distributions by the Fund to a Unitholder in excess of the Unitholder's share of the Fund's net realized capital gains and other net income will reduce the adjusted cost base of the Unitholder's Units. Upon the disposition of Units held as capital property, Unitholders will realize capital gains or capital losses. Prospective investors should consult their own tax advisors with respect to the income tax consequences of investing in Units, based upon their own particular circumstances. See "Canadian Federal Income Tax Considerations".

Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Units by obtaining advice from his or her tax advisor. See "Canadian Federal Income Tax Considerations".

**Eligibility for
Investment:**

In the opinion of Stikeman Elliott LLP, counsel for the Fund, and Wildeboer Dellelce LLP, counsel for the Agents, provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or the Units are listed on a designated stock exchange (which currently includes the TSX), the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts.

Holder of tax-free savings accounts, and annuitants of registered retirement savings plans and registered retirement income funds should consult with their tax advisors as to whether Units would be a prohibited investment in their particular circumstances. See "Canadian Federal Income Tax Considerations".

Organization Details of the Fund and the Portfolio Trust

Management of the Fund and the Portfolio Trust	Name and Municipality of Residence	Services Provided to the Fund and the Portfolio Trust
Manager and Portfolio Manager	Sprott Asset Management LP Suite 2700, South Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J1	Acting as investment fund manager, portfolio manager and administrator of both the Fund and the Portfolio Trust and will provide all management and administrative services required by the Fund and the Portfolio Trust.
Trustee of the Fund and the Portfolio Trust	Computershare Trust Company of Canada Toronto, Ontario	Acting as trustee of the Fund and the Portfolio Trust in accordance with the Declaration of Trust and the Portfolio Declaration of Trust, and performing the duties and services and exercising the rights accorded to it therein. The Trustee is not related to the Manager or the Portfolio Manager.
Prime Brokers of the Portfolio Trust	Barclays Capital Securities Ltd. Toronto, Ontario	Providing prime brokerage services to the Portfolio Trust. The prime brokers are not related to the Manager or the Portfolio Manager.
	Scotia Capital Inc. Toronto, Ontario	
Custodian of the Fund and the Portfolio Trust	State Street Trust Company Canada Toronto, Ontario	Providing custodial services to the Fund and the Portfolio Trust. The Custodian is not related to the Manager or the Portfolio Manager.
Valuation Agent of the Fund and the Portfolio Trust	State Street Fund Services Toronto Inc. Toronto, Ontario	Providing net asset value calculations to the Fund and the Portfolio Trust. The Valuation Agent is not related to the Manager or the Portfolio Manager.
Auditor of the Fund and the Portfolio Trust	Ernst & Young LLP Toronto, Ontario	Providing auditing services to the Fund and the Portfolio Trust. The auditor is not related to the Manager or the Portfolio Manager.
Transfer Agent and Registrar of the Fund	Computershare Investor Services Inc. Toronto, Ontario	Maintains the securities register and the register of transfers of Units for the Fund. The registrar and transfer agent is not related to the Manager or the Portfolio Manager.

See "Organization and Management Details of the Fund" and "Management Details of the Portfolio Trust".

Agents: RBC Dominion Securities Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., Canaccord Genuity Corp., GMP Securities L.P., HSBC Securities (Canada) Inc., Wellington West Capital Markets Inc., Desjardins Securities Inc., Mackie Research Capital Corporation, Macquarie Private Wealth Inc., Manulife Securities Incorporated, Raymond James Ltd. and Rothenberg Capital Management Inc., as agents, conditionally offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement.

The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to offer additional Units in an amount up to 15% of the Units sold on the Closing Date on the same terms as set forth herein solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offering, the price to the public, Agents' fee and net proceeds to the Fund are estimated to be \$287,500,000, \$15,093,750 and \$271,676,250, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Agents' over-allocation position acquires such Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Agents' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	3,750,000 Units	Within 30 days following the Closing Date	\$10.00 per Unit

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Fund, the Portfolio Trust and the Manager, which will therefore reduce the value of a Unitholder's investment in the Fund. All fees are subject to current and future taxes. For further particulars, see "Fees and Expenses".

Fees and Expenses of the Fund

<u>Type of Fee</u>	<u>Amount and Description</u>
Agents' Fees:	\$0.525 per Unit (5.25%)
Expenses of the Offering:	The expenses of the Offering are estimated to be \$550,000 in the case of the minimum Offering and \$730,000 in the case of the maximum Offering (but not to exceed 1.50% of the gross proceeds of the Offering) which, together with the Agents' fee, will be paid by the Fund.
Management Fee:	The Manager will receive a Management Fee from the Fund equal to 0.30% per annum of the Net Asset Value of the Fund (a management fee of 0.70% is also payable by the Portfolio Trust for a total overall management fee of 1.00%), calculated daily and payable monthly in arrears, plus an amount equal to the Service Fee described below under "Fees and Expenses Paid by the Manager". See "Fees and Expenses - Fees and Expenses of the Fund - Management Fee".
Counterparty Fees:	The Fund will pay to the Counterparty an additional purchase amount under the Forward Agreement, calculated daily and payable quarterly in arrears, of 0.30% per annum of the notional amount of the Forward Agreement (being effectively equal to the Net Asset Value of the Portfolio Trust). See "Fees and Expenses — Fees and Expenses of the Fund – Counterparty Fees".
Ongoing Expenses of the Fund:	The Fund will pay for all of its expenses incurred in connection with its operation and administration, including expenses relating to audit, legal, custody, fund accounting, independent review committee, the Trustee, Unitholder recordkeeping and reporting, regulatory compliance and TSX compliance. These ongoing expenses are estimated to be \$251,000 per annum (assuming an aggregate size of the Offering of approximately \$100 million). The Fund will also be responsible for its costs of portfolio transactions and any extraordinary expenses that may be incurred from time to time. See "Fees and Expenses — Fees and Expenses of the Fund – Ongoing Expenses of the

Fund”.

Fees and Expenses of the Portfolio Trust

The Portfolio Trust Management Fee: The Portfolio Manager will receive a Portfolio Trust Management Fee from the Portfolio Trust equal to 0.70% of the Net Asset Value of the Portfolio Trust (in the event that the Counterparty does not acquire units of the Portfolio Trust, the Portfolio Trust Management Fee will be paid by the Counterparty), calculated daily and payable monthly in arrears; provided that the Portfolio Trust Management Fee payable to the Portfolio Manager shall not be paid in respect of the Net Asset Value of the Portfolio Trust attributable to any assets invested in the securities of any investment funds (including mutual funds) managed by the Portfolio Manager or an affiliate of the Portfolio Manager. See “Fees and Expenses - Fees and Expenses of the Portfolio Trust – the Portfolio Trust Management Fee”.

Performance Fee: The Portfolio Manager will receive for each fiscal year of the Portfolio Trust, a Performance Fee (as calculated below) if and only if: (i) the percentage appreciation in the Net Asset Value per unit of the Portfolio Trust during such fiscal year (plus any distributions paid on the units) (the “**Portfolio Trust Performance**”) exceeds the percentage return of the 3-month Canadian Bankers’ Acceptance Rate (Canadian Dealer Offered Rate, “**CDOR**”) plus 3.8% for such period (the “**Hurdle Rate**”); and (ii) the Portfolio Trust Performance for the fiscal year remains greater than the Hurdle Rate after the payment of the Performance Fee. The Performance Fee shall be calculated and accrue daily and be paid annually, if earned. For any partial fiscal year, including with respect to Interim Performance Fees as set out below, the Hurdle Rate will be pro rated.

The amount of the Performance Fee, if any, shall be determined as of December 31 of each fiscal year (the “**Determination Date**”), except in the case of Interim Performance Fees (as defined below). The Performance Fee for a given fiscal year will be an amount for each unit of the Portfolio Trust then outstanding equal to 15.0% of the amount by which the sum of: (i) the Net Asset Value per unit of the Portfolio Trust (calculated without taking into account the Performance Fee); and (ii) the distributions paid on such unit during the fiscal year, exceeds the Threshold Amount.

Where Units are redeemed on a particular Monthly Redemption Date, the Portfolio Trust shall pay to the Portfolio Manager, if earned, a Performance Fee in respect of any concurrently redeemed units of the Portfolio Trust determined as though the Monthly Redemption Date was the Determination Date. Any Performance Fee so determined (the “**Interim Performance Fees**”) shall be payable to the Portfolio Manager on the applicable Redemption Date and will be subtracted from the redemption proceeds.

“**Threshold Amount**” means the greater of: (i) the Net Asset Value per unit of the Portfolio Trust at the end of the immediately preceding fiscal year; and (ii) the High Water Mark.

“**High Water Mark**” means the greater of: (i) the Net Asset Value per unit of the Portfolio Trust immediately following the Offering; and (ii) the highest Net Asset Value per unit of the Portfolio Trust recorded on the last Business Day of any previous fiscal year, in either case as adjusted for any distributions paid on the unit from the date of such Net Asset Value to the end of any such previous fiscal year.

Ongoing Expenses of the Portfolio Trust: The Portfolio Trust will pay for all of its expenses incurred in connection with its operation and administration estimated to be \$209,000 per annum (assuming an aggregate size of the Offering of approximately \$100 million). The Portfolio Trust will also be responsible for its costs of portfolio transactions and any extraordinary expenses that may be incurred from time to time. See “Fees and Expenses – Fees and Expenses of the Portfolio Trust – Ongoing Expenses of the Portfolio Trust”.

Fees and Expenses Paid by the Manager

Service Fee:	A Service Fee will be payable by the Manager to each dealer whose clients hold Units at the end of a calendar quarter. The Service Fee will be calculated daily and payable on the last Valuation Date of each calendar quarter and will be equal to one-quarter of 0.50% of the Net Asset Value per Unit for each Unit outstanding at such time. See “Fees and Expenses – Fees and Expenses Paid by the Manager – Service Fee”.
--------------	--

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend”, “target”, “seek”, “will” and similar expressions to the extent they relate to the Fund or the Manager. Forward-looking statements are not historical facts but reflect the current expectations of the Fund or the Manager regarding future results or events. Such forward-looking statements reflect the Fund’s or the Manager’s current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations including global economic conditions. Some of these risks, uncertainties and other factors are described in this prospectus under the heading “Risk Factors”. Although the forward-looking statements contained in this prospectus are based upon assumptions that the Fund or the Manager believe to be reasonable, neither the Fund nor the Manager can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing prospective investors with information about the Fund and may not be appropriate for other purposes. Neither the Fund nor the Manager assumes any obligation to update or revise them to reflect new events or circumstances, except as required by law.

GLOSSARY OF TERMS

In this prospectus, the following terms have the meanings set forth below, unless otherwise indicated.

“Additional Distribution” means a distribution that, if necessary, will be made in each year to Unitholders of record on December 31 in order that the Fund will generally not be liable to pay income tax, as described under “Distribution Policy”.

“Annual Redemption Date” means the last Business Day in December of each year beginning in 2012.

“Agency Agreement” means the agency agreement dated as of June 28, 2011 among the Fund, the Manager and the Agents.

“Agents” means, collectively, RBC Dominion Securities Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., Canaccord Genuity Corp., GMP Securities L.P., HSBC Securities (Canada) Inc., Wellington West Capital Markets Inc., Desjardins Securities Inc., Mackie Research Capital Corporation, Macquarie Private Wealth Inc., Manulife Securities Incorporated, Raymond James Ltd. and Rothenberg Capital Management Inc.

“Book-Entry Only System” means the book-entry only system administered by CDS.

“Business Day” means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading.

“Canadian Securities Portfolio” means a specified portfolio of securities of Canadian public issuers that are: (i) **“Canadian securities”**, as defined in subsection 39(6) of the Tax Act; and (ii) listed on the TSX.

“CDS” means CDS Clearing and Depository Services Inc. and includes any successor corporation or any other depository subsequently appointed by the Fund as the depository in respect of the Units.

“CDS Participant” means a broker, dealer, bank or other financial institution or other person for whom, from time to time, CDS effects book entries for the Units deposited with CDS.

“CICA Handbook” means the Canadian Institute of Chartered Accountants Handbook in effect from time to time.

“Closing” means the issuance of Units pursuant to this prospectus on the Closing Date.

“Closing Date” means the date of the Closing, which is expected to be on or about July 19, 2011 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a final receipt for this prospectus is issued.

“Closing Market Price” in respect of a security on a Monthly Redemption Date means: (i) the closing price of such security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) if there was a trade on the Monthly Redemption Date and the market provides a closing price; (ii) the average of the highest and lowest prices of such security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) if there was trading on the Monthly Redemption Date and the market provides only the highest and lowest prices of the security traded on a particular day; or (iii) the average of the last bid and the last ask prices of the security on the TSX on such Monthly Redemption Date (or such other stock exchange on which the security is listed) if there was no trading on the applicable Monthly Redemption Date.

“Collateral Portfolio” the investment grade, short duration portfolio of the Portfolio Trust comprised primarily of government bonds, cash or cash equivalents and investment grade corporate bonds.

“Counterparty” means the Bank of Nova Scotia and/or such other Canadian financial institutions or their affiliates as the Fund may approve.

“CRA” means the Canada Revenue Agency.

“Custodian” means State Street Trust Company Canada, in its capacity as custodian under the Custodian Agreement.

“Custodian Agreement” means the custodian agreement to be entered into on or about the Closing Date between the Fund and the Custodian, as it may be amended from time to time.

“DBRS” means DBRS Limited, or its successors.

“Declaration of Trust” means the amended and restated declaration of trust of the Fund dated as of June 28, 2011, as it may be further supplemented, amended and/or restated from time to time.

“Determination Date” means December 31 of each year.

“Extraordinary Resolution” means a resolution passed by the affirmative vote of at least two-thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“Fitch” means Fitch Ratings Ltd., or its successors.

“Forward Agreement” means the forward purchase and sale agreement to be entered into on or about the Closing Date between the Fund and the Counterparty, as it may be amended from time to time.

“Forward Termination Date” means the date on which the term of the Forward Agreement ends, being on or about July 19, 2016.

“Fund” means Sprott Strategic Fixed Income Fund, an investment trust established under the laws of the Province of Ontario by the Declaration of Trust.

“GAAP” means accounting principles generally accepted in Canada as recommend by the CICA Handbook.

“High Water Mark” means the greater of: (i) the Net Asset Value per unit of the Portfolio Trust immediately following the Offering; and (ii) the highest Net Asset Value per unit of the Portfolio Trust recorded on the last Business Day of any previous fiscal year, in either case as adjusted for any distributions paid on the unit from the date of such Net Asset Value to the end of any such previous fiscal year.

“High Yield Debt” means corporate debt securities which are rated below BBB– by S&P or Fitch, below Baa3 by Moody’s or below BBB(low) by DBRS.

“Hurdle Rate” means the percentage return of the 3-month Canadian Bankers’ Acceptance Rate (Canadian Dealer Offered Rate) (being “CDOR”) plus 3.8% for the relevant period.

“Illiquid Asset” has the meaning ascribed thereto in NI 81-102.

“Interim Performance Fees” means the interim performance fee payable to the Portfolio Manager by the Portfolio Trust and as more fully described under “Fees and Expenses – Fees and Expenses of the Portfolio Trust – Performance Fee.”

“Long/Short Strategies” means strategies employed by the Portfolio Manager in addition to the Collateral Portfolio and as more fully described under “Investment Strategy – Long/Short Strategies”.

“Manager” means the investment fund manager, portfolio manager and administrator of the Fund, namely Sprott Asset Management LP, and, if applicable, its successor.

“Management Agreement” means the management agreement to be dated on or about the Closing Date between the Manager and the Fund, as it may be amended from time to time.

“Management Fee” means the management fee payable to the Manager by the Fund and as more fully described under “Fees and Expenses - Fees and Expenses of the Fund - Management Fee”.

“Market Price” in respect of a security on a Monthly Redemption Date means the volume weighted average trading price on the TSX (or such other stock exchange on which such security is listed), for the 10 trading days immediately preceding such Monthly Redemption Date.

“Monthly Redemption Amount” means the redemption price per Unit equal to the lesser of: (i) 94% of the Market Price of a Unit; and (ii) 100% of the Closing Market Price of a Unit on the applicable Monthly Redemption Date, less in each case any costs associated with the redemption, including brokerage costs.

“Monthly Redemption Date” means the second last Business Day of each month, including December 2011, other than December commencing in 2012.

“Moody’s” means, Moody’s Investors Service, Inc., or its successors.

“Net Asset Value of the Fund” means the net asset value of the Fund as determined by subtracting the aggregate liabilities of the Fund from the aggregate value of the assets of the Fund on the date on which the calculation is being made, as more fully described under “Calculation of Net Asset Value”.

“Net Asset Value of the Portfolio Trust” means the net asset value of the Portfolio Trust as determined by subtracting the aggregate liabilities of the Portfolio Trust, as applicable, from the aggregate value of the assets of the Portfolio Trust on the date on which the calculation is being made, as more fully described under “Calculation of Net Asset Value”.

“Net Asset Value per Unit” means the Net Asset Value of the Fund allocated to the Units, divided by the total number of Units outstanding, on the date on which the calculation is being made.

“Net Asset Value per unit of the Portfolio Trust” means in respect of the units of the Portfolio Trust, the Net Asset Value of the Portfolio Trust allocated to such units, divided by the total number of units of the Portfolio Trust outstanding, on the date on which the calculation is being made.

“Net Exposure” means in respect of the Portfolio, the net exposure of the Portfolio calculated as the value of the total unhedged long security positions, excluding cash and cash equivalents, plus the absolute value of the total unhedged short positions, excluding any negative cash balances, divided by Net Asset Value of the Portfolio Trust.

“NI 81-102” means National Instrument 81-102 – *Mutual Funds* of the Canadian Securities Administrators, as amended from time to time.

“NI 81-106” means National Instrument 81-106 — *Investment Funds Continuous Disclosure* of the Canadian Securities Administrators, as amended from time to time.

“NI 81-107” means National Instrument 81-107 — *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators, as amended from time to time.

“Notional Portfolio” means a notional portfolio of securities which will be maintained by the Counterparty on a notional basis in the event that the Counterparty does not acquire units of the Portfolio Trust, with an initial principal amount equal to the net proceeds of the Offering.

“Offering” means collectively, the offering of Units at a price of \$10.00 per Unit and the offering of additional Units under the Over-Allotment Option at a price of \$10.00 per Unit, all pursuant to this prospectus.

“Ordinary Resolution” means a resolution passed by the affirmative vote of at least a majority of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“Over-Allotment Option” means the option granted by the Fund to the Agents, exercisable for a period of 30 days from the Closing Date, to offer additional Units at \$10.00 per Unit in an amount up to 15% of the Units sold on Closing, solely to cover over-allotments, if any.

“Performance Fee” means the performance fee payable to the Portfolio Manager by the Portfolio Trust and as more fully described under “Fees and Expenses — Fees and Expenses of the Portfolio Trust - Performance Fee”.

“Portfolio” means the investment portfolio acquired and held by the Portfolio Trust from time to time.

“Portfolio Declaration of Trust” means the amended and restated declaration of trust establishing the Portfolio Trust dated as of June 28, 2011, as it may be further supplemented, amended and/or restated from time to time.

“Portfolio Manager” means the investment fund manager, portfolio manager and administrator of the Portfolio Trust, namely Sprott Asset Management LP, and, if applicable, its successor.

“Portfolio Management Agreement” means the management agreement to be dated on or about the Closing Date between the Portfolio Manager and the Portfolio Trust, as it may be amended from time to time.

“Portfolio Trustee” means Computershare Trust Company of Canada, in its capacity as trustee of the Portfolio Trust under the Portfolio Declaration of Trust.

“Portfolio Trust” means Sprott SFIF Trust, a trust established under the laws of the Province of Ontario pursuant to the Portfolio Declaration of Trust.

“Portfolio Trust Management Fee” means the management fee payable to the Portfolio Manager by the Portfolio Trust and as more fully described under “Fees and Expenses — Fees and Expenses of the Portfolio Trust – the Portfolio Trust Management Fee”.

“Portfolio Trust Performance” means, in respect of a fiscal year, the percentage appreciation in the Net Asset Value per unit of the Portfolio Trust during such fiscal year (plus any distributions paid on the units).

“Prime Brokers” means, together or individually, as the context requires, Barclays Capital Securities Ltd. and Scotia Capital Inc., in their capacities as prime broker to the Portfolio Trust.

“Private Placement Units” means the Units being offered, on a private placement basis, to Sprott Inc. and/or its affiliates at a price of \$10.00 per Private Placement Unit and as more fully described under “Plan of Distribution”.

“Redemption Payment Date” means the 10th Business Day of the month immediately following a Monthly Redemption Date.

“Registered Plan” means a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan, and a tax-free savings account.

“**Service Fee**” means the service fee payable by the Manager to each dealer whose clients hold the Units at the end of a calendar quarter and as more fully described under “Fees and Expenses – Fees and Expenses Paid by the Manager – Service Fee”.

“**S&P**” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., or its successors.

“**SIFT Rules**” means the provisions of the Tax Act, including those contained in sections 104, 122 and 122.1 of the Tax Act, which apply to the taxation of a SIFT Trust and its unitholders.

“**SIFT Trust**” means a “specified investment flow-through trust” for the purposes of the Tax Act.

“**Tax Act**” means the *Income Tax Act* (Canada), as now or hereafter amended, or successor statutes, and includes regulations promulgated thereunder.

“**Tax Proposals**” means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

“**Termination Date**” means July 19, 2016.

“**Threshold Amount**” means the greater of (i) the Net Asset Value per unit of the Portfolio Trust at the end of the immediately preceding fiscal year; and (ii) the High Water Mark.

“**Trustee**” means Computershare Trust Company of Canada, in its capacity as trustee of the Fund under the Declaration of Trust.

“**Total Assets**” means total long positions plus the absolute value of the total short positions.

“**TSX**” means the Toronto Stock Exchange.

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions, any state thereof, and the District of Columbia.

“**Unitholders**” means the holders of the Units.

“**Units**” means the transferable, redeemable units of the Fund.

“**Valuation Agent**” means State Street Fund Services Toronto Inc., in its capacity as valuation agent of the Fund and the Portfolio Trust.

“**Valuation Date**” means each Business Day.

OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

Sprott Strategic Fixed Income Fund is a closed-end investment fund established under the laws of the Province of Ontario pursuant to the Declaration of Trust. Computershare Trust Company of Canada is the Trustee of the Fund and Sprott Asset Management LP is the Manager of the Fund. The Fund's principal office is located at Suite 2700, South Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J1. The fiscal year-end of the Fund is December 31.

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation.

INVESTMENT OBJECTIVES

The Fund will seek to achieve the following investment objectives:

- (i) to maximize absolute total returns to Unitholders with low volatility relative to traditional, long-only bond funds; and
- (ii) to provide Unitholders with monthly tax-advantaged distributions.

The Fund has been created to provide exposure, on a tax advantaged basis, to the Portfolio comprised primarily of long and short positions in fixed income securities from across the globe. In addition, the Portfolio Manager will actively manage the Portfolio's currency exposure to both mitigate risk and enhance Portfolio returns.

The return to the Unitholders and the Fund will be dependent upon the economic performance of the Portfolio Trust and the Portfolio (or the Notional Portfolio) by virtue of the Forward Agreement. However, neither the Fund nor the Unitholders will have any ownership interest in the Portfolio Trust or the Portfolio.

INVESTMENT STRATEGY

The Fund will seek to accomplish its investment objectives through exposure to the Portfolio. The Portfolio Manager will seek to generate total returns through well established, institutional long/short fixed income strategies designed to have: (i) low duration; and (ii) low correlation to traditional fixed income and equity investment strategies.

The Portfolio Manager believes the current global investment landscape is characterized by low nominal and real global interest rates, extraordinary fiscal and monetary policy settings and widespread trade and currency imbalances. Given this backdrop, the Portfolio Manager believes that a flexible and well-diversified long/short approach to managing fixed income investments and currencies, in contrast to a traditional long-only mandate, is a prudent and profitable approach to fixed income investing. The Portfolio Manager and the Portfolio Trust will seek to exploit macroeconomic differences across countries and regions by making strategic investments in currencies, interest rates and credit. The strategy emphasizes a continuous and disciplined focus on managing downside risk and volatility, while seeking to produce steady absolute returns.

Global Approach

The Portfolio Manager believes that investing in fixed income securities on a global basis provides for a greater universe of potential investments, relative to investing only in the Canadian market, which is small and under diversified. Indeed, the Canadian bond market is dominated by government bonds (73% of total issuance) and corporate bonds by issuers in the financial sector (over 50% of corporate issuance) and in total represents approximately 3.0% of the global bond market.

Core Strategy

The Portfolio will initially be invested in the Collateral Portfolio. Generally, approximately two-thirds of the Collateral Portfolio will be invested in floating rate notes and cash instruments with little interest rate

sensitivity. The remaining one-third of the Collateral Portfolio will generally be invested in short duration corporate bonds. In addition to providing a source of interest income, the Collateral Portfolio will be used as a capital base for investing in the fixed income trading strategies described below.

Long/Short Strategies

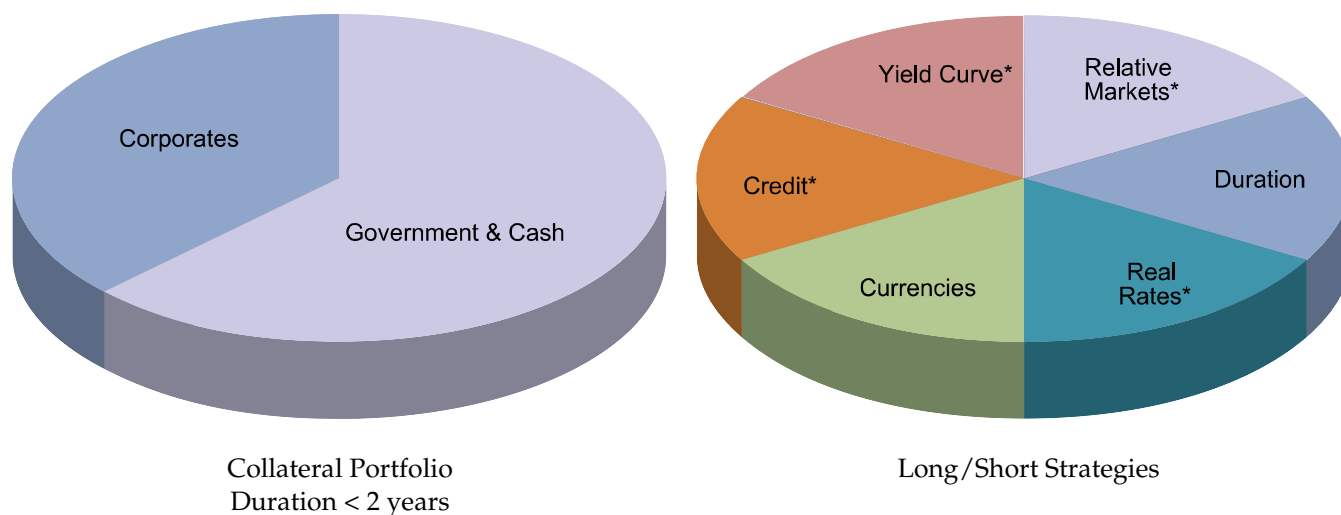
In managing the Portfolio, the Portfolio Manager will employ the following fixed income trading strategies, in addition to the Collateral Portfolio. Most of these strategies are pairs or relative value trades (e.g., long one bond or currency versus another). In addition, all strategies except Foreign Exchange are duration-neutral strategies. As such, the Portfolio Manager estimates that the Portfolio will have very little sensitivity to interest rates. The relative allocation to each strategy from time to time will be based on the Portfolio Manager's assessment of market opportunities and the expected risk/reward profile of a given trade.

Generally, all trades entered into by the Portfolio Manager are structured in order to mitigate the potential loss from any given position to an acceptable amount.

- (a) **Yield Curve:** The yield curve represents the difference in yield between two maturity points (e.g., a 2 year treasury bond versus a 10 year treasury bond). This strategy typically involves the simultaneous purchase and sale of two or more securities – typically in developed market government bonds – along the yield curve in a duration neutral manner based on the Portfolio Manager's estimation as to whether the yield curve is flattening or steepening.
- (b) **Relative Markets:** This strategy involves capturing yield curve changes related to the interest rate spread relationship between two countries. This is effectively a “pairs” trade that involves purchasing a government bond of one country and selling short a government bond of another country, based on the Portfolio Manager's expectations as to the timing of central bank interest rate increases in each country. The relationship is typically compared on a like maturity basis and structured in both a duration and a currency neutral basis.
- (c) **Real Rates:** This strategy involves analyzing breakeven inflation and real interest rates across and within different markets. The trade is executed through the simultaneous purchase/sale of nominal government bonds and the sale/purchase of government inflation linked bonds (real return bonds). The differential is referred to as the breakeven inflation rate and is an important measure of the bond markets' assessment of inflation expectations.
- (d) **Credit:** This strategy can take different forms including a spread transaction which involves, for example, the simultaneous buying of a corporate bond and selling of a government credit with the same term to maturity, which captures the incremental yields spread with minimal duration (or interest rate) risk. The Portfolio can also take long or short exposure in different credits.
- (e) **Foreign Exchange:** This strategy involves the simultaneous purchase and sale of different currencies. The intention is to benefit from changes in risk tolerance, changes in interest rates and other variables. Any currency pair can be traded but generally the most liquid pairs are traded such as Euro / U.S. dollar and Canadian dollar / U.S. dollar.
- (f) **Duration:** A duration strategy is the investment in a fixed income security, generally a sovereign bond, with the expectation of benefiting from interest rates either moving higher or lower. For example, an investor could sell the ten year Government of Canada bond and benefit as interest rates increase.

Most of the strategies employed by the Portfolio Manager involve taking a long position in a security and hedging this position with a short position in another security. Since a short position typically involves borrowing the security to be shorted, the Collateral Portfolio would be posted as collateral, with the proceeds of the sale of the borrowed security used to purchase the long security.

The relation between the Collateral Portfolio and the Long/Short Strategies can be demonstrated as follows:



* Duration Neutral Strategies

The Portfolio Manager, through its investment process, will select investments in an effort to take advantage of differences in country outlooks, currencies, interest rates and corporate credits based on the Portfolio Manager's global macroeconomic analysis. The Portfolio Manager will also seek to identify investments that it believes have the potential to outperform investments in other countries and currencies and to anticipate changes in global economies, capital markets and credit cycles.

The flexibility of the mandate allows the Portfolio Manager to identify and focus on opportunities and the appropriate strategy, as well as diversify and eliminate undesirable risks, with a view to positioning the Portfolio to achieve low volatility returns.

Long/Short Fixed Income Investing

Long/short fixed income and currency investing is a well-established investment approach employed by pension funds, hedge funds and other institutional investors, including the trading desks of major Canadian banks, to generate investment returns with low volatility.

The strength of this investment approach is its flexibility in identifying and isolating investment opportunities as well as its ability to diversify away undesirable risks. In particular, the majority of the strategies employed by the Portfolio Manager are long/short or "pairs" strategies that can hedge away most or all of the interest rate or duration exposure, which is considered the most volatile component of a long-only bond fund.

There are many forms of long/short fixed income strategies including, but not limited to, government bond yield curve arbitrage and corporate bond arbitrage where instruments may be traded long, short, arbitrated or paired. A key component of these strategies is that investments tend to be hedged, which generally results in downside protection, unlike long-only investment mandates.

Investment Process

The Portfolio Manager will employ the following investment process to manage the Portfolio. The outcome of this research will enable the Portfolio Manager to identify investment opportunities as well as ways of mitigating and avoiding undesirable market risks:

- (a) **Fundamental macro economic outlook.** The foundation of the investment management process is the development of a macro economic outlook. The outlook is a product of a combination of internal proprietary analytical work and independent external research. The Portfolio Manager's investment managers meet daily to discuss and debate the outlook for the domestic and global economies and companies. This informed discussion and debate is complemented by the outcome from the Portfolio Manager's leading proprietary fixed income analytical platform. The outcome of this research enables the Manager to help identify market opportunities and risks across the globe in interest rate, foreign exchange and credit markets.
- (b) **Credit analysis.** The credit worthiness of each security is analyzed and reviewed using both quantitative and qualitative methods in order to assess the risk versus return trade-off.
- (c) **Statistical analysis of bond and currency markets.** The team analyzes the global capital markets to identify fixed income and currency opportunities using rigorous mathematical and statistical analysis. The outcome of this quantitative approach to investing is to identify mispricing opportunities in global bond and currency markets as well as enable the Portfolio Manager to mitigate and diversify risk. This quantitative approach is analogous to filtering the universe of fixed income and currencies for the most appealing investment ideas, which are then subjected to further review and analysis by the Portfolio Manager.
- (d) **Trade construction.** A rigorous and disciplined approach to constructing the portfolio is a cornerstone of the investment approach. The Portfolio Manager rigorously analyzes each investment opportunity. As a part of this process, the Portfolio Manager defines the subjective probabilities of each opportunity, the potential upside as well as entry points and exit points. Most importantly, the Portfolio Manager, as part of its disciplined approach to constructing trades, seeks to manage the downside risk or the preservation of capital and as a consequence identifies the downside risks and stop loss points. The Portfolio Manager establishes stop losses for certain long and short positions under its Long/Short Strategies and closes out such positions when such limits are exceeded.
- (e) **Portfolio construction and risk allocation.** Each investment strategy is allocated to the Portfolio based not only on the team's outlook for opportunities in the strategy or trade, but also in the context of understanding the impact on the risk of the overall portfolio. It is crucial that the additive or subtractive risk to the portfolio is understood before entering into the transaction.
- (f) **Portfolio maintenance and risk management.** The Portfolio Manager maintains a strict, disciplined approach to risk management and portfolio rebalancing using daily monitoring, daily profit/loss and attribution, scenario analysis and stress testing. Moreover, the Portfolio Manager must have an understanding of the risk to the Portfolio caused by unlikely but high impact events, otherwise known as tail risk.

Use of Derivatives

The Portfolio Manager may invest in or use derivative instruments including, but not limited to, bond futures, credit default swaps, interest rate swaps, foreign exchange options and futures and other permitted derivatives, for hedging or investment purposes consistent with its investment objectives and subject to investment restrictions of the Portfolio Trust. No assurance can be given that the Portfolio will be hedged from any particular risk from time to time. The Portfolio Manager may employ derivative strategies in the Portfolio to invest indirectly in, or gain exposure to, investments or financial markets.

Currency Hedging

Certain of the securities included in the Portfolio may be denominated in currencies other than the Canadian dollar. The Portfolio Manager will take into consideration the foreign exchange exposure of the Portfolio and will enter into currency hedging transactions to reduce the effects on the Portfolio of changes in the values of

such foreign currencies relative to the Canadian dollar. The Portfolio Manager intends that no more than 30% of the investments of the Portfolio may be denominated in foreign currencies and remain unhedged to the Canadian dollar.

Leverage

The Portfolio Trust employs leverage through the use of margin, short sales and derivatives. However, most of the Long/Short Strategies of the Portfolio Trust are executed as pairs trades where each long position in an investment is acquired with a corresponding short position in a different investment that hedges certain risks associated with the long position. The Portfolio Manager does not believe that pairs trades made under the Long/Short Strategies constitute “leverage” as they do not increase the Portfolio’s market exposure. Taking the hedged pairs trades into account, the net exposure of the Portfolio Trust will not exceed 100% of the Net Asset Value of the Portfolio Trust on a daily mark-to-market basis. Net exposure is calculated as the value of the total unhedged long security positions, excluding cash and cash equivalents, plus the absolute value of the total unhedged short positions, excluding any negative cash balances, divided by Net Asset Value of the Portfolio Trust. See the table below entitled “Indicative Total Exposure By Strategy” under “The Portfolio”.

The amount of the Portfolio that may be invested in long positions and short positions will be subject to certain investment restrictions of the Portfolio Trust. See “Investment Restrictions – Investment Restrictions of the Portfolio Trust”.

Short Selling

The Long/Short Strategies employed by the Portfolio Trust will be implemented by engaging in short selling which involves borrowing securities from a lender and then selling those securities in the open market. If the value of the securities decreases between the time that the Portfolio Trust borrows the securities and the time it repurchases and returns the securities to the lender, the Portfolio Trust makes a profit for the difference (less the interest the Portfolio Trust is required to pay to the lender).

The total short positions entered into by the Portfolio Trust will not exceed 50% of the Total Assets of the Portfolio Trust on a daily mark-to-market basis. The Portfolio Trust may deposit assets with lenders in accordance with industry practice in relation to its obligations arising under short sale transactions.

Securities Lending, Repurchase and Reverse Repurchase Transactions

In order to generate additional returns, the Portfolio Trust may enter into securities lending, repurchase and reverse repurchase transactions, subject to the investment restrictions of the Portfolio Trust. The Portfolio Trust may lend securities held in the Portfolio to securities borrowers acceptable to the Portfolio Manager pursuant to the terms of a securities lending agreement between the Portfolio Trust and any such borrower under which: (i) the borrower will pay to the Portfolio Trust a negotiated securities lending fee and will make compensation payments to the Portfolio Trust equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans qualify as “securities lending arrangements” for the purposes of the Tax Act; and (iii) the Portfolio Trust receives collateral security. If a securities lending agent is appointed for the Portfolio Trust such agent will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis. A repurchase transaction involves the Portfolio Trust selling a security at one price and agreeing to buy it back from the same party at a lower price. A reverse repurchase transaction involves the Portfolio Trust buying a security at one price and agreeing to sell it back to the same party at a higher price.

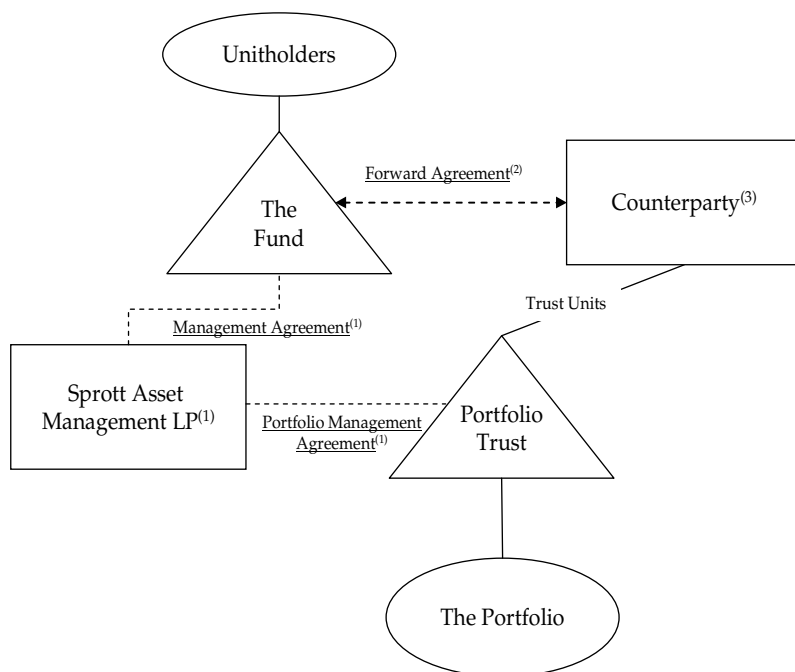
Overview of the Investment Structure

The Portfolio Trust

The Portfolio Trust is a newly created investment trust established by the Portfolio Trustee pursuant to the Portfolio Declaration of Trust. The Portfolio Trust has been established for the purpose of acquiring and holding the Portfolio. The initial beneficial owner of all of the units of the Portfolio Trust is expected to be the Counterparty or one of its affiliates. On the Closing Date, the Counterparty or one of its affiliates may subscribe for units of the

Portfolio Trust with an aggregate purchase price of not less than the pre-payment amount received from the Fund as the payment of its purchase obligations under the Forward Agreement. The Portfolio Trust will use any subscription proceeds that it receives to acquire the Portfolio.

The following chart depicts the overall structure of the Fund, Portfolio Trust and the Portfolio on the Closing Date:



- (1) *Sprott Asset Management LP will be the investment fund manager, portfolio manager and administrator of the Fund and the investment fund manager, portfolio manager and administrator of the Portfolio Trust and will provide or cause to be provided all administrative services required by the Fund and the Portfolio Trust, respectively.*
- (2) *The Fund will use the net proceeds of the Offering to prepay the purchase price under the Forward Agreement, pursuant to which the Counterparty has agreed to deliver to the Fund, on the Forward Termination Date, the Canadian Securities Portfolio (see "Overview of the Investment Structure – Forward Agreement").*
- (3) *The initial beneficial owner of all of the units of the Portfolio Trust is expected to be the Counterparty or its affiliate.*

Units of the Portfolio Trust are redeemable at the demand of its unitholders. On redemption, the Portfolio Trust unitholder will receive for each unit of the Portfolio Trust redeemed an amount equal to the Net Asset Value per unit of the Portfolio Trust.

The Portfolio Trust will distribute all of its net income, including net realized capital gains, earned in each fiscal year to ensure that it is not liable for tax under Part I of the Tax Act. To the extent that the Portfolio Trust has not distributed in cash the full amount of its net income in any year, the difference between such amount and the amount actually distributed by the Portfolio Trust will be paid through the issuance of additional units. Immediately after any such distribution of units, the number of outstanding units of the Portfolio Trust will be consolidated such that each unitholder of the Portfolio Trust (including the Counterparty or an affiliate, for so long as it is a unitholder) will hold, immediately after the consolidation, the same number of units of the Portfolio Trust as it held before the distribution of additional units.

Forward Agreement

The Fund will obtain exposure to the Portfolio through the Forward Agreement. The return to the Unitholders and the Fund will be based upon the return on the Portfolio by virtue of the Forward Agreement with the Counterparty. If the Counterparty hedges its exposure under the Forward Agreement, it will acquire units of the Portfolio Trust, which will be a newly formed investment trust. The Portfolio Trust will use the proceeds of that

issuance to acquire the Portfolio. If the Counterparty does not acquire the Portfolio Trust units, the Counterparty will engage the Manager to maintain the Notional Portfolio and will retain the Portfolio Manager to apply the investment strategy described in this prospectus to the Notional Portfolio. There can be no assurance that the Counterparty will maintain a hedge or that it will do so with respect to the full amount or term of the Forward Agreement. The Fund will use the net proceeds of the Offering for the pre-payment of its purchase obligations under the Forward Agreement.

Pursuant to the Forward Agreement, the Counterparty has agreed to deliver to the Fund on the Forward Termination Date the Canadian Securities Portfolio with an aggregate value equal to: (i) the redemption proceeds of a corresponding number of units of the Portfolio Trust and/or the proceeds realized by the Counterparty on the disposition of the assets in the Portfolio to the Counterparty; or (ii) the value of the Notional Portfolio, as applicable, net of any amount owing by the Fund to the Counterparty. On or about the completion of the Offering, the Portfolio Trust expects to issue units to the Counterparty having an aggregate value equal to the net proceeds of the Offering, the proceeds of which the Portfolio Trust will use to acquire the Portfolio. The initial value of the Portfolio will be equal to the net proceeds of the Offering. In such case, the return to the Fund will, by virtue of the Forward Agreement, be based on the return of the Portfolio Trust, which, in turn, will be based on the performance of the Portfolio. If no Portfolio Trust units are acquired by the Counterparty, the return to the Fund, by virtue of the Forward Agreement, will be based on the performance of the Notional Portfolio. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement.

The Fund may settle the Forward Agreement prior to the Forward Termination Date: (i) to fund distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason. The Counterparty or its guarantor must have an approved credit rating within the meaning of NI 81-102. References throughout this prospectus to the "Portfolio" will be considered to include the "Notional Portfolio" where the context so requires. This prospectus assumes that the Counterparty will acquire units of the Portfolio Trust.

The Forward Agreement may be terminated prior to the Forward Termination Date in certain circumstances, including if an event of default or a termination event occurs with respect to the Fund or the Counterparty under the Forward Agreement.

Events of default under the Forward Agreement include: (i) failure by a party to make a payment or perform an obligation when due under the Forward Agreement which is not cured within any applicable grace period; (ii) a party makes a representation which is incorrect or misleading in any material respect; (iii) a party defaults in respect of a specified transaction having a value in excess of a specified threshold which default is not cured within any applicable grace period; (iv) certain events related to the bankruptcy or insolvency of a party; and (v) a party consolidates, amalgamates or merges with or into, or transfers substantially all its assets to, another entity and the resulting, surviving or transferee entity fails to assume the obligations of such party under the Forward Agreement.

Termination events under the Forward Agreement include the following: (i) it becomes unlawful for a party to perform its obligations under or comply with any material provisions of the Forward Agreement; (ii) certain tax events occur which require a party to indemnify the other party in respect of certain taxes or reduce the amount that a party would otherwise have been entitled to receive under the Forward Agreement; (iii) failure of the Portfolio Trust to comply with its governing documents; or (iv) certain regulatory, credit or legal events occur which affect a party.

If the Forward Agreement is terminated prior to the Forward Termination Date for any reason, it is anticipated that the Forward Agreement will be settled by physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund after payment of any amounts owing to the Counterparty. In the event of a termination of the Forward Agreement prior to the Forward Termination Date, the Manager may, in its discretion, enter into a replacement forward agreement on terms satisfactory to the Manager, in its sole discretion, or the Manager may terminate the Fund and may take such other action as it considers necessary under the circumstances.

Notional Portfolio

The Notional Portfolio would be a virtual portfolio with an initial invested amount, if established at Closing, equal to the amount of the net proceeds of the Offering. The Notional Portfolio would be notionally traded in accordance with market movements on a simulated basis as though such trades were actually made. The value of the Notional Portfolio would be calculated in accordance with the principles set forth in the prospectus of the Portfolio Trust, which principles are substantially the same as those described in this prospectus. Trading data would be based on the trading prices of the securities held in the Notional Portfolio as though they were directly held by the Counterparty. The composition of the Notional Portfolio will be determined at the discretion of the Manager from time to time on the same basis as the composition of the Portfolio would have been determined.

In the event that the return of the Fund is based on a Notional Portfolio rather than an investment in the Portfolio Trust, the Manager will provide the same continuous disclosure documentation regarding the Notional Portfolio as would be required with respect to the Portfolio Trust (except with respect to the proxy voting record as the Portfolio Trust would not actually own securities); the method used to determine the value of the Notional Portfolio would comply with NI 81-106 and would be calculated based on the principles set forth under the heading "Calculation of Net Asset Value"; in connection with their audit and periodic reviews, the auditors will have the same involvement with the review of the value of the Notional Portfolio as they would otherwise have if the Counterparty were to invest in units of the Portfolio Trust; and the Counterparty and the Manager will agree to the policies, procedures and mechanisms that will need to be put in place in order to manage the Notional Portfolio.

The Manager would consider the use of the Notional Portfolio to be a material change to the Fund's investment strategy in respect of which it would issue a press release and file a material change report pursuant to applicable securities laws.

THE PORTFOLIO

The Fund will seek to achieve its investment objectives by obtaining exposure to the Portfolio, which will primarily invest in sovereign government debt, investment grade bonds, emerging market sovereign and corporate debt, convertible bonds, High Yield Debt, preferred shares, senior secured bank loans, credit default swap contracts, interest rate swaps and inflation protected bonds from across the globe. The Portfolio may invest in equities as it relates to capital structure arbitrage strategies and the Portfolio Manager may engage in securities lending, repurchase and reverse repurchase transactions and short sales in respect of the Portfolio.

The following charts and discussions illustrate the net exposures of the Portfolio across three categories: (i) strategy; (ii) credit rating; and (iii) currency exposure. All three charts reflect the Portfolio as if it were fully invested, on April 30, 2011.

The following chart illustrates that the Portfolio will be well diversified across all of the available investment strategies to the Portfolio. The chart also underscores that most of the investment strategies pursued will be pairs or fully hedged strategies:

Indicative Total and Net Exposure by Strategy								
Asset Class	Collateral Portfolio	Yield Curve	Relative Market	Real Rate	Credit	Foreign Exchange	Duration	Total
Cash	71%	-	-	-	-	-	-	71%
Corporate Debt	28%	-	-	-	96%	-	-	124%
Convertible Debt	1%	-	-	-	-	-	-	1%
Government Debt (Long)	-	68%	12%	7%	-	-	-	87%
Government Debt (Short)	-	(68%)	(12%)	(7%)	(96%)	-	-	(183%)
Foreign Exchange (Long)	-	-	-	-	-	4%	-	4%
Foreign Exchange (Short)	-	-	-	-	-	(4%)	-	(4%)
Net Exposure	100%	-	-	-	-	-	-	100%

The following chart illustrates credit rating exposure of the Portfolio across all strategies:

Indicative Total Exposure by Rating

Rating	Collateral Portfolio	Relative			Foreign		Duration	
		Yield Curve	Market	Real Rate	Credit	Exchange		
Investment Grade	AAA	4%	100%	100%	100%	-	100%	100%
	AA	25%	-	-	-	2%	-	-
	A	51%	-	-	-	25%	-	-
	BBB	0%	-	-	-	48%	-	-
High Yield	BB	17%	-	-	-	5%	-	-
	B	3%	-	-	-	20%	-	-
	CCC	-	-	-	-	-	-	-
	CC	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-
	D	-	-	-	-	-	-	-
No Rating	NR	-	-	-	-	-	-	-

The Portfolio is generally hedged back to Canadian dollars. From time to time, the Portfolio Manager will enter into a currency position by being long on a currency against another. The initial currency exposure of the Portfolio is expected to be as follows:

Indicative Total Exposure by Currency

Currency	Portfolio Percentage
Canada (CAD\$)	96%
United States (USD\$)	-
Euro (EUR€)	4%
Australia (AUD\$)	-
Total Exposure	100%

INVESTMENT RESTRICTIONS

Investment Restrictions of the Portfolio Trust

The Portfolio Trust will be subject to certain investment restrictions, which are set out in the Portfolio Declaration of Trust. The Portfolio Trust will not:

- a) be net short;
- b) have Net Exposure exceeding 100%;
- c) have total long positions exceeding 400% of the Net Asset Value of the Portfolio Trust;
- d) have total short positions exceeding 50% of the Total Assets of the Portfolio Trust;
- e) invest its assets in the strategies listed below (see “Investment Strategy – Long/Short Strategies”) such that the ratio of (i) total amount invested in such strategy, to (ii) Net Asset Value of the Fund allocable to such strategy at a given time, exceeds the levels specified below:

(i)	Yield Curve:	3.0:1.0
(ii)	Relative Markets:	2.0:1.0
(iii)	Real Rates:	2.0:1.0
(iv)	Credit:	2.0:1.0
(v)	Foreign Exchange:	0.3:1.0
(vi)	Duration:	1.0:1.0

- f) invest more than 10% of its net assets in any single long position or hold more than 10% of its net assets in any single short position (with the exception in either case of any AAA or AA rated government bonds, futures contracts thereof, and index tracking securities);
- g) purchase an Illiquid Asset if, immediately after the purchase, more than 10% of the net assets of the Portfolio Trust would be represented by Illiquid Assets. If at any time more than 10% of the net assets of the Portfolio Trust consists of Illiquid Assets, the Portfolio Manager will, as quickly as is commercially reasonable (and in any event within ninety (90) days), take all necessary steps to reduce the percentage of the net assets of the Portfolio Trust represented by Illiquid Assets to 10% or less;
- h) lend more than 5% of the total value of its assets through securities lending transactions;
- i) invest in derivative instruments, other than foreign exchange forward contracts and options, bond futures, interest rate futures contracts, interest rate and total return swaps, credit default swaps and equity options (both listed and unlisted);
- j) purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, the Portfolio Trust would be required to make a take-over bid that is a "formal bid" for the purposes of applicable securities laws;
- k) with the exception of securities of the Portfolio Trust's own issue, purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Portfolio Manager or any of its respective affiliates, any officer, director or shareholder of any of them, any person, trust, firm or corporation managed by the Portfolio Manager or any of their respective affiliates or any firm or corporation in which any officer, director or shareholder of the Portfolio Manager may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless such transaction complies with NI 81-107;
- l) make or hold any securities in any non-resident trusts, other than "exempt foreign trusts" as defined in proposed subsection 94(1) of the Tax Act as set forth in draft legislation released on August 27, 2010 (or pursuant to any amendments to such proposals, subsequent provisions enacted into law, or successor provisions thereto);
- m) make or maintain any direct or indirect investment that would result in the Portfolio Trust being a "tax shelter investment" for the purposes of section 143.2 of the Tax Act;
- n) invest in an offshore investment fund property such that the Portfolio Trust would be required to include any material amounts in income under section 94.1 of the Tax Act as modified by draft legislation released on August 27, 2010 (including any amendments to such provision as enacted into law and any successor provisions thereto);
- o) acquire any interest in a trust (or a partnership which holds such an interest) which would require the Portfolio Trust (or the partnership) to report income in connection with such interest pursuant to the rules in proposed section 94.2 of the Tax Act, as set forth in the proposed amendments to the Tax Act dated August 27, 2010 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);
- p) at any time, hold any property that is a "non-portfolio property" for the purposes of the SIFT Rules; or
- q) make or hold any investments in entities that would be "foreign affiliates" of the Portfolio Trust for purposes of the Tax Act.

The percentage restrictions set out above will be measured on a daily mark-to-market basis. If the percentage restriction in paragraphs (a) through (g), inclusive, are exceeded, the Portfolio Trust will sell Portfolio

securities in an orderly manner and use the proceeds therefrom to reduce the outstanding positions. If the Portfolio Trust receives from an issuer subscription rights to purchase securities of that issuer and if the Portfolio Trust exercises those subscription rights at a time when the Portfolio Trust's holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the investment restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, the Portfolio Trust has sold at least as many securities of the same class and value as would result in the investment restriction being complied with. Notwithstanding the foregoing, the restrictions in (l) through (q) above must be complied with at all times and may necessitate the selling of investments from time to time.

Investment Restrictions of the Fund

The Fund will be subject to the investment restrictions set out below. The investment restrictions of the Fund, which are set forth in the Declaration of Trust, provide that the Fund will not:

- (a) With respect to the securities acquired pursuant to the Forward Agreement, purchase any securities other than "Canadian securities" for the purposes of the Tax Act;
- (b) Purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, the Fund would be required to make a take-over bid that is a "formal bid" for the purposes of applicable securities laws;
- (c) Make or hold any investment that would result in the Fund failing to qualify as a "mutual fund trust" for purposes of the Tax Act and will not acquire any property that would be "taxable Canadian property" of the Fund as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof) (or any amendment to such definition) or other "specified property" as such term is defined in certain proposals to amend the Tax Act released on September 16, 2004; and
- (d) Make or hold any investment that would result in the Fund being subject to the tax for SIFT Trusts as provided for in section 122 of the Tax Act.

FEES AND EXPENSES

Fees and Expenses of the Fund

Initial Fees and Expenses

The expenses of the Offering (including the costs of creating and organizing the Fund, the costs of printing and preparing this prospectus, legal expenses, marketing expenses and other reasonable out-of-pocket expenses incurred by the Agents and other incidental expenses), which are estimated to be \$550,000 in the case of the minimum Offering and \$730,000 in the case of the maximum Offering (but not to exceed 1.50% of the gross proceeds of the Offering), will be paid by the Fund from the gross proceeds of the Offering. In addition, the Agents' fee will be paid to the Agents from the gross proceeds as described under "Plan of Distribution".

Management Fee

The Manager will receive a Management Fee from the Fund equal to 0.30% per annum of the Net Asset Value of the Fund (the Portfolio Trust Management Fee of 0.70% is also payable by the Portfolio Trust for a total overall management fee of 1.00%), calculated daily and payable monthly in arrears, plus an amount equal to the Service Fee described below under "Fees and Expenses – Fees and Expenses Paid by the Manager".

Trustee Fee

The Trustee is entitled to receive a fee from the Fund, currently \$10,000 per annum.

Counterparty Fees

The Fund will pay to the Counterparty an additional purchase amount under the Forward Agreement, calculated daily and payable quarterly in arrears, of 0.30% per annum of the notional amount of the Forward Agreement (being effectively equal to the Net Asset Value of the Portfolio Trust).

Ongoing Expenses of the Fund

The Fund will pay for all of its expenses incurred in connection with its operation and administration, including expenses relating to audit, legal, custody, fund accounting, independent review committee, Trustee, Unitholder recordkeeping and reporting, regulatory compliance and TSX compliance. These ongoing expenses are estimated to be \$251,000 per annum (assuming an aggregate size of the Offering of approximately \$100 million). The Fund will also be responsible for its transactional costs and any extraordinary expenses that may be incurred from time to time.

Additional Services

Any arrangements for additional services between the Fund and the Manager, or any affiliate thereof, that have not been described in this prospectus will be on terms that are no less favourable to the Fund than those available from arm's length persons (within the meaning of the Tax Act) for comparable services and the Fund will pay all expenses associated with such additional services.

All fees are subject to current and future taxes.

Fees and Expenses of the Portfolio Trust

The Portfolio Trust Management Fee

The Portfolio Manager will receive the Portfolio Trust Management Fee from the Portfolio Trust equal to 0.70% of the Net Asset Value of the Portfolio Trust (in the event that the Counterparty does not acquire the units of the Portfolio Trust, the Portfolio Trust Management Fee will be paid by the Counterparty), calculated daily and payable monthly in arrears; provided that the Portfolio Trust Management Fee payable to the Portfolio Manager shall not be paid in respect of the Net Asset Value of the Portfolio Trust attributable to any assets invested in the securities of any investment funds (including mutual funds) managed by the Portfolio Manager or an affiliate of the Portfolio Manager.

Performance Fee

The Portfolio Manager will receive, for each fiscal year of the Portfolio Trust, a Performance Fee if and only if: (i) the Portfolio Trust Performance exceeds the Hurdle Rate; and (ii) the Portfolio Trust Performance for the fiscal year remains greater than the Hurdle Rate after the payment of the Performance Fee. The Performance Fee shall be calculated and accrue daily and be paid annually, if earned. For any partial fiscal year, including with respect to Interim Performance Fees as set out below, the Hurdle Rate will be pro rated.

The amount of the Performance Fee, if any, shall be paid as of the Determination Date, except in the case of Interim Performance Fees. The Performance Fee for a given fiscal year will be an amount for each unit of the Portfolio Trust then outstanding equal to 15% of the amount by which the sum of: (i) the Net Asset Value per unit of the Portfolio Trust (calculated without taking into account the Performance Fee); and (ii) the distributions paid on such unit during the fiscal year, exceeds the Threshold Amount.

Where Units are redeemed on a particular Monthly Redemption Date, the Portfolio Trust shall pay the Portfolio Manager, if earned, a Performance Fee in respect of any concurrently redeemed units of the Portfolio Trust determined as though the Monthly Redemption Date was the Determination Date. The Interim Performance

Fees shall be payable to the Portfolio Manager on the applicable Redemption Date and will be subtracted from the redemption proceeds.

Ongoing Expenses of the Portfolio Trust

The Portfolio Trust will pay for all of its expenses incurred in connection with its operation and administration, estimated to be \$209,000 per annum (assuming an aggregate size of the Offering of approximately \$100 million). The Portfolio Trust will also be responsible for its costs of portfolio transactions and any extraordinary expenses that may be incurred from time to time.

Additional Services

Any arrangements for additional services between the Portfolio Trust and the Portfolio Manager, or any affiliate thereof, that have not been described in this prospectus will be on terms that are no less favourable to the Portfolio Trust than those available from arm's length persons (within the meaning of the Tax Act) for comparable services the Portfolio Trust will pay all expenses associated with such additional services.

Fees and Expenses Paid by the Manager

Service Fee

A Service Fee will be payable by the Manager to each dealer whose clients hold Units at the end of a calendar quarter. The Service Fee will be calculated daily and payable on the last Valuation Date of each calendar quarter and will be equal to one-quarter of 0.50% of the Net Asset Value per Unit for each Unit outstanding at such time. The initial Service Fee will be payable to registered dealers in respect of the period from Closing to September 30, 2011 and will be paid on a *pro rata* basis.

All fees are subject to current and future taxes.

RISK FACTORS

Certain risk factors relating to the Fund, the Portfolio Trust and the Units are described below. As a result of the Forward Agreement, Unitholders are exposed to risks relating to the Portfolio Trust and the Portfolio. Additional risks and uncertainties not currently known to the Manager, or that are currently considered immaterial, may also impair the operations of the Fund or the Portfolio Trust. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Fund, and the ability of the Fund to make distributions on the Units, could be materially adversely affected.

Risks Associated with an Investment in the Fund

Speculative Investment

An investment in the Fund may be deemed speculative and is not intended as a complete investment program. A purchase of Units should be considered only by persons who can bear the risk of loss associated with an investment in the Fund. Investors should review closely the investment objective, strategies and restrictions to be utilized by the Fund as outlined herein to familiarize themselves with the risks associated with an investment in the Fund.

Fluctuation in Value of Portfolio Securities

The value of the Units will vary according to the value of the securities included in the Portfolio by virtue of the Forward Agreement. The value of the securities included in the Portfolio will be influenced by factors which are not within the control of the Portfolio Trust or the Portfolio Manager, including the financial performance of the respective issuers, operational risks relating to the specific business activities of the respective issuers, quality of assets owned by the respective issuers, commodity prices, risks associated with issuers operating outside of Canada, exchange rates, interest rates, environmental risks, political risks, issues relating to government regulation,

credit markets and other financial market conditions. As a result of its exposure to the Portfolio, the Fund will also be subject to the risks inherent in investments in such securities, including the risk that the financial condition of the issuers in which the Portfolio Trust invests may become impaired or that the general condition of the stock markets may deteriorate. Certain securities included in the Portfolio may be regarded as speculative, and involve certain risk exposure to adverse conditions and may be subject to substantial price volatility, especially during times of economic change.

No Assurance in Achieving Investment Objectives or Distributions

There is no assurance that the Fund or the Portfolio Trust will be able to achieve its investment objectives. There is no assurance that the Fund will be able to pay monthly distributions to Unitholders in the short or long term, or will be able to meet its objective of providing fixed monthly distributions to Unitholders or the targeted distribution from time to time, nor is there any assurance that any capital appreciation will be attained.

By virtue of the Forward Agreement, the funds available for distribution to Unitholders will vary according to, among other things, the dividends, distributions and other amounts paid on all of the securities comprising the investments of the Portfolio, the value of the securities comprising the investments of the Portfolio and the net gains realized on the investments of the Portfolio. To the extent necessary, the Fund may return capital to Unitholders to fund the monthly distributions (in which case the Net Asset Value per Unit would be reduced).

Operating History

Although all persons involved in the management and administration of the Fund, including the service providers to the Fund, have significant experience in their respective fields of specialization, the Fund is a newly organized investment trust with no previous operating history. There is currently no public market for the Units and there can be no assurance that an active public market for the Units will develop or be sustained after completion of the Offering.

Forward Agreement Counterparty Risk

In entering into the Forward Agreement, which will be the sole material asset of the Fund, the Fund is exposed to the unsecured credit risk associated with the Counterparty. The Counterparty may have relationships with any or all of the issuers whose securities are included in the Portfolio which could conflict with the interests of the Fund. In addition, the possibility exists that the Counterparty will default on its payment obligations under the Forward Agreement or that the proceeds from the sale of Canadian securities acquired pursuant to the Forward Agreement will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third-party creditors in the event the Fund has insufficient assets, excluding the proceeds from the sale of Canadian securities acquired pursuant to the Forward Agreement, to pay its liabilities. Unitholders will have no recourse or rights against the assets of the Portfolio Trust or the Counterparty and the Counterparty is not responsible for the returns of the Portfolio.

Redemptions

Redemptions are permitted only on a Valuation Date. There are circumstances in which the Fund may suspend redemptions. See "Redemption of Units". Accordingly, Units may not be an appropriate investment for investors seeking liquidity. Substantial redemptions of Units could require the Fund to liquidate positions more rapidly than otherwise desirable to raise the necessary cash to fund redemptions and achieve a market position appropriately reflecting a smaller asset base. Such factors could adversely affect the value of the Units redeemed and of the Units that remain outstanding.

Illiquidity

There can be no assurance that the Fund will be able to dispose of its investments in order to honour requests to redeem Units.

Performance Fees

The estimated Performance Fee, if any, payable to the Portfolio Manager will be accrued at each Valuation Date as a liability of the Portfolio Trust, ultimately reducing the Net Asset Value per Unit of the Fund. The

redemption price received by an investor whose Units are redeemed will reflect an accrual for performance bonuses, based on any increase in Net Asset Value per Unit from the beginning of the fiscal year through the date of redemption. However, the accrual of performance bonuses may subsequently be reversed if the Fund's and the Portfolio Trust's performance declines, and no adjustment to a redemption price will be made after it has been fixed.

Unitholders are not Entitled to Participate in Management

Unless otherwise stated in the Declaration of Trust, Unitholders are not entitled to participate in the management of the Fund or its operations. Unitholders do not have any input into the Portfolio Manager's trading activities. The success or failure of the Fund will ultimately depend on the investment of the assets of the Portfolio Trust by the Portfolio Manager with whom the Unitholders will not have any direct dealings or interest.

Reliance on the Manager

Unitholders will be dependent on the abilities of the Manager to effectively administer the affairs of the Fund. Unitholders will be dependent on the abilities of Scott Colbourne and Michael Craig, as lead portfolio managers, and Ben Chim, as credit strategist, to effectively manage the Portfolio in a manner consistent with the investment objectives, strategy and restrictions of the Portfolio Trust. There is no certainty that these individuals will continue to be employed by the Portfolio Manager. In the event that the securities which constitute the Portfolio are changed, terminated, merged or are no longer in existence (as applicable), the Portfolio Manager may determine and allocate assets to successors or to other funds of the Portfolio Manager or managed by the lead managers of such funds or to separately managed accounts with such fund companies or lead managers in the Portfolio Manager's sole decision.

Dependence of the Manager on Key Personnel

The Manager will depend, to a great extent, on the services of a limited number of individuals in the administration of the Fund's activities. The loss of one or more of such individuals for any reason could impair the ability of the Manager to perform its investment management activities on behalf of the Fund.

Potential Indemnification Obligations

Under certain circumstances, the Fund might be subject to significant indemnification obligations in favour of the Trustee, the Manager or certain parties related to them. The Fund will not carry any insurance to cover such potential obligations and, to the Manager's knowledge, none of the foregoing parties will be insured for losses for which the Fund has agreed to indemnify them. Any indemnification paid by the Fund would reduce the Net Asset Value of the Fund and, by extension, the Net Asset Value per Unit.

Use of Prime Brokers to Hold Assets

Some or all of the Portfolio may be held in one or more margin accounts due to the fact that the Portfolio Trust will use leverage and engage in short selling. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. Each of the Prime Brokers may also lend, pledge or hypothecate the Portfolio's assets in such accounts, which may result in a potential loss of such assets. As a result, the Portfolio's assets could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if a Prime Broker experiences financial difficulty. In such case, the Portfolio Trust and in turn, the Fund may experience losses due to insufficient assets at such a Prime Broker to satisfy the claims of its creditors, and adverse market movements while its positions cannot be traded. See "Management Details of the Portfolio Trust - Prime Brokers".

Valuation of the Fund Investments

Valuation of the Portfolio and other assets may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the Net Asset Value of the Fund could be adversely affected. Independent pricing information may not at times be available regarding certain of the Portfolio's securities and other assets. Valuation determinations will be made in good faith in accordance with the Declaration of Trust.

The Portfolio may have some of its assets in investments which, by their very nature, may be extremely difficult to value accurately. To the extent that the value determined by the Fund for any such investment differs from its actual value, the Net Asset Value per Unit may be understated or overstated, as the case may be. In light of the foregoing, there is a risk that a Unitholder who redeems all or part of their Units while the Fund holds such investments will be paid an amount less than such Unitholder would otherwise be paid if the actual value of such investments is higher than the value determined by the Fund. Similarly, there is a risk that such Unitholder might, in effect, be overpaid if the actual value of such investments is lower than the value determined by the Fund. In addition, there is a risk that an investment in the Fund by a new Unitholder (or an additional investment by an existing Unitholder) could dilute the value of such investments for the other Unitholders, including, indirectly, the Fund, if the actual value of such investments is higher than the value determined by the Fund. Furthermore, there is a risk that a new Unitholder (or an additional investment by an existing Unitholder) could pay more to purchase Units than the Unitholder might otherwise be required to pay if the actual value of such investments is lower than the value determined by the Fund. The Fund does not intend to adjust the Net Asset Value per Unit retroactively.

Changes in Legislation

There can be no assurance that certain laws applicable to the Fund, including, without limitation, income tax laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act, will not be changed in a manner which adversely affects the Fund or Unitholders.

Taxation of the Fund

If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Canadian Federal Income Tax Considerations" would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Unitholders.

In determining its income for tax purposes, the Fund will not treat the acquisition of Canadian Securities Portfolio securities under the Forward Agreement as a taxable event and will treat gains or losses on any disposition of Canadian Securities Portfolio securities acquired under the Forward Agreement as capital gains and capital losses for the purposes of the Tax Act. No advance income tax ruling has been requested or obtained from the CRA regarding the timing or characterization of the Fund's income, gains or losses. If, contrary to the advice of counsel to the Fund, whether through the application of the general anti-avoidance rule or otherwise or as a result of a change of law, the acquisition of Canadian Securities Portfolio securities under the Forward Agreement was a taxable event or if gains realized on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement were treated other than as capital gains on the sale of such securities, after-tax returns to Unitholders would be reduced.

The SIFT Rules will apply to a mutual fund trust that is a SIFT Trust. Provided the Fund complies with its investment restrictions, it will not be a SIFT Trust. If the SIFT Rules were to apply to the Fund, they may have an adverse impact on the Fund including on the distributions received by Unitholders.

On October 31, 2003 the Department of Finance (Canada) announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Fund or the Portfolio Trust, deductions that would otherwise reduce the Fund's or the Portfolio Trust's taxable income could be denied, with after-tax returns to Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace this Tax Proposal would be released for comment. No such alternative proposal has been received to date. There can be no assurance that such alternative proposal will not adversely affect the Fund.

The Portfolio Trust may be subject to withholding tax imposed on distributions made on securities held in the Portfolio.

No Ownership Interest in the Portfolio

An investment in Units does not constitute an investment by Unitholders in the securities included in the Portfolio. Unitholders will not own any securities held by the Portfolio Trust or held in the Portfolio.

Conflicts of Interest - the Fund

The Manager and its directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund. Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund and the Manager.

Conflicts of Interest - the Portfolio Trust

The Portfolio Manager and its directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Portfolio Trust. Although none of the directors or officers of the Portfolio Manager will devote his or her full time to the business and affairs of the Portfolio Trust, each director and officer of the Portfolio Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Portfolio Trust and the Portfolio Manager.

Status of Fund

As the Fund is not a “mutual fund” as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds.

Not a Trust Company

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that statute or any other legislation.

Nature of Units

The Units are neither fixed income nor traditional equity securities. The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

Risks Associated with the Fund’s Underlying Investments

General Economic and Market Conditions

The success of the Portfolio’s activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Portfolio’s investments. Unexpected volatility or illiquidity could impair the Portfolio’s profitability or result in losses.

Market Call

The Portfolio Manager intends to invest in opportunities that provide what the Portfolio Manager, at the time of investment, believes to be the best reward per unit of risk. The Portfolio Manager also intends to optimize the reward per unit of risk of the Portfolio by varying the allocation of long and short positions depending on the Portfolio Manager’s view of the domestic and international economy and market trends, and other considerations.

The Portfolio will be positioned in accordance with the Portfolio Manager's market view. There is no assurance that the Portfolio Manager's assessment of the market will be correct and result in positive returns. Losses may occur as a result of any incorrect assessment.

Fixed Income Securities

The Portfolio, to the extent that it holds fixed income portfolio investments, will be influenced by financial market conditions and the general level of interest rates in Canada and other parts of the world. In particular, if fixed income investments are not held to maturity, the Portfolio may suffer a loss at the time of sale of such securities.

Credit Risk

The investments of the Portfolio in bonds will expose the Portfolio to the credit risk of the underlying issuers including risk of default on interest and principal and the risk that the credit ratings of such issuers may be downgraded in certain circumstances. Real or anticipated changes in the credit ratings on bonds held in the Portfolio may affect the market value of such bonds.

Non-Investment Grade Securities

The Portfolio may invest a portion of its assets in High Yield Debt. Such instruments may be issued by companies that are in financial difficulty, and may be in, or emerging from, bankruptcy proceedings or other legally-mandated forms of liquidation proceedings. While the investment objective of the Portfolio implies potentially higher yields on investments, to the extent that it involves the purchase of distressed or bankrupt securities or junk bonds or other high yield instruments, such investments also entail a higher risk of loss of capital. In addition, High Yield Debt instruments generally represent a higher credit risk. Distressed securities carry with them a higher credit risk as well as a higher "deal risk" (i.e. the process of restructuring the issuer of distressed securities may result in those securities being converted into a security or securities having lower potential value and/or higher risk). The length and complexity of bankruptcy and other insolvency proceedings may make it difficult for the Portfolio to realize upon its investments when it desires. Such proceedings may be governed by Canadian, U.S. or non-North American bankruptcy regimes.

Currency Risk

Investment in securities denominated in a currency other than Canadian dollars will be affected by the changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. Thus, the value of securities held in the Portfolio may be worth more or less depending on their susceptibility to foreign exchange rates.

Foreign Investment Risk

To the extent that the Portfolio holds securities of foreign issuers, it will be affected by world economic factors. Obtaining complete information about potential investments from foreign markets may also be of greater difficulty. Foreign issuers may not follow certain standards that are applicable in North America, such as accounting, auditing, financial reporting and other disclosure requirements. Political climates may differ, affecting stability and volatility in foreign markets. As a result, the Portfolio's value may fluctuate to a greater degree by investing in foreign equities than if the Portfolio limited its investments to Canadian securities.

Derivative Instruments

In using derivatives, the Portfolio is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments or another third party in the case of over-the counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by the Portfolio of margin deposits in the event of the bankruptcy of the dealer with whom the Portfolio has an open position in an option or futures or forward contract. The ability of the Portfolio to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If the Portfolio is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures, forward

and swap positions could also have an adverse impact on the Portfolio's ability to use derivative instruments to effectively hedge or implement its investment strategy.

Foreign exchange, interest rate, credit and commodity hedges will be used by the Portfolio only to the extent that the Portfolio Manager considers appropriate and as described under "Investment Objective", "Investment Strategies" and "Investment Restrictions". The Portfolio will not be hedged at all times and accordingly no assurance can be given that the Portfolio will not be adversely impacted by changes in foreign exchange rates, interest rates or commodity prices. The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Portfolio Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. The hedging arrangements may have the effect of limiting or reducing the total returns to the Portfolio if the Portfolio Manager's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with the hedging program may outweigh the benefits of the arrangements in such circumstances.

Equity Securities

To the extent that the Portfolio holds equity portfolio investments, it will be influenced by stock market conditions in those jurisdictions where the securities held in the Portfolio are listed for trading and by changes in the circumstances of the issuers whose securities are held in the Portfolio. Additionally, to the extent that the Portfolio holds any foreign investments, it will be influenced by world political and economic factors and by the value of the Canadian dollar as measured against foreign currencies which will be used in valuing the foreign investment positions held by the Fund.

Trading Costs

The Portfolio may engage in a high rate of trading activity resulting in correspondingly high transaction costs being borne by the Portfolio.

Risks of Special Techniques

The special investment techniques that the Portfolio Manager may use are subject to risks including those summarized below.

Short Sales

The possible losses to the Portfolio from a short sale of a security differ from losses that could be incurred from a long position in the same security. Losses from a short sale may be unlimited. Losses from a long position are limited to the total amount of the investment. Short positions require the borrowing of stock from another party. A recall of borrowed stock could cause the Portfolio to close out a short position at a disadvantageous price. The Portfolio also may experience difficulty repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. Purchasing assets to close out a short position can itself cause the price of the assets to rise further, thereby exacerbating the loss. In addition, in some markets there are rules prohibiting short sales at prices below the last sale price, which may prevent the Portfolio Manager from executing short sales on behalf of the Portfolio at the most desirable time. The lender from whom the Portfolio Manager has borrowed securities may go bankrupt and the Portfolio may lose the collateral it has deposited with the lender.

Concentration

The Portfolio Manager may take more concentrated positions within each strategy than a typical investment fund or concentrate investment holdings in specialized industries, market sectors or in a limited number of issuers. Investment in the Portfolio Trust involves greater risk and volatility than other investments since the performance of one particular sector, market, or issuer could significantly and adversely affect a strategy and thus affect the overall performance of the entire the Portfolio Trust.

Liquidity of Underlying Instruments

Some of the securities in which the Portfolio Manager intends to invest may be thinly traded. It is possible that the Portfolio may not be able to sell or repurchase significant portions of such positions without facing substantially adverse prices. If the Portfolio Trust is required to transact in such securities before its intended investment horizon, the performance of the Fund could suffer.

Hedging

Although a hedge is intended to reduce risk, it does not eliminate risk entirely. A hedging strategy may not be effective. A hedge can result in a loss in the case of an extraordinary event. There are several such possible cases including, but not limited to: (i) a cease trade order being issued in respect of the underlying security; (ii) the inability to maintain a short position due to the repurchase or redemption of shares by the issuing company; (iii) disappearance of any conversion premium due to premature redemptions, changes in conversion terms or changes in an issuer's dividend policy; (iv) credit quality considerations, such as bond defaults; and (v) lack of liquidity during market panics.

Securities Lending, Repurchase and Reverse Repurchase Transactions

The Portfolio Trust may enter into securities lending, repurchase transactions and reverse repurchase transactions in order to earn additional income. Securities lending involves lending securities held by the Portfolio to qualified borrowers who have posted collateral. In lending its securities the Fund is subject to the risk that the borrower may not fulfill its obligations, leaving the Portfolio Trust holding collateral worth less than the securities it has lent, resulting in a loss to the Portfolio Trust.

A repurchase transaction involves the Portfolio Trust selling a security at one price and agreeing to buy it back from the same party at a lower price. A reverse repurchase transaction involves the Portfolio Trust buying a security at one price and agreeing to sell it back to the same party at a higher price. Over time, the value of the securities sold under a repurchase transaction might exceed the value of the collateral held by the Portfolio Trust. If the other party defaults on its obligation to resell the securities to the Portfolio Trust the collateral may be insufficient to enable the Portfolio Trust to purchase replacement securities and the Portfolio Trust may suffer a loss for the difference. Similarly, over time, the value of the securities purchased by the Portfolio Trust under a reverse repurchase transaction may decline below the amount of cash paid by the Fund to the other party. If the other party defaults on its obligation to repurchase the securities from the Portfolio Trust, the Portfolio Trust may need to sell the securities for a lower price and suffer a loss for the difference.

The Portfolio Manager reduces the risk to the Portfolio Trust by requiring the other party to put up collateral, the value of which must be at least 102% of the market value of the security sold (for a repurchase transaction), cash loaned (for a reverse repurchase transaction) or security loaned (for a securities lending agreement). The value of the collateral is confirmed and reset daily. The Portfolio Trust cannot lend more than 50% of the total value of its assets through securities lending or repurchase transactions.

Indebtedness

The Portfolio Trust is entitled to, and intends to, incur indebtedness secured by the Portfolio. There can be no assurance that such a strategy will enhance returns and may reduce returns. The ability of the Portfolio Trust to incur indebtedness may increase losses in the event any securities purchased with borrowed funds decline in value, or, with respect to uncovered short sales, such securities increase in value.

Suspension of Trading

Securities exchanges typically have the right to suspend or limit trading in any instrument traded on an exchange, clearing corporation or derivative exchange. A suspension would render it impossible to liquidate positions and could thereby expose the Fund to losses.

DISTRIBUTION POLICY

In accordance with the Fund's investment objective to provide Unitholders with monthly cash distributions, the Fund intends to make monthly tax-advantaged distributions to Unitholders of record on the

second last Business Day of each of month. Distributions will be paid on a Business Day designated by the Manager that will be no later than the 10th day of the following month. The Fund will not have a fixed monthly distribution amount but will at least annually (commencing in January 2012) determine and announce an expected distribution amount for the following 12 months. The initial monthly cash distribution is anticipated to be payable on August 31, 2011 to Unitholders of record on July 31, 2011.

As at June 28, 2011, the current yield on the indicative portfolio was approximately 6.49% per annum. Given the nature of the strategies employed by the Portfolio Trust, the Manager expects that a significant component of the total return generated by the Portfolio will consist of gains from trading positions, as opposed to interest payments on Portfolio securities. Based on its initial anticipated composition, the Portfolio is expected to generate interest income of approximately 6.25% per Unit per annum. In order for the Fund to pay distributions on the Units of 6.00% per annum, funded by partial pre-settlements of the Forward Agreement (discussed below), while maintaining a stable Net Asset Value of the Fund, the Portfolio will be required to generate additional returns of approximately 2.32% in excess of the current anticipated cash yield of the Portfolio through the sale of securities or other returns assuming: (i) an aggregate size of the Offering of \$100 million; (ii) fees and expenses described under "Fees and Expenses"; and (iii) no defaults in the fixed income securities included in the Portfolio. The total return required to meet such distributions is 8.57% (the aggregate of the current cash yield of 6.25% and the aforementioned 2.32% additional return required to be generated). The Fund will not have a fixed distribution, but intends to make monthly distributions based on the actual and expected distributions and returns generated by the Portfolio less the Fund's estimated expenses. There can be no assurance that the Fund will be able to achieve its monthly distribution objective or make payments on any Redemption Payment Date.

Amounts distributed on the Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder's adjusted cost base of the Units for tax purposes. See "Canadian Federal Income Tax Considerations".

If the Fund's net income for tax purposes, including net realized capital gains, for any year exceeds the aggregate amount of the regular monthly distributions made in the year to Unitholders, the Fund will also be required to pay one or more special distributions (either in cash or Units) in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). Immediately after a *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will automatically be consolidated such that each Unitholder will hold, immediately after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution.

There can be no assurance given as to the amount of targeted distributions in the future.

PURCHASE OF SECURITIES

The Units will be sold at a price of \$10.00 per Unit during the initial distribution period. A purchaser must purchase at least 200 Units and pay \$10.00 per Unit subscribed for at Closing. Payment may be made either by direct debit from the purchaser's brokerage account or by remitting a certified cheque or bank draft to the purchaser's registered dealer or broker. Prior to Closing, all certified cheques and bank drafts will be held by the Agents. No cheques or bank drafts will be cashed prior to the Closing.

REDEMPTION OF UNITS

Annual Redemptions

Units may be redeemed at the option of Unitholders on the Annual Redemption Date of each year, commencing in December 2012. Units so redeemed will be redeemed at a redemption price equal to the Net Asset Value per Unit on the Annual Redemption Date, less any costs associated with the redemption, including commissions and other such costs, if any, related to the partial settlement of the Forward Agreement to fund such redemption. Units must be surrendered for redemption by no later than 4:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the Annual Redemption Date. Payment of the proceeds of

redemption will be made on or before the 10th Business Day of the month following the relevant Annual Redemption Date.

Monthly Redemptions

Units may be redeemed at the option of Unitholders on a Monthly Redemption Date, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered by no later than 4:00 p.m. (Toronto time) on the date which is the second last Business Day of the month preceding the Monthly Redemption Date. Payment of the redemption price will be made on or before the Redemption Payment Date, subject to the Fund's right to suspend redemptions in certain circumstances.

Unitholders surrendering a Unit for redemption will receive a redemption price equal to the lesser of: (i) 94% of the Market Price of a Unit; and (ii) 100% of the Closing Market Price of a Unit on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs, being the Monthly Redemption Amount.

Pre-Settling the Forward Agreement

The Fund may settle the Forward Agreement in whole or in part prior to the Termination Date in order to fund redemptions. The value of the Forward Agreement on a Monthly Redemption Date and, accordingly, the Net Asset Value per Unit on a Monthly Redemption Date and the redemption price will be dependent upon the performance of the Portfolio Trust and the Net Asset Value per unit of the Portfolio Trust.

Redemptions potentially offer Unitholders with the opportunity to dispose of Units at a premium to the trading price. The Performance Fee, if any, payable to the Manager will be accrued at each Valuation Date as a liability of the Fund, reducing the Net Asset Value per Unit of the Fund. The redemption price received by an investor whose Units are redeemed will reflect an accrual for performance bonuses, based on any increase in Net Asset Value per Unit from the beginning of the fiscal year through the date of redemption. However, the accrual of performance bonuses may subsequently be reversed if the Fund's performance declines. No adjustment to a redemption price will be made after it has been fixed.

Exercise of Redemption Right

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units by no later than 4:00 p.m. (Toronto time) on the applicable notice date described above. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the Annual Redemption Date or Monthly Redemption Date deadline so as to permit the CDS Participant to deliver a notice to CDS by 4:00 p.m. (Toronto time) on the notice date described above.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder's intention to redeem Units, the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the Annual Redemption Date or Monthly Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice will be for the account of the Unitholder exercising the redemption privilege.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates will be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder's instructions will not give rise

to any obligations or liability on the part of the Fund, the Trustee or the Manager to the CDS Participant or the Unitholder.

Suspension of Redemptions

The Manager, on behalf of the Fund, may suspend the redemption of Units or payment of redemption proceeds: (i) for the whole or any part of a period during which normal trading is suspended on one or more exchanges on which more than 50% of the securities included in the Canadian Securities Portfolio (by value) are listed and traded, and if the securities are not traded on any other exchange that represents a reasonable, practical alternative for the Fund; or (ii) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Portfolio or which impair the ability of the Manager to determine the value of the assets of the Portfolio. The suspension may apply to all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances, all Unitholders will have, and will be advised that they have, the right to withdraw their requests for redemption. The suspension will terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager on behalf of the Fund will be conclusive.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, counsel to the Fund, and Wildeboer Dellelce LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this prospectus. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Fund, and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making an election in accordance with the Tax Act. This summary is based on the assumptions that the Canadian Securities Portfolio will consist solely of "Canadian securities" for purposes of the Tax Act and that the Fund will elect in accordance with the Tax Act to have each of its Canadian securities treated as capital property.

This summary is based on the current provisions of the Tax Act, counsel's understanding of the current published administrative policies and assessing practices of the CRA, the Tax Proposals and certificates of the Manager and the Agents as to certain factual matters. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances, including the province or territory in which the investor resides or carries on business. Counsel expresses no views herein in respect of the deductibility of interest on any funds borrowed by a Unitholder to purchase Units. **This summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.**

Status of the Fund

This summary is based on the assumptions that the Fund will qualify, at all times, as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act and that the Fund will elect under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust, the Fund must, among other

things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units. The Manager has advised counsel that the Fund intends to make an election so that it may qualify under the Tax Act as a mutual Fund trust from the commencement of its first taxation year.

Taxation of the Fund

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the year. Counsel has been advised that the Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its income, including its net realized capital gains as described under "Distribution Policy", it will generally not be liable in such year for income tax under Part I of the Tax Act, subject to the possible application of the SIFT Rules as discussed below.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (a "**capital gains refund**"). The capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of Canadian Securities Portfolio securities acquired by the Fund under the Forward Agreement in connection with a redemption of Units.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income in accordance with the detailed rules in the Tax Act. The Fund may deduct the costs and expenses of the Offering paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days.

The Fund will not realize any income, gain or loss as a result of entering into the Forward Agreement and no amount will be included in computing the Fund's income as a result of the acquisition of Canadian Securities Portfolio securities under the Forward Agreement. The cost to the Fund of such Canadian Securities Portfolio securities will be that portion of the aggregate amount paid by the Fund under the Forward Agreement attributable to such securities and any other costs of acquisition. Provided the Fund elects in accordance with the Tax Act to have each of its "Canadian securities" treated as capital property, gains or losses realized by the Fund on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement will be taxed as capital gains or capital losses. If the obligations of the Fund and the Counterparty are settled by making cash payments, a payment made or received by the Fund may be treated as an income outlay or receipt, as applicable.

On October 31, 2003 the Department of Finance announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could be denied, with after-tax returns to Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the Tax Proposals of October 31, 2003 would be released for comment. To date, no such alternative proposal has been released.

Certain rules in the Tax Act impose tax on certain income earned by a SIFT Trust. Provided the Fund complies with its investment restrictions, it will not be a SIFT Trust and will not be liable for tax pursuant to the SIFT Rules.

Taxation of Unitholders

Subject to the possible application of the SIFT Rules described above, a Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation

year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year, whether paid in cash or additional Units. The non-taxable portion of the Fund's net realized capital gains paid or payable (whether in cash or in Units) to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed gain. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act.

On the disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that Unitholders' proceeds of disposition (net of any reasonable costs of disposition) exceed (or are less than) the adjusted cost base of the Unit. For the purpose of determining the adjusted cost base to a Unitholder of a Unit, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property that were acquired before that time. For this purpose, the cost of Units that have been issued as an Additional Distribution will generally be equal to the amount of the net income or capital gain distributed to the Unitholder in Units.

One-half of any capital gain ("taxable capital gain") realized on the disposition of Units will be included in the Unitholder's income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as net realized taxable capital gains or taxable capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

Taxation of Registered Plans

Amounts of income and capital gains distributed by the Fund to a Registered Plan are generally not taxable under Part I of the Tax Act while retained in the Registered Plan, provided that the Units are qualified investments under such a Registered Plan. Unitholders should consult with their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or the Units are listed on a designated stock exchange (which currently includes the TSX), the Units will be qualified investments under the Tax Act for trusts governed by Registered Plans.

Notwithstanding the foregoing, if the Units are "prohibited investments" for the purposes of a tax-free savings account ("TFSA"), a holder of a TFSA will be subject to a penalty tax as set out in the Tax Act. A "prohibited investment" includes a unit of a trust which does not deal at arm's length with the holder, or in which the holder has a significant interest, which, in general terms, means the ownership of 10% or more of the value of the Fund's outstanding units by the holder, either alone or together with persons with whom the holder does not deal at arm's length. Tax Proposals contain similar rules with respect to registered retirement savings plans and registered retirement income funds. Unitholders are advised to consult their own tax advisors in this regard.

Taxation Implications of the Fund's Distribution Policy

The Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time the Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Fund that accrued before the Units were acquired, notwithstanding that such amounts will have been reflected in the price paid by the Unitholder for the Units. Since the Fund makes monthly distributions, as described under "Distribution Policy", the consequences of acquiring Units late in a calendar year will generally depend on the amount of distributions

throughout the year and whether an Additional Distribution is necessary late in the calendar year to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act.

ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

The Manager of the Fund

Founded in 2000, the Manager is an independent asset management company that is wholly-owned by Sprott Inc. Sprott Inc.'s common shares trade on the TSX under the symbol SII. The Manager is dedicated to achieving superior returns for its clients over the long term. As at April 30, 2011, the Manager had \$9.2 billion in assets under management in various mutual funds and other investment funds. The Manager emphasizes independent thinking and seeks consistently to be a leader in understanding macro trends and their implications for specific industries. The Manager may be considered to be a promoter of the Fund within the meaning of the securities legislation of certain provinces and territories of Canada.

The head office and principal place of business of the Manager is at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, PO Box 27, Toronto, Ontario M5J 2J1.

Officers and Directors of the Manager and of the General Partner of the Manager

The name, municipality of residence and position(s) with the Manager and the general partner of the Manager, and the principal occupation of the directors and senior officers of the Manager and of the general partner of the Manager are as follows:

Name and Municipality of Residence	Position with the Manager	Position with the General Partner of the Manager	Principal Occupation
Eric S. Sprott Oakville, Ontario	Chief Executive Officer	Chief Executive Officer and Director	Chief Executive Officer of the Manager and the general partner of the Manager
James R. Fox Toronto, Ontario	President	President and Director	President of the Manager and the general partner of the Manager
John Ciampaglia Caledon, Ontario	Chief Operating Officer	N/A	Chief Operating Officer of the Manager
Steven Rostowsky Thornhill, Ontario	Chief Financial Officer	Chief Financial Officer and Director	Chief Financial Officer of Sprott Inc., the Manager and the general partner of the Manager
Kirstin H. McTaggart Mississauga, Ontario	Chief Compliance Officer	Corporate Secretary and Director	Chief Compliance Officer of the Manager
Allan Jacobs Toronto, Ontario	Senior Portfolio Manager, Director of Small Cap Investments	Director	Senior Portfolio Manager and Director of Small Cap Investments of the Manager
Peter J. Hodson Kitchener, Ontario	Senior Portfolio Manager	Chairman and Director	Senior Portfolio Manager of the Manager and Chairman of the general partner of the Manager

Eric Sprott: Mr. Sprott has accumulated over 35 years of experience in the investment industry. After earning his designation as a chartered accountant, Mr. Sprott entered the investment industry as a research analyst at Merrill Lynch. In 1981, he founded Sprott Securities (now called Cormark Securities Inc.), which today is one of

Canada's largest independently owned securities firms. After establishing Sprott Asset Management Inc. in 2000 as a separate entity, Mr. Sprott divested his entire ownership of Sprott Securities to its employees.

Mr. Sprott has successfully managed the Sprott Hedge Fund L.P., Sprott Hedge Fund L.P. II, Sprott Bull/Bear RSP Fund, Sprott Offshore Funds, Sprott Canadian Equity Fund, Sprott Energy Fund and Sprott Managed Accounts.

James Fox: Mr. Fox was appointed as President of the Manager in November 2009. Prior to that, Mr. Fox served as Senior Vice-President of Sales & Marketing at the Manager where he initiated the development of new products, formed a wholesale group to increase fund distribution and led marketing efforts to increase the Manager's brand awareness in Canada and abroad. Mr. Fox has been a key contributor to the Manager's sales effort and strategic business initiatives, which have resulted in assets under management growing from \$50 million to \$4.3 billion over his tenure. Mr. Fox joined the Manager in June 1999 after completing his Masters of Business Administration at the University of Toronto's Rotman School of Management.

John Ciampaglia: Mr. John Ciampaglia joined the Manager in April 2010 as Chief Operating Officer. Mr. Ciampaglia has 17 years of experience in the investment industry. Prior to joining the Manager, he was a Senior Executive at Invesco Trimark; Mr. Ciampaglia was an active member of the firm's Executive Committee and held the position of Senior Vice President, Product Development. Mr. Ciampaglia was responsible for overseeing the product development function across multiple product lines and distribution channels. He also played a key role in initiating and leading the implementation of various strategic initiatives for the firm. Prior to joining Invesco Trimark, Mr. Ciampaglia spent more than four years at TD Asset Management, where he held progressively senior product management and research roles. He earned a Bachelor of Arts in Economics from York University, holds the Chartered Financial Analyst designation and is a Fellow of the Canadian Securities Institute.

Steven Rostowsky: Mr. Rostowsky joined Sprott Inc. in March 2008 as Chief Financial Officer and currently also serves as Chief Financial Officer of the Manager and the general partner of the Manager. Prior to March 2008, he was a Senior Vice-President, Finance & Administration at the Investment Dealers Association of Canada (now part of the Investment Industry Regulatory Organization of Canada) (the "IDA"). As a member of the IDA's senior management team, Mr. Rostowsky was responsible for non-regulatory functional areas including Finance, Human Resources, Information Technology and the Association Secretary. Prior to joining the IDA in January 2005, Mr. Rostowsky was the Chief Financial Officer and the Chief Compliance Officer of Guardian Group of Funds Ltd. since July 2001 when Guardian Group of Funds was acquired by a Canadian Chartered Bank. At that time he was a Vice-President, Finance for Guardian Capital Group Limited, Guardian Group of Funds' former parent company. Mr. Rostowsky is a Chartered Accountant and a Chartered Financial Analyst, and graduated with a Bachelor of Business Science (Finance) and a post-graduate accounting degree, both from the University of Cape Town, South Africa.

Kirstin McTaggart: Ms. McTaggart joined the Manager (and its predecessor Sprott Asset Management Inc.) in April 2003 as a compliance officer and subsequently became the Chief Compliance Officer in April 2007. Ms. McTaggart currently also serves as the Corporate Secretary of the general partner of the Manager, Sprott Inc., Sprott Private Wealth LP and Sprott Private Wealth GP Inc. Ms. McTaggart has accumulated over 21 years of experience in the financial and investment industry. Prior to April 2003, Ms. McTaggart spent five years as a Senior Manager at Trimark Investment Management Inc., where her focus was the development of formal compliance and internal control policies and procedures.

Allan Jacobs: Mr. Jacobs has over 26 years of experience in the investment industry. Mr. Jacobs joined the Manager in August 2007 as Director of Small Cap Investments with a focus on the Sprott Small Cap Funds. Mr. Jacobs is a Senior Portfolio Manager who is responsible for managing the Sprott Small Cap Equity Fund (a mutual fund) and the Sprott Small Cap Hedge Fund. These funds total approximately \$244 million as at December 31, 2010, of which approximately \$163 million is invested in the resource sectors. He is a co-manager with Eric Nuttall of the Sprott 2010 Flow-Through Limited Partnership with assets of approximately \$57 million as at December 31, 2010, Sprott 2011 Flow-Through Limited Partnership and also manages part of the Sprott Canadian Equity Fund.

Prior to joining the Manager, Mr. Jacobs was head of Canadian Small Cap equities at Sceptre Investment Counsel, where he managed funds with combined investments in small cap stocks of over \$1.5 billion, including approximately \$750 million in resource issuers. While at Sceptre Investment Counsel, Mr. Jacobs was the portfolio manager of the Sceptre Equity Growth Fund, the Sceptre Canadian Equity Small Cap Pooled Fund and the Sceptre Small Cap Opportunities Fund (now called the Sprott Small Cap Hedge Fund).

Prior to joining Sceptre in 1993, Mr. Jacobs managed the largest equity fund in South Africa for Old Mutual and spent four years at Canada Life Investment Management Limited as the portfolio manager of Canada Life's Specialty Growth Fund, a small cap Canadian equities fund.

Peter Hodson: Mr. Hodson joined the Manager in January 2006 and is currently the lead portfolio manager for the Sprott Growth Fund. Mr. Hodson also serves as Chairman of the general partner of the Manager. Mr. Hodson has over 22 years of experience in the investment industry. Prior to January 2006, Mr. Hodson was a Vice-President, Portfolio Management at CI Investments where he was responsible for overseeing the management of various retail mutual funds under the Signature Group; prior to October 2005, he was a Vice-President, Investments at Waterfall Investment Inc.; prior to October 2003, he was a Vice-President, Investments at CI Investments when CI acquired Synergy Mutual Funds Ltd. in 2003 where he had been a portfolio manager since November 1997; prior to October 1994, he was an Associate Director, Equities where he managed over \$1 billion in assets for a small cap fund at Mutual Asset Management Ltd. and; prior to 1991, he was a Managing Director at Dominion Bond Rating Service (now DBRS Limited). Mr. Hodson graduated with a Bachelor of Arts in Economics from the University of Western Ontario in 1985 and received his Chartered Financial Analyst designation in 1991.

Duties and Services to be Provided by the Manager

Pursuant to the Declaration of Trust and the Management Agreement, the Manager has exclusive authority to manage the business and affairs of the Fund, to make all decisions regarding the business of the Fund and has authority to bind the Fund. The Manager may delegate certain of its powers to third parties at no additional cost to the Fund where, in the discretion of the Manager, it would be in the best interests of the Fund to do so.

The Manager is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill that a reasonably prudent manager would exercise in comparable circumstances. The Declaration of Trust and Management Agreement provide that the Manager will not be liable in any way for any default, failure or defect of the assets of the Fund if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence or breach of its duties or standard of care, diligence and skill. Among other restrictions imposed on the Manager, it may not dissolve the Fund or wind up the affairs of the Fund except if, in its opinion, it would be in the best interests of Unitholders to terminate the Fund or otherwise in accordance with the provisions of the Declaration of Trust.

Details of the Management Agreement

Under the terms of the Management Agreement, the Manager is responsible for providing, or causing to be provided, investment fund management, portfolio management and administrative services and facilities to the Fund, including, without limitation: (i) entering into the Forward Agreement on behalf of the Fund and administering the Forward Agreement; (ii) authorizing and paying expenses incurred on behalf of the Fund; (iii) appointing the Custodian, registrar and transfer agent, auditors, legal counsel, independent review committee and other organizations or professionals serving the Fund; (iv) providing office space and facilities; (v) preparing accounting, management and other reports, including such interim and annual reports to Unitholders, financial statements, tax reporting to Unitholders and income tax returns as may be required by applicable law; (vi) monitoring the ability of the Fund to pay distributions; (vii) communicating with Unitholders; (viii) ensuring that the Net Asset Value per Unit is calculated and published; (ix) ensuring that the Fund complies with all regulatory requirements and applicable stock exchange listing requirements; (x) calling meetings of Unitholders as required; and (xi) providing such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund.

In consideration for these services, the Fund will pay to the Manager the Management Fee and reimburse the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. See “Fees and Expenses – Fees and Expenses of the Fund - Management Fee”. The Manager and each of its directors, officers, employees, consultants and agents are indemnified and will be reimbursed by the Fund to the fullest extent permitted by law against all liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Fund, and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with the services provided to the Fund described herein or as a director, officer, employee, consultant or agent thereof, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may hereafter be made a party by reason of being or having been the manager, the portfolio manager, trustee or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person’s wilful misconduct, bad faith, negligence, breach of their duties or standard of care, diligence and skill or material breach or default of their obligations under the Declaration of Trust or Management Agreement.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager until the termination of the Fund. The Manager may resign if the Fund is in breach or default of the provisions of the Declaration of Trust or the Management Agreement and, if capable of being cured, such breach or default has not been cured within 30 days notice of such breach or default to the Fund. The Management Agreement may be terminated by the Trustee immediately in the event of the commission by the Manager of a fraudulent act and shall be automatically terminated if the Manager becomes bankrupt or insolvent or in the event the Manager ceases to be resident in Canada for purposes of the Tax Act. The Manager may not be removed other than by an Extraordinary Resolution of Unitholders. In the event the Manager is in material breach or default of the provisions of the Declaration of Trust or the Management Agreement and, if capable of being cured, such breach or default has not been cured within 30 days notice of such breach or default to the Manager, the Trustee shall give notice thereof to Unitholders and Unitholders may direct the Trustee by Ordinary Resolution to remove the Manager and appoint a successor Manager. The Management Agreement may be terminated at any time by the Trustee, on behalf of the Fund, on 90 days written notice to the Manager with the approval of Unitholders by an Extraordinary Resolution.

The services of the Manager and the officers and directors of the Manager are not exclusive to the Fund. The Manager and its affiliates and associates may, at any time, engage in any other activity including the administration of any other fund or trust.

Portfolio Advisor

The Manager is also the portfolio advisor of the Fund and the Portfolio Trust. Pursuant to the Declaration of Trust and the Management Agreement, the Manager will be responsible for executing the Fund’s investment strategy which includes entering into the Forward Agreement. The individuals who will have primary responsibility for the execution of the Fund’s investment strategy is Scott Colbourne and Michael Craig, as lead portfolio managers, and Ben Chim, as credit strategist.

Scott Colbourne: Mr. Colbourne, CFA, joined the Manager in March 2010 as a senior portfolio manager. A four-time Morningstar award winning global fixed income manager, he has over twenty-two years of global and domestic fixed income and currency experience. Mr. Colbourne began his career at the Bank of Canada where he worked in both research and trading which assisted in the execution of monetary policy. Previously, Mr. Colbourne was a portfolio manager at TD Asset Management from 2007-2010, where he was part of a team that managed all the firm’s active fixed income institutional, retail and private client assets. From 1996-2006, Mr. Colbourne was a senior Vice President and portfolio manager at AGF Funds Inc. where he managed all of the fixed income mandates and co-managed balanced funds. Mr. Colbourne has an MBA from University of Toronto and an Honours BA from Queens University.

Mr. Colbourne is currently managing and/or co-managing the Sprott Diversified Bond Fund (2010-present), the Sprott Absolute Return Income Fund (2010-present), the Sprott Short-term Bond Fund (2010-present) and the Sprott Tactical Balanced Fund (2010–present). He has also managed and/or co-managed the TD Global Bond Fund (2008-2010), the TD Canadian Core Plus Bond Fund (2008-2010), the Cornerstone Absolute Return Fund LP (2006-2007), AGF Canadian Bond Fund (1996-2006), AGF Canadian High Yield Bond Fund (2001-2006), AGF

Global High Yield Bond Fund (2001-2006), AGF Global Government Bond Fund (1996-2006), AGF RSP Global Bond Fund (1996-2006) and AGF Real Value Balanced Fund (2003-2006).

Michael Craig: Mr. Craig, CFA, joined the Manager in May 2010 as a portfolio manager. Mr. Craig began his career at Phillips, Hager and North in 2000. During his five years he was instrumental in developing fixed income analytics, attribution, trade systems and risk management tools, which support the fixed income platform. Most recently Mr. Craig was a Vice-President at TD Asset Management where he led the development of the leading analytical platform, which supported in excess of \$150 billion of fixed income assets under management. Mr. Craig was also a co-manager on the Managed Asset Programs, TD Advantage and TD Fundsmart portfolios. Michael obtained his Bachelors in Commerce (Management Information Systems) from UBC in 1999 and a Masters in Financial Risk Management from Simon Fraser University in 2006.

As a member of the investment teams of two of Canada's leading fixed income shops, Mr. Craig, was instrumental in building their leading edge fixed income portfolio analytics platforms. Mr. Craig spearheaded the development of the Manager's own proprietary portfolio analytics platform.

Ben Chim: Mr. Chim, CFA, joined the Manager in May 2011 as a credit strategist. Mr. Chim has over ten years of experience in bond and credit analysis. Mr. Chim began his career at DBRS as a credit analyst where he researched and analyzed bonds for various industries across the credit spectrum. Most recently, Mr. Chim was a Vice-President at TD Asset Management where he was part of a team that managed the firm's active high yield fixed income assets, including the TD High Yield Bond Fund. From 2006-2008, Mr. Chim was an investment analyst at CI Investments Inc. where he was part of a team that managed all of the active high yield fixed income assets in the Signature Funds group. Mr. Chim obtained his Bachelors of Administration and Commercial Studies from the University of Western Ontario in 2000.

The investment decisions made by these individuals are not subject to the oversight, approval or ratification of any committee of the Fund. The names and municipalities of residence of the officers of the Manager, are set out under "Organization and Management Details of the Fund – Officers and Directors of the Manager and of the General Partner of the Manager".

Broker Arrangements

Decisions as to the purchase and sale of portfolio assets and portfolio securities, and the execution of portfolio transactions, including the selection of the market, broker and the negotiation of commissions are made by the Portfolio Manager. In effecting portfolio transactions, overall service and prompt execution of orders on favourable terms will be a primary consideration. In all circumstances, the Portfolio Manager will seek to obtain the best order execution for each Fund and to minimize transaction costs.

The Portfolio Manager does not direct any brokerage transactions involving client brokerage commissions to a dealer in return for any goods and services other than order execution.

Provided that pricing, service and other terms are comparable or less costly than those offered by other dealers, it is anticipated that a portion of the portfolio transactions for the Funds will be arranged through Sprott Private Wealth LP, a registered investment dealer and an affiliate of Sprott Asset Management LP. At times, the Funds may direct a significant portion of portfolio transactions to Sprott Private Wealth LP.

Conflicts of Interest

The directors and officers of the Manager may be directors, officers, shareholders or unitholders of one or more issuers in which the Portfolio Trust may acquire securities. The Manager and its respective affiliates or associates may be managers or portfolio managers of one or more issuers in which the Portfolio Trust may acquire securities and may be managers or portfolio managers of funds that invest in the same securities as the Portfolio Trust. The services of the Manager are not exclusive to the Fund or the Portfolio Trust. The Manager may in the future act as the manager or investment advisor to other funds and companies and may in the future act as the manager or investment advisor to other funds which invest in securities and which are considered competitors of the Fund or the Portfolio Trust.

The Declaration of Trust acknowledges that the Trustee may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services.

Independent Review Committee

The Manager has established an independent review committee for all mutual funds and other investment funds managed by the Manager or any of its affiliates, which includes the Fund. The independent review committee is composed of three members, each of whom is independent of the Manager and its affiliates, and free from any interest and any business or other relationship which could, or could be reasonably perceived to, materially interfere with the exercise of an independent review committee member's judgment.

The Manager will refer all conflict of interest matters to the independent review committee for its review and/or approval. The Manager has established a written charter for the independent review committee, which includes its mandate, responsibilities and functions, and the written policies and procedures it will follow when performing its functions, including dealing with conflict of interest matters, as required by NI 81-107. The Manager will maintain records in respect of these matters and will provide assistance to the independent review committee in carrying out its functions. The independent review committee will conduct regular assessments and provide reports, at least annually, to the Fund and to Unitholders in respect of its functions, as required by NI 81-107.

The independent review committee will:

- (a) review and provide input on the Manager's written policies and procedures that deal with conflict of interest matters;
- (b) review conflict of interest matters referred to it by the Manager and make recommendations to the Manager regarding whether the Manager's proposed actions in connection with the conflict of interest matter achieve a fair and reasonable result for the Fund;
- (c) consider and, if deemed appropriate, approve the Manager's decision on a conflict of interest matter that the Manager refers to the independent review committee for approval; and
- (d) perform such other duties as may be required of the independent review committee under applicable Canadian securities legislation.

The current members of the independent review committee, which will also act as the independent review committee for the Portfolio Trust are as follows:

- (a) **Lawrence A. Ward (Chair):** Mr. Ward is a consultant and a retired partner of PricewaterhouseCoopers LLP, Chartered Accountants.
- (b) **Eamonn McConnell:** Mr. McConnell is a consultant and a former managing director of Deutsche Bank (Europe and Asia).
- (c) **W. William Woods:** Mr. Woods is a consultant and a lawyer, and the former Chief Executive Officer of the Bermuda Stock Exchange.

The independent review committee will prepare a report, at least annually, of its activities for Unitholders which will be available on the Manager's website at www.sprott.com, or at the Unitholder's request at no cost, by contacting the Manager at invest@sprott.com.

Remuneration of Directors, Officers and Independent Review Committee Members

The officers of the Manager will receive their remuneration from the Manager. The directors of the Manager do not receive any director fees. The fees and other reasonable expenses of members of the independent review committee, as well as premiums for insurance coverage for such members, are paid by the Fund and other

applicable funds managed by the Manager on a *pro rata* basis. The main components of compensation for members of the Independent Review Committee are an annual retainer and a fee for each committee meeting attended. The Chair of the Independent Review Committee receives an annual retainer of \$30,000 and each of the other members receives an annual retainer of \$25,000. In addition, the Fund and the Manager have agreed to indemnify the members of the independent review committee against certain liabilities. The expenses of the directors of the Manager and the premiums for directors' and officers' insurance coverage for the directors and officers of the Manager are paid by the Manager.

Trustee

Computershare Trust Company of Canada is the Trustee of the Fund. The Trustee is responsible for certain aspects of the administration of the Fund as described in the Declaration of Trust. The address of the Trustee is 100 University Ave., 9th Floor, Toronto, Ontario, M5J 2Y1.

The Trustee or any successor trustee may resign upon 90 days written notice to the Manager or may be removed by an Extraordinary Resolution passed at a meeting of Unitholders called for such purpose. Any such resignation or removal will become effective only on the appointment of a successor trustee. If, after notice of resignation has been received from the Trustee, no successor has been appointed within 90 days of such notice, the Trustee, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee. In addition, the Manager may remove the Trustee in accordance with the Declaration of Trust. The Manager will provide notice of such event upon at least 30 days' notice to Unitholders of such termination by way of press release. Any such termination will become effective only on the appointment of a successor trustee by the Manager.

Pursuant to the Declaration of Trust, the Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases of wilful misconduct, bad faith, gross negligence or the reckless disregard of its obligations or duties or breach of its standard of care and duty. The Declaration of Trust provides that the Trustee will not be liable in any way for any default, failure or defect in any of the securities of the Canadian Securities Portfolio if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Trustee and each of its directors, officers, and employees will be indemnified by the Fund for all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Trustee or any of its officers, directors or employees in the exercise of its duties under the Declaration of Trust, except those resulting from such person's wilful misconduct, bad faith, gross negligence, reckless disregard of such person's obligations or duties or breach of their standard of care in relation to the matter in respect of which indemnification is claimed. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees from the Fund as described under "Fees and Expenses — Fees and Expenses of the Fund - Ongoing Expenses of the Fund" and to be reimbursed by the Fund for all expenses which are reasonably incurred by the Trustee in connection with the activities of the Fund.

Custodian

State Street Trust Company Canada, Toronto, Ontario will be separately appointed as the custodian of the assets of the Fund and the Portfolio Trust. The Custodian will be responsible for safekeeping of all the investments and other assets of the Fund and the Portfolio Trust delivered to it (but not those assets of the Fund or the Portfolio Trust not directly controlled or held by the Custodian, as the case may be). The Custodian may employ sub-custodians as considered appropriate in the circumstances. Subject to certain exemptions as set out in the Custodian Agreement, the Custodian is not responsible for any ongoing assessment, adequacy or monitoring of or any liability for any loan or credit facility or any liability for holding or controlling any property of the Fund or the Portfolio Trust pledged to a counterparty and not directly held by the Custodian.

Auditor

The auditor of the Fund and the Portfolio Trust is Ernst & Young LLP, Chartered Accountants, at Ernst & Young Tower, 222 Bay Street, P.O. Box 251, Toronto Dominion Centre, Toronto, Ontario M5K 1J7.

Transfer Agent and Registrar

Computershare Investor Services Inc. will act as transfer agent and registrar for the Units and will maintain the securities registers at its office in Toronto, Ontario.

Valuation Agent

State Street Fund Services Toronto Inc. will be separately appointed as the valuation agent of the Fund and the Portfolio Trust at its offices in Toronto, Ontario. The Valuation Agent is responsible for providing administration services to the Fund and the Portfolio Trust, including fund valuation and financial reporting services and will calculate the Net Asset Value of the Fund and the Portfolio Trust and Net Asset Value per Unit and per unit of the Portfolio Trust pursuant to the terms of separate valuation agent agreements. See "Calculation of Net Asset Value".

Promoter

The Manager may be considered a promoter of the Fund by reason of its initiative in forming and establishing the Fund and taking the steps necessary for the public distribution of the Units. The Manager will not receive any benefits, directly or indirectly, from the issuance of Units offered hereunder other than amounts paid to the Manager as described under "Fees and Expenses".

MANAGEMENT DETAILS OF THE PORTFOLIO TRUST**The Portfolio Trust**

The Portfolio Trust is a newly created investment trust established by the Portfolio Trustee pursuant to the Portfolio Declaration of Trust for the purpose of acquiring the Portfolio.

The Portfolio Trust is authorized to issue an unlimited number of transferable, redeemable units, each of which will represent an equal, undivided interest in the net assets of the Portfolio Trust. Each unit of the Portfolio Trust will entitle a holder thereof to the same rights and obligations as a holder of any other unit of the Portfolio Trust and no unitholder of the Portfolio Trust will be entitled to any privilege, priority or preference in relation to any other unitholder. Each unitholder of the Portfolio Trust will be entitled to one vote for each Portfolio Trust unit held and will be entitled to participate equally with respect to any and all distributions made by the Portfolio Trust. On termination of the Portfolio Trust, all the Portfolio Trust unitholders of record, holding outstanding Portfolio Trust units will be entitled to receive any assets of the Portfolio Trust remaining after payment of all debts, liabilities and liquidation expenses of the Portfolio Trust. The Portfolio Declaration of Trust will require that all holders of units be residents of Canada.

Duties and Services to be Provided by the Portfolio Manager

Pursuant to the Portfolio Declaration of Trust and the Portfolio Management Agreement, the Portfolio Manager has exclusive authority to manage the business and affairs of the Portfolio Trust, to make all decisions regarding the business of the Portfolio Trust and has authority to bind the Portfolio Trust. The Portfolio Manager may delegate certain of its powers to third parties at no additional cost to the Portfolio Trust where, in the discretion of the Portfolio Manager, it would be in the best interests of the Portfolio Trust to do so.

The Portfolio Manager is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of the Portfolio Trust and to exercise the care, diligence and skill that a reasonably prudent manager would exercise in comparable circumstances. The Portfolio Declaration of Trust and Portfolio Management Agreement provide that the Portfolio Manager will not be liable in any way for any default, failure or defect of the assets of the Portfolio Trust or the Portfolio if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Portfolio Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence or breach of its duties or standard of care, diligence and skill. Among other

restrictions imposed on the Portfolio Manager, it may not dissolve the Portfolio Trust or wind up the affairs of the Portfolio Trust except if, in its opinion, it would be in the best interests of the unitholders of the Portfolio Trust to terminate the Portfolio Trust or otherwise in accordance with the provisions of the Portfolio Declaration of Trust.

Details of the Portfolio Management Agreement

Under the terms of the Portfolio Management Agreement, the Portfolio Manager is responsible for providing, or causing to be provided, investment fund management, portfolio management and administrative services and facilities to the Portfolio Trust, including, without limitation: (i) authorizing and paying expenses incurred on behalf of the Portfolio Trust; (ii) appointing the Custodian, the Prime Brokers, auditors, legal counsel, independent review committee and other organizations or professionals serving the Portfolio Trust; (iii) providing office space and facilities; (iv) preparing accounting, management and other reports, including such interim and annual reports to unitholders, financial statements, tax reporting to unitholders and income tax returns as may be required by applicable law; (v) monitoring the ability of the Portfolio Trust to pay distributions; (vi) monitoring and managing the aggregate leverage ratios of the Portfolio Trust; (vii) communicating with unitholders; (viii) ensuring that the Net Asset Value per unit of the Portfolio Trust is calculated; (ix) ensuring the Portfolio Trust complies with all regulatory requirements; (j) calling meetings of unitholders as required; (x) reporting to the independent review committee (as described under “Management Details of the Portfolio Trust - Independent Review Committee of the Portfolio Trust”) and (xi) providing such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Portfolio Trust.

In consideration for these services, the Portfolio Trust will pay to the Portfolio Manager the Portfolio Trust Management Fee and the Performance Fee and reimburse the Portfolio Manager for all reasonable costs and expenses incurred by the Portfolio Manager on behalf of the Portfolio Trust. See “Fees and Expenses — Fees and Expenses of the Portfolio Trust - the Portfolio Trust Management Fee” and the “Performance Fee”. The Portfolio Manager and each of its directors, officers, employees, consultants and agents will be indemnified and will be reimbursed by the Portfolio Trust to the fullest extent permitted by law against all liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Portfolio Trust, and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with the services provided to the Portfolio Trust described herein or as a director, officer, employee, consultant or agent thereof, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may hereafter be made a party by reason of being or having been the manager, the portfolio manager, trustee or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person’s wilful misconduct, bad faith, negligence, breach of their duties or standard of care, diligence and skill or material breach or default of their obligations under the Portfolio Declaration of Trust or the Portfolio Management Agreement.

Unless the Portfolio Manager resigns or is removed as described below, the Portfolio Manager will continue as manager until the termination of the Portfolio Trust. The Portfolio Manager may resign if the Portfolio Trust is in breach or default of the provisions of the Portfolio Declaration of Trust and the Portfolio Management Agreement and, if capable of being cured, such breach or default has not been cured within 30 days notice of such breach or default to the Portfolio Trust. The Portfolio Manager is deemed to have resigned if the Portfolio Manager becomes bankrupt or insolvent or in the event the Portfolio Manager ceases to be resident in Canada for purposes of the Tax Act. The Portfolio Manager may not be removed other than by an extraordinary resolution of the unitholders of the Portfolio Trust. In the event the Portfolio Manager is in material breach or default of the provisions of the Portfolio Declaration of Trust or the Portfolio Management Agreement and, if capable of being cured, such breach or default has not been cured within 30 days notice of such breach or default to the Portfolio Manager, the Portfolio Trustee shall give notice thereof to unitholders and unitholders may direct the Portfolio Trustee by ordinary resolution to remove the Portfolio Manager and appoint a successor manager.

The services of the Portfolio Manager and the officers and directors of the Portfolio Manager are not exclusive to the Portfolio Trust. The Portfolio Manager and its affiliates and associates may, at any time, engage in any other activity including the administration of any other fund or trust.

Conflicts of Interest

The directors and officers of the Portfolio Manager may be directors, officers, shareholders or unitholders of one or more issuers in which the Portfolio Trust may acquire securities. The Portfolio Manager and its respective affiliates or associates may be managers or portfolio managers of one or more issuers in which the Portfolio Trust may acquire securities and may be managers or portfolio managers of funds that invest in the same securities as the Portfolio Trust. The services of the portfolio managers are not exclusive to the Portfolio Trust. The Portfolio Manager may in the future act as the manager or investment advisor to other funds and companies and may in the future act as the manager or investment advisor to other funds which invest in securities and which are considered competitors of the Portfolio Trust.

In addition, to the extent permitted by law or otherwise, other investment funds managed by the Portfolio Manager may acquire and sell Units from time to time.

The services of the Portfolio Manager are not exclusive to the Portfolio Trust. The Portfolio Manager and its affiliates and associates (as defined in the *Securities Act* (Ontario)) may, at any time, engage in the promotion or management of any other fund, trust or investment portfolio. Since the Portfolio Manager will continue to manage the investments of its other clients, the Portfolio Manager may acquire or dispose of the same investment for the Portfolio Trust and for one or more of its other clients. However, because of the different investment policies, the Portfolio Manager may be selling an investment for one client and buying the same investment for another client.

The primary consideration in all Portfolio transactions will be prompt execution of orders in an efficient manner at the most favourable price. In selecting and monitoring dealers, the Portfolio Manager considers the dealer's reliability, the quality of its execution services on a continuing basis and its financial condition. When more than one dealer is believed to meet these criteria, preference may be given to dealers who provide research or statistical material or other services to the Portfolio Trust or to the Portfolio Manager or its affiliates. This allows the Portfolio Manager to supplement their own investment research activities and obtain the views and information of others prior to making investment decisions.

The Portfolio Declaration of Trust acknowledges that the Portfolio Trustee may provide services to the Portfolio Trust in other capacities, provided that the terms of any such arrangements are no less favourable to the Portfolio Trustee than those which would be obtained from parties which are at arm's length for comparable services.

Independent Review Committee of the Portfolio Trust

As previously described, the independent review committee for the Portfolio Trust is comprised of all the members of the Fund's independent review committee and are remunerated in the same manner as the Fund's independent review committee. See "Organization and Management Details of the Fund - Independent Review Committee".

The Portfolio will be monitored and reviewed by the Portfolio Manager, as manager of the Portfolio Trust, on a daily basis to ensure that it complies with the investment objectives, strategies and restrictions of the Portfolio, and on an aggregate basis, with the investment objectives, strategies and restrictions of the Portfolio Trust. The Portfolio Manager will report to the independent review committee of the Portfolio Trust on an annual basis prior to the end of the Portfolio Trust's fiscal year with respect to the performance of the Portfolio.

Trustee

Computershare Trust Company of Canada is the trustee of the Portfolio Trust. The Portfolio Trustee is responsible for certain aspects of the administration of the Portfolio Trust as described in the Portfolio Declaration of Trust. The address of the Portfolio Trustee is 100 University Ave., 9th Floor, Toronto, Ontario, M5J 2Y1.

The Portfolio Trustee or any successor trustee may resign upon 90 days written notice to the Portfolio Manager or may be removed by an Extraordinary Resolution passed at a meeting of unitholders of the Portfolio Trust called for such purpose. Any such resignation or removal will become effective only on the appointment of a

successor trustee. If, after notice of resignation has been received from the Portfolio Trustee, no successor has been appointed within 90 days of such notice, the Portfolio Trustee, the Portfolio Manager or any unitholder of the Portfolio Trust may apply to a court of competent jurisdiction for the appointment of a successor trustee. In addition, the Portfolio Manager may remove the Portfolio Trustee in accordance with the Portfolio Declaration of Trust. The Portfolio Manager will provide notice of such event upon at least 30 days' notice to Unitholders of such termination by way of press release. Any such termination will become effective only on the appointment of a successor trustee by the Portfolio Manager.

Pursuant to the Portfolio Declaration of Trust, the Portfolio Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Portfolio Declaration of Trust provides that the Portfolio Trustee will not be liable in carrying out its duties under the Portfolio Declaration of Trust except in cases of wilful misconduct, bad faith, gross negligence or the reckless disregard of its obligations or duties or breach of its standard of care and duty. The Portfolio Declaration of Trust provides that the Portfolio Trustee will not be liable in any way for any default, failure or defect in any of the securities of the Portfolio if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Portfolio Trustee and each of its directors, officers, and employees will be indemnified by the Portfolio Trust for all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Portfolio Trustee or any of its officers, directors or employees in the exercise of its duties under the Portfolio Declaration of Trust, except those resulting from such person's wilful misconduct, bad faith, gross negligence, reckless disregard of such person's obligations or duties or breach of their standard of care in relation to the matter in respect of which indemnification is claimed. In addition, the Portfolio Declaration of Trust contains other customary provisions limiting the liability of the Portfolio Trustee and indemnifying the Portfolio Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Portfolio Trustee is entitled to receive fees from the Fund as described under "Fees and Expenses – Fees and Expenses of the Portfolio Trust – Ongoing Expenses of the Portfolio Trust" and to be reimbursed by the Portfolio Trust for all expenses which are reasonably incurred by the Portfolio Trustee in connection with the activities of the Portfolio Trust.

Prime Brokers

Barclays Capital Prime Services and Scotia Capital Inc. at their offices in Toronto, Ontario, will be appointed as the Prime Brokers of the Portfolio Trust to facilitate short selling of securities pursuant to agreements with the Portfolio Trust.

CALCULATION OF NET ASSET VALUE

Calculation of Net Asset Value

The Manager, who may consult the Trustee, any member of their investment team, Custodian, Prime Brokers, Valuation Agent and/or the auditors of the Fund, will calculate the Net Asset Value per Unit on each Valuation Date. The Fund will make available to the financial press for publication on a daily basis, the Net Asset Value per Unit. Such amount will also be available on the Manager's website at www.sprott.com.

Valuation Policies and Procedures

For reporting purposes other than financial statements, the Net Asset Value of the Fund or the Net Asset Value of the Portfolio Trust on a particular date will be equal to: (i) the aggregate value of the assets of the Fund or the Portfolio Trust less; (ii) the aggregate value of the liabilities of the Fund or the Portfolio Trust, respectively. The net asset value of units of the Portfolio Trust on a particular date will be equal to the Net Asset Value of the Fund or the Net Asset Value per unit of the Portfolio Trust, including an allocation of any net realized capital gains or other amounts payable to unitholders on or before such date expressed in Canadian dollars at the applicable exchange rate on such date. The Net Asset Value per Unit on any day will be obtained by dividing the Net Asset Value of the Fund on such day by the number of Units then outstanding.

For the purpose of calculating Net Asset Value of the Fund or the Portfolio Trust on a Valuation Date, the value of the aggregate assets, and any short positions of the Fund or the Portfolio Trust on such Valuation Date, will be determined as follows:

- (a) The assets of the Fund or the Portfolio Trust shall be deemed to include the following property:
 - (i) all cash on hand or on deposit, including any interest accrued thereon adjusted for accruals deriving from trades executed but not yet settled;
 - (ii) all bills, notes and accounts receivable;
 - (iii) all bonds, debentures, shares, subscription rights and other securities owned by or contracted for the Fund or the Portfolio Trust;
 - (iv) all shares, rights and cash dividends and cash distributions to be received by the Fund or the Portfolio Trust, as applicable, and not yet received by it when the Net Asset Value of the Fund or the Portfolio Trust, as applicable, is being determined so long as, in the case of cash dividends and cash distributions to be received by the Fund or the Portfolio Trust, as applicable, and not yet received by it when the Net Asset Value of the Fund or the Portfolio Trust, as applicable, is being determined, the shares are trading ex-dividend;
 - (v) all interest accrued on any interest-bearing securities owned by the Fund or the Portfolio Trust other than interest, the payment of which is in default; and
 - (vi) prepaid expenses.
- (b) The market value of assets of the Fund or the Portfolio Trust shall be determined as follows
 - (i) the value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends received (or to be received and declared to securityholders of record on a date before the date as of which the Net Asset Value of the Fund or the Portfolio Trust, as applicable, is being determined), and interest accrued and not yet received, shall be deemed to be the full amount thereof unless the Manager or Portfolio Manager, as applicable, shall have determined that any such deposit, bill, demand note, account receivable, prepaid expense, cash dividend received or interest is not worth the full amount thereof, in which event the value thereof shall be deemed to be such value as the Manager or Portfolio Manager, as applicable, shall determine to be the reasonable value thereof;
 - (ii) the value of any security which is listed or dealt in upon a stock exchange shall be determined by: (1) in the case of a security which was traded on the day as of which the Net Asset Value of the Fund or the Portfolio Trust, as applicable, is being determined, the closing sale price; (2) in the case of a security which was not traded on the day as of which the Net Asset Value of the Fund or the Portfolio Trust, as applicable, is being determined, a price which is the average of the closing recorded bid and ask prices; or (3) if no bid or ask quotation is available, the price last determined for such security for the purpose of calculating the Net Asset Value of the Fund or the Portfolio Trust, as applicable. The value of inter-listed securities shall be computed in accordance with directions laid down from time to time by the Manager; provided, however, that if, in the opinion of the Manager or the Portfolio Manager, as applicable, stock exchange or over-the-counter quotations do not properly reflect the prices which would be received by the Fund or the Portfolio Trust, as applicable, upon the disposal of securities necessary to effect any redemptions of Units or the units of the Portfolio Trust, as applicable, the Manager or the Portfolio Manager, as

applicable, may place such value upon such securities as appears to most closely reflect the fair value of such securities;

- (iii) the value of any security, the resale of which is restricted or limited by reason of a representation, undertaking, or agreement by the Fund, or the Portfolio Trust, as applicable, shall be restricted to the lesser of: (1) the value based on reported quotations of that restricted security in common use; and (2) that percentage of the market value of securities of the same class or series of a class of which the restricted security forms part that are not restricted securities, equal to the percentage that the Fund's or the Portfolio Trust's, as applicable, acquisition cost was of the market value of the securities at the time of acquisition, but taking into account, if appropriate, the amount of time remaining until the restricted securities will cease to be restricted securities;
- (iv) a long position in an option or a debt-like security shall be valued at the current market value of the position;
- (v) for options written by the Fund or the Portfolio Trust: (1) the premium received by the Fund or the Portfolio Trust, as applicable, for those options shall be reflected as a deferred credit and the option shall be valued at an amount equal to the current market value of the option that would have the effect of closing the position; (2) any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment; (3) the deferred credit shall be deducted in calculating the Net Asset Value of the Fund or the Portfolio Trust, as applicable; and (4) any securities that are the subject of a written option shall be valued at their current market value;
- (vi) the value of a forward contract or swap shall be the gain or loss on the contract that would be realized if, on the date that valuation is made, the position in the forward contract or swap were to be closed out;
- (vii) the value of any security or other property for which no price quotations are available or, in the opinion of the Manager or the Portfolio Manager, as applicable, to which the above valuation principles cannot or should not be applied, shall be the fair value thereof determined from time to time in such manner as the Manager or the Portfolio Manager, as applicable, shall from time to time provide;
- (viii) the value of all assets and liabilities of the Fund or the Portfolio Trust, as applicable, valued in terms of a currency other than the currency used to calculate the Net Asset Value of the Fund or the Portfolio Trust, as applicable, shall be converted to the currency used to calculate the Net Asset Value of the Fund or the Portfolio Trust, as applicable, by applying the rate of exchange obtained from the best available sources to the Manager or the Portfolio Manager, as applicable;
- (ix) the value of the Forward Agreement and any other forward contract will be the value that would be realized by the Fund or the Portfolio Trust, as applicable, if, on the date on which the value of the assets is being determined, the Forward Agreement or any other forward contract were closed out in accordance with its terms;
- (x) the value of standardized futures shall be: (1) if daily limits imposed by the futures exchange through which the standardized future was issued are not in effect, the gain or loss on the standardized future that would be realized if, on the date that valuation is made, the position in the standardized future were to be closed out; or (2) if daily limits imposed by the futures exchange through which the standardized future was issued are in effect, based on the current market value of the underlying interest of the standardized future; and

- (xi) margin paid or deposited on standardized futures or forward contracts shall be reflected as an account receivable and, if not in the form of cash, shall be noted as held for margin.
- (c) The liabilities of the Fund or Portfolio Trust shall be calculated on an accrued basis and shall be deemed to include the following:
 - (i) all bills, notes and accounts payable;
 - (ii) all fees (including Management Fees, the Portfolio Trust Management Fee and Performance Fees and Service Fees) and administrative and operating expenses payable and/or accrued by the Fund or the Portfolio Trust, as applicable;
 - (iii) all contractual obligations for the payment of money or property, including distributions of net realized capital gains, if any, declared, accrued or credited to the Unitholders but not yet paid on the day before the day as of which the Net Asset Value of the Fund or the Portfolio Trust, as applicable, is being determined;
 - (iv) all allowances authorized or approved by the Manager, the Portfolio Manager, the Trustee or the Portfolio Trustee, as applicable, for taxes or contingencies; and
 - (v) all other liabilities of the Fund or the Portfolio Trust, as applicable, of whatever kind and nature, except liabilities represented by outstanding Units or units of the Portfolio Trust.
- (d) Portfolio transactions (investment purchases and sales) will be reflected in the first computation of the Net Asset Value of the Fund or the Portfolio Trust, as applicable, made after the date on which the transaction becomes binding.
- (e) The Net Asset Value of the Fund or the Portfolio Trust on the first Business Day following a Valuation Date shall be deemed to be equal to the Net Asset Value of the Fund or the Portfolio Trust, as the case may be, on such Valuation Date after payment or accrual of all fees, including administrative fees, Management Fees, the Portfolio Trust Management Fees, Performance Fees and Service Fees, if any, and after processing of all subscriptions and redemptions of Units in respect of such Valuation Date.
- (f) The value of any bonds, debentures, other debt obligations and short positions will be valued by taking the average of the bid and ask prices quoted by a major dealer or recognized information provider in such securities on a Valuation Date at such times as the Manager or the Portfolio Manager, as applicable, in its discretion, deems appropriate. Short-term investments including notes and money market instruments will be valued at cost plus accrued interest.
- (g) The Net Asset Value of the Fund and the Portfolio Trust established by the Manager in accordance with the provisions of this section shall be conclusive and binding on all Unitholders.
- (h) The Manager may determine such other rules as it deems necessary from time to time, which rules may deviate from GAAP.

The Net Asset Value of the Fund (or the Portfolio Trust) calculated in this manner will be used for the purpose of calculating the Manager's and other service providers' fees and will be published net of all paid and payable fees. Such Net Asset Value of the Fund (or the Portfolio Trust) will be used to determine the subscription price and redemption value of Units. To the extent that such calculations are not in accordance with GAAP, the financial statements of the Fund and the Portfolio Trust will include a reconciliation note explaining any difference between such published Net Asset Value of the Fund and the Portfolio Trust for financial statement reporting purposes (which must be calculated in accordance with GAAP).

The Net Asset Value per Unit is calculated in Canadian dollars in accordance with the rules and policies of the Canadian Securities Administrators. The Net Asset Value per Unit determined in accordance with the principles set out above will differ from net asset per Unit determined under GAAP in the following respect: for financial statement reporting purposes, the net assets of the Portfolio Trust includes the Portfolio securities measured in accordance with Section 3855 of the CICA Handbook, which for publicly listed securities, bonds, debentures and other debt obligations is based on closing bid prices for securities held long and on closing ask prices for securities held short.

Reporting of Net Asset Value

The Net Asset Value per Unit will be available to Unitholders at no cost on the Manager's website at www.sprott.com, posted daily and displaying the date upon which it was calculated.

ATTRIBUTES OF THE UNITS

Description of the Units Distributed

The Fund is authorized to issue an unlimited number of Units.

Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains, if any. On the redemption of Units, however, the Fund may in its sole discretion, designate payable to redeeming Unitholders, as part of the redemption price, any capital gains realized by the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, Unitholders of record are entitled to receive on a *pro rata* basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. Unitholders will have no voting rights in respect of securities held by the Fund.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises: (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the *Securities Act* (Ontario) and it is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

Purchase for Cancellation

The Declaration of Trust provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Unit not exceeding the most recently calculated Net Asset Value per Unit immediately prior to the date of any such purchase of Units. It is expected that these purchases will be made as normal course issuer bids through the facilities and under the rules of the TSX or such other exchange or market on which the Units are then listed.

Book Entry Only System

Registration of interests in and transfers of the Units will be made only through non-certificated interests issued under the Book-Entry Only System. Non-certificated interests representing the aggregate Units subscribed for under the Offering will be recorded in the name of CDS or its nominee, on the register of the Fund maintained by Computershare Investor Services Inc. on the Closing Date. Units must be purchased, converted, transferred and surrendered for redemption through a CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the Book-Entry Only System, in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders may be convened by the Manager by a written requisition specifying the purpose of the meeting, and must be convened by the Manager if requisitioned by Unitholders holding not less than 10% of then outstanding Units by a written requisition specifying the purpose of the meeting.

Notice of all meetings of Unitholders will be given in accordance with applicable law. The quorum for a meeting of all Unitholders is two or more Unitholders present in person or represented by proxy holding not less than 5% of the Units then outstanding. In the event that such quorum is not present within one-half hour after the time called for a meeting, the meeting, if convened upon the request of a Unitholder, shall be dissolved, but in any other case, the meeting shall stand adjourned to such day no later than 14 days later and to such time and place as may be appointed by the chairman of the meeting (which for greater certainty can be at a later time on the date of the originally scheduled meeting), and if at such adjourned meeting a quorum is not present, Unitholders present in person or by proxy at such adjourned meeting shall be deemed to constitute a quorum.

The Fund does not intend to hold annual meetings of Unitholders. However, the Fund will undertake to the TSX to hold annual meetings of Unitholders if so requested by the TSX.

Amendment of Declaration of Trust

Except as provided below, the Declaration of Trust may be amended by an Ordinary Resolution approved at a meeting of Unitholders duly convened and held in accordance with the provisions in that regard contained in the Declaration of Trust, or by the written consent in lieu of a meeting if there is only one Unitholder.

The following matters may only be undertaken with the approval of Unitholders by an Extraordinary Resolution:

- (a) The removal of the Trustee or any of its affiliates as the trustee of the Fund;
- (b) Any change in the investment objectives or investment restrictions of the Fund, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (c) Any material change in the Management Agreement or a change in the Manager, other than a change in the Manager where the new manager is an affiliate of the Manager (and for greater certainty, other than the removal and replacement of the current Portfolio Manager);
- (d) Any change in the basis of the calculation of the Management Fee which would result in any increase in charges to the Fund;
- (e) Except as set forth below under (k) through (o), any amendment, modification or variation in the provisions or rights attaching to the Units;
- (f) Any decrease in the frequency of calculating the Net Asset Value per Unit;

- (g) After the Closing and the issuance of Units on the exercise of any Over-Allotment Option in connection therewith, the issuance of additional Units, including any offering of rights, warrants or options to existing Unitholders to acquire Units, other than: (i) for net proceeds per Unit equal to or greater than 100% of the most recently calculated Net Asset Value per Unit calculated prior to the entering into of the commitment by the subscriber to purchase such Units or prior to the offering, as the case may be; or (ii) by way of Unit distribution;
- (h) Any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course of business;
- (i) Any liquidation, dissolution or termination of the Fund (other than as provided under "Termination of the Fund") except if it is determined by the Manager, in its sole discretion, to be in the best interest of Unitholders or otherwise in accordance with the terms of the Declaration of Trust; and
- (j) Any amendment to the above provisions except as permitted by the Declaration of Trust.

Notwithstanding the foregoing, the Trustee is entitled to amend the Declaration of Trust without the consent of, or notice to, Unitholders, to:

- (k) Remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- (l) Make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (m) Bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not, in the opinion of the Manager, adversely affect the pecuniary value of the interest of Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;
- (n) Maintain the status of the Fund as a "mutual fund trust" for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation or administration thereof;
- (o) Provide added protection or benefit to Unitholders; or
- (p) Make such modifications as may be necessary or desirable in connection with the termination of the Forward Agreement prior to the Forward Termination Date as a result of the termination of the Fund as described under "Termination of the Fund".

Reporting to Unitholders

The Fund will make available to Unitholders such financial statements and other continuous disclosure documents as are required by applicable law, including unaudited interim and audited annual financial statements, prepared in accordance with GAAP. The Fund intends to adopt International Financial Reporting Standards for the year ending December 31, 2013, based on the recent decision by the Accounting Standards Board to defer adoption for investment funds to 2013.

The Fund will provide Unitholders with the option to receive annual and interim financial statements and annual and interim management reports of the Portfolio performance for the Portfolio Trust. The Fund will make available to each CDS Participant annually and before March 31 of the following year information necessary to enable such Unitholder to complete an income tax return with respect to the amounts payable by the Fund.

TERMINATION OF THE FUND

The Forward Agreement has a term of approximately five years ending on the Forward Termination Date. Under the terms of the Declaration of Trust, on or after the Forward Termination Date, the Manager may cause the Fund to enter into a new forward agreement with a term to be determined by the Manager at such time or, if it is not practicable to enter into such a new forward agreement at such time, the Manager may cause the Fund to invest the remaining assets of the Fund directly in securities of the kind that comprise the Portfolio, in each case without Unitholder approval. In the event that the Manager does not cause the Fund to enter into a new forward agreement or invest the remaining assets of the Fund directly in securities of the kind that comprise the Portfolio within 30 days after the Forward Termination Date, the Manager shall terminate the Fund. The Manager shall inform Unitholders by way of press release not less than 20 Business Days prior to the Forward Termination Date whether the Manager intends to cause the Fund to enter into a new forward agreement, invest the remaining assets of the Fund directly in securities of the kind that comprise the Portfolio or terminate the Fund.

The Declaration of Trust also provides that the Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders to do so. The Manager will provide at least 30 days prior notice of such termination to Unitholders by way of press release. Upon such a termination, the Fund will pre-settle the Forward Agreement (or any subsequent forward agreement entered into by the Fund, if applicable), liquidate the Canadian Securities Portfolio and distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for, and which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to the Termination Date, such unliquidated assets in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions. Following such distribution, the Fund will be terminated. The Manager may also terminate the Fund in the event of an early termination of the Forward Agreement (or any subsequent forward agreement entered into by the Fund, if applicable), provided that the Manager has given Unitholders notice of such termination at least 60 days in advance of such early termination.

The Declaration of Trust provides that prior to the termination of the Fund, the Manager will dispose of all of its assets and will satisfy or make appropriate provision for all liabilities of the Fund. The Declaration of Trust provides that the Manager may, in its discretion and upon not less than 30 days prior written notice to the Unitholders, postpone any termination date by a period of up to 180 days if the Manager determines that it will be unable to convert all of its assets to cash prior to any termination date and the Manager determines that it would be in the best interests of the Unitholders to do so.

USE OF PROCEEDS

The net proceeds from the issue of the maximum number of Units offered hereby after payment of the Agents' fee and the expenses of the Offering are estimated to be \$236,145,000 (\$70,512,500 if the minimum number of Units are issued). The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) for the pre-payment of its purchase obligations under the Forward Agreement with the Counterparty. Under the Forward Agreement, the Fund will, on or about the Termination Date, acquire the Canadian Securities Portfolio having an aggregate value equal to the redemption proceeds of the relevant number of units of the Portfolio Trust.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to act as, and have been appointed as, the sole and exclusive agents of the Fund to offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement. The Units will be issued at a price of \$10.00 per Unit. The offering price per Unit was determined by negotiation between the Agents and the Manager on behalf of the Fund. There is currently no market through which the Units can be sold.

In consideration for their services in connection with the Offering, the Agents will be paid a fee of \$0.525 per Unit sold under the Offering and will be reimbursed for reasonable out of pocket expenses incurred by them. The Agents' fees and expenses will be paid by the Fund out of the proceeds of the Offering. The Agents may form a

sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase any Units which are not sold.

The Fund has granted to the Agents the Over-Allotment Option, which is exercisable for a period of 30 days from the Closing Date and gives the Agents the right to offer additional Units in an amount equal to up to 15% of the aggregate number of Units sold on Closing on the same terms as set forth herein. To the extent that the Over-Allotment Option is exercised, the additional Units will be sold at \$10.00 per Unit and the Agents will be paid a fee of \$0.525 per Unit sold. This prospectus qualifies the grant of the Over-Allotment Option as well as distribution of the Units issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Agents' over-allocation position acquires such Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Subscription amounts received in trust will be held in segregated accounts with a depository who is a registered dealer, bank or trust company until the minimum amount of subscriptions for Units has been obtained. If subscriptions for a minimum of 7,500,000 Units have not been received within 90 days after a final receipt for this prospectus is issued, the Offering may not continue without the consent of the securities regulatory authorities and those who have subscribed for Units on or before such date. In the event such consents are not obtained or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers in respect of the Offering will be returned to such purchasers promptly without interest or deduction. The maximum number of Units which will be sold is 25,000,000. Under the terms of the Agency Agreement, the Agents, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, may terminate the Agency Agreement and withdraw all subscriptions for Units on behalf of subscribers. Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the Fund reserves the right to close the subscription books at any time without notice. The Closing will take place on or about July 19, 2011 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a final receipt for this prospectus is issued. See "Description of the Units Distributed—Book Entry Only System".

On Closing, the Fund will enter into the Forward Agreement with the Counterparty, which will be a Canadian chartered bank or an affiliate of a Canadian chartered bank and an affiliate of one of the Agents. Accordingly, in that event, the Fund may be considered to be a "connected issuer" of such Agent. See "Overview of the Investment Structure —Forward Agreement".

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers du Québec, the Agents may not, throughout the period of distribution under this prospectus, bid for or purchase Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market-making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws, an Agent may, in connection with this Offering, over-allot or effect transactions in connection with its over-allotted position. Such transactions, if commenced, may be discontinued at any time.

The TSX has conditionally approved the listing of the Units. The listing of the Units will be subject to the Fund fulfilling all of the requirements of the TSX on or before September 26, 2011.

Concurrently with this Offering, the Fund intends to offer, on a private placement basis, 500,000 Private Placement Units to Sprott Inc. and/or its affiliates. The Private Placement Units will be offered at \$10.00 per Private Placement Unit, and will not be offered or issued under this prospectus or pursuant to the Agency Agreement.

Although units of the Portfolio Trust are not being offered to the public, the Fund will obtain a receipt for a prospectus of the Portfolio Trust from each of the Autorité des marchés financiers du Québec and the Ontario

Securities Commission. The Fund will also deliver a copy of such prospectus to purchasers of Units in the Province of Québec prior to the purchase of Units by any person in the Province of Québec.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager and the Portfolio Manager is entitled to receive the Management Fee in respect of the Fund and the Portfolio Trust Management Fee and the Performance Fee, if any, in respect of the Portfolio Trust. See “Organization and Management Details of the Fund” and “Fees and Expenses”.

PROXY VOTING DISCLOSURE

The Portfolio Manager is wholly responsible for establishing, monitoring and amending (if necessary) the policies and procedures relating to the voting of proxies received in connection with the Portfolio’s securities.

Generally speaking, the Portfolio Manager will vote in favour of the following proxy proposals:

- a) electing and fixing the number of directors;
- b) appointing auditors;
- c) ratifying director actions;
- d) approving private placements exceeding 25% of the issued and outstanding securities of an issuer as required by the rules and policies of the TSX;
- e) changing the registered address;
- f) authorizing directors to fix remuneration of auditors;
- g) approving private placements to insiders exceeding 10% of the issued and outstanding securities of an issuer as required by the rules and policies of the TSX; and
- h) approving special resolutions to change the authorized capital of the company to an unlimited number of common shares without par value,

(collectively, the “**Proxy Proposals**”).

Proxy voting for securities held by the Portfolio Trust is conducted in accordance with the proxy voting policies and procedures of the Portfolio Manager. The Portfolio Manager is prohibited from voting securities of the Portfolio managed by the Portfolio Manager or an affiliate or associate. The Portfolio Manager may, in its discretion, choose to flow-through any voting rights regarding the Portfolio to unitholders in the Portfolio Trust. For securities held by the Portfolio which the Portfolio Manager is permitted to vote, the Portfolio Manager will vote, generally, in favour of the Proxy Proposals.

The Portfolio Manager will vote against any proposal relating to stock option plans that: (i) exceed 5% of the common shares issued and outstanding at the time of grant over a three year period (on a non-diluted basis); (ii) provide that the maximum number of common shares issuable pursuant to such plan be a “rolling” maximum equal to 5% of the outstanding common shares at the date of the grant of applicable options; and (iii) reprices the stock option.

In certain cases, proxy votes may not be cast when the Portfolio Manager determines that it is not in the best interests of unitholders of the Portfolio Trust to vote such proxies. In the event a proxy raises a potential material conflict of interest between the interests of the Portfolio Trust and the Portfolio Manager, affiliate or associate of the Portfolio Trust or the manager or portfolio adviser of such affiliate or associate, the conflict will be resolved in the best interests of the unitholders and the Portfolio Trust.

The Portfolio Manager retains the discretion to depart from these policies on any particular proxy vote depending upon the facts and circumstances.

The proxy voting guidelines of the Portfolio Trust are available on request, free of charge, by contacting the Portfolio Manager at 1-866-299-9906 and are available on our website at www.sprott.com. The Portfolio Manager will maintain and prepare an annual proxy voting record for the Portfolio Trust. The proxy voting record for the annual period ending June 30 each year for the Portfolio Trust will be available free of charge to any investor upon request at any time after August 31 of that year.

MATERIAL CONTRACTS

The only material contracts entered into by or on behalf of the Fund at or prior to the Closing, other than during the ordinary course of business, are as follows:

- (a) The Declaration of Trust referred to under “Organization and Management Details of the Fund — Duties and Services to be Provided by the Manager”;
- (b) The Management Agreement referred to under “Organization and Management Details of the Fund — Duties and Services to be Provided by the Manager”;
- (c) The Custodian Agreement to be entered into on or prior to the Closing Date referred to under “Organization and Management Details of the Fund —Custodian”;
- (d) The Agency Agreement referred to under “Plan of Distribution”; and
- (e) The Forward Agreement referred to under “Overview of the Investment Structure —Forward Agreement”.

Copies of the foregoing documents are available on SEDAR at www.sedar.com or may be examined during normal business hours at the principal office of the Fund during the period of distribution to the public of the Units offered under the Offering and for a period of 30 days thereafter. Copies of the Declaration of Trust are available on SEDAR at www.sedar.com or may be obtained at any time from the Manager on written request.

EXPERTS

Certain legal matters in connection with the issuance and sale of the Units offered by this prospectus will be passed upon on behalf of the Fund by Stikeman Elliott LLP and on behalf of the Agents by Wildeboer Dellelce LLP.

The Fund’s auditors are Ernst & Young LLP, Chartered Accountants, who have prepared an independent auditor’s report dated June 28, 2011 in respect of the Fund’s statement of net assets as at June 28, 2011. Ernst & Young LLP has advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal adviser.

In addition, the Manager has agreed on behalf of the Fund that purchasers in the Province of Québec have the right to withdraw from an agreement to purchase Units which may be exercised within two Business Days after receipt or deemed receipt of a prospectus of the Portfolio Trust.

AUDITORS' CONSENT

We have read the prospectus of the Sprott Strategic Fixed Income Fund (the "**Fund**") dated June 28, 2011, relating to the offering of units of the Fund. We have complied with Canadian generally accepted standards for auditors' involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Unitholder and the Trustee of the Fund on the statement of net assets of the Fund as at June 28, 2011. Our report is dated June 28, 2011.

Toronto, Canada
June 28, 2011

(signed) Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Unitholder and Trustee of

Sprott Strategic Fixed Income Fund (the "Fund")

We have audited the accompanying statement of net assets of the Fund, as at June 28, 2011 and a summary of the significant accounting policy and other explanatory information (together, the "financial statement").

Management's responsibility for the financial statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Fund as at June 28, 2011 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
June 28, 2011

(signed) Ernst & Young LLP
Chartered Accountants,
Licensed Public Accountants

SPROTT STRATEGIC FIXED INCOME FUND

STATEMENT OF NET ASSETS

As at June 28, 2011

Assets

Cash \$10.00

Unitholder's Equity

Unitholder's Equity (Note 1) \$10.00

The accompanying notes are an integral part of this statement of net assets.

Approved on behalf of Sprott Strategic Fixed Income Fund
By: **Sprott Asset Management LP** by its general partner
Sprott Asset Management GP Inc.

(SIGNED) JAMES R. FOX
Director

(SIGNED) KIRSTIN H. MCTAGGART
Director

SPROTT STRATEGIC FIXED INCOME FUND

NOTES TO STATEMENT OF NET ASSETS

As at June 28, 2011

1. ORGANIZATION AND UNITHOLDER'S EQUITY AND SIGNIFICANT ACCOUNTING POLICY

Sprott Strategic Fixed Income Fund (the "**Fund**") is a closed-end investment fund established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of May 31, 2011, as amended.

The Fund is authorized to issue an unlimited number of Units. On May 31, 2011, the Fund was settled and issued an initial Unit for cash consideration of \$10.00 to Sprott Asset Management LP (the "**Manager**"). The financial statement of the Fund has been prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**").

2. NATURE OF BUSINESS

To achieve its investment objectives, the Fund will use substantially all of the net proceeds of the offering of Units to pre-pay its obligations under one or more forward purchase and sale agreements (collectively the "**Forward Contract**") which the Fund will enter into with a Canadian chartered bank or an affiliate of a Canadian chartered bank (the "**Counterparty**") pursuant to which the Fund will acquire on or about July 19, 2016 listed securities of Canadian public issuers that are "Canadian securities" for the purposes of the *Income Tax Act* (Canada) having a value equal to an amount determined based on the economic return provided by an actively managed portfolio (the "**Portfolio**") consisting primarily of income generating securities. The Portfolio will be held by the Portfolio Trust (the "**Trust**"). The return to the unitholders and the Fund will be dependent upon the total return on the Portfolio as a result of the Forward Contract. This statement of net assets has been prepared in accordance with GAAP.

3. MANAGEMENT AND SERVICE FEE

The Manager will receive a management fee (the "**Management Fee**") from the Fund equal to 0.30% per annum of the net asset value of the Fund, calculated daily and payable monthly in arrears, plus an amount equal to the Service Fee (as defined below), plus applicable taxes.

A service fee (the "**Service Fee**") will be payable by the Manager to each dealer whose clients hold Units at the end of a calendar quarter. The Service Fee will be calculated daily and payable on the last Valuation Date of each calendar quarter and will be equal to one-quarter of 0.50% of the Net Asset Value per Unit for each Unit outstanding at such time, plus applicable taxes.

3. AGENCY AGREEMENT

The Fund and the Manager have entered into an agency agreement with RBC Dominion Securities Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., Canaccord Genuity Corp., GMP Securities L.P., HSBC Securities (Canada) Inc., Wellington West Capital Markets Inc., Desjardins Securities Inc., Mackie Research Capital Corporation, Macquarie Private Wealth Inc., Manulife Securities Incorporated, Raymond James Ltd. and Rothenberg Capital Management Inc. (collectively, the "**Agents**") dated as of June 28, 2011 pursuant to which the Fund has agreed to create, issue and sell, and the Agents have agreed to offer for sale to the public, a minimum of 7,500,000 Units and a maximum of 25,000,000 Units. In consideration for their services in connection with the offering, the Agents will be paid a fee of \$0.525 per Unit.

4. FUTURE ACCOUNTING CHANGES

On January 12, 2011, the Canadian Accounting Standards Board made a decision to extend the deferral of the adoption of International Financial Reporting Standards (“IFRS”) by investment companies for an additional year to January 1, 2013. This results in a two-year deferral of the IFRS adoption by investment companies compared to other publicly accountable entities. At the transition date the prior year fiscal financial statements will require restatement to IFRS for comparative purposes.

CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER

Dated: June 28, 2011

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces and territories of Canada.

SPROTT STRATEGIC FIXED INCOME FUND

by its manager, **SPROTT ASSET MANAGEMENT LP**
by its general partner, **SPROTT ASSET MANAGEMENT GP INC.**
(On behalf of the manager and on behalf of Sprott Strategic Fixed Income Fund)

By: (*SIGNED*) ERIC S. SPROTT
Chief Executive Officer

By: (*SIGNED*) STEVEN ROSTOWSKY
Chief Financial Officer

On behalf of the Board of Directors
of
SPROTT ASSET MANAGEMENT GP INC.

By: (*SIGNED*) JAMES R. FOX
Director

By: (*SIGNED*) KIRSTIN H. MCTAGGART
Director

On behalf of the Promoter
SPROTT ASSET MANAGEMENT LP
by its general partner, **SPROTT ASSET MANAGEMENT GP INC.**

By: (*SIGNED*) ERIC S. SPROTT
Chief Executive Officer

CERTIFICATE OF THE AGENTS

Dated: June 28, 2011

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces and territories of Canada.

RBC DOMINION SECURITIES INC.

(SIGNED) CHRISTOPHER BEAN

CIBC WORLD MARKETS INC.

(SIGNED) MICHAEL D. SHUH

TD SECURITIES INC.

(SIGNED) CAMERON GOODNOUGH

BMO NESBITT BURNS INC.

(SIGNED) ROBIN TESSIER

NATIONAL BANK FINANCIAL INC.

(SIGNED) TIMOTHY EVANS

SCOTIA CAPITAL INC.

(SIGNED) BRIAN D. MCCHESEY

CANACCORD GENUITY CORP.

(SIGNED) RON SEDRAN

GMP SECURITIES L.P.

(SIGNED) NEIL M. SELFE

HSBC SECURITIES (CANADA) INC.

(SIGNED) BRENT LARKAN

WELLINGTON WEST CAPITAL MARKETS INC.

(SIGNED) SCOTT D. LARIN

**DESJARDINS
SECURITIES INC.**

(SIGNED) BETH A.
SHAW

**MACKIE RESEARCH
CAPITAL
CORPORATION**

(SIGNED) DAVID J.
KEATING

**MACQUARIE
PRIVATE WEALTH
INC.**

(SIGNED) JAMES
PRICE

**MANULIFE
SECURITIES
INCORPORATED**

(SIGNED) WILLIAM
PORTER

**RAYMOND JAMES
LTD.**

(SIGNED) J. GRAHAM
FELL

**ROTHENBERG
CAPITAL
MANAGEMENT INC.**

(SIGNED) ROBERT
ROTHENBERG