Sprott Corporate Class Funds

A MORE TAX-EFFICIENT WAY TO INVEST

Sprott
Asset Management LP

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At Sprott, our mission is to deliver outstanding performance results for our investors over the long-term. We realize that for investors with non-registered assets, growing wealth in a tax-efficient manner is a key consideration.

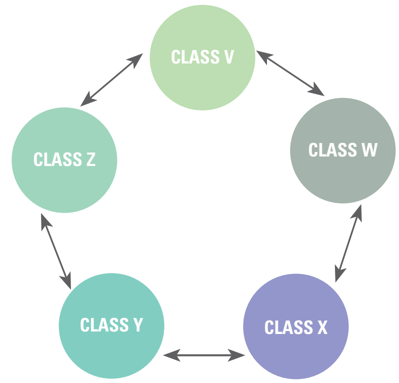
Sprott Corporate Class Inc. is a Mutual Fund Corporation (MFC) that is designed to address this consideration by optimizing the tax-efficiency of non-registered investments, helping enhance after-tax returns.

WHO SHOULD CONSIDER SPROTT CORPORATE CLASS FUNDS?

- Investors with non-registered accounts
- Investors focused on deferring taxes until the future and minimizing taxes while they hold an investment
- Investors that have already maximized contributions to Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts (TFSAs)
- Investors looking to effectively re-characterize interest income into capital gains and to defer the payment of capital gain taxes
- Investors looking to generate a tax-efficient cash flow stream by investing in Series T and Series FT
- Investors that would like to maximize the tax benefit of their long-term charitable giving

WHAT ARE SPROTT CORPORATE CLASS FUNDS?

Sprott Corporate Class Funds are a suite of different mutual funds set up within a corporate structure. Each investment fund is offered as a separate class of shares within the Corporation. Investing in the Corporation allows switching from one class of shares to another without triggering an immediate taxable event.



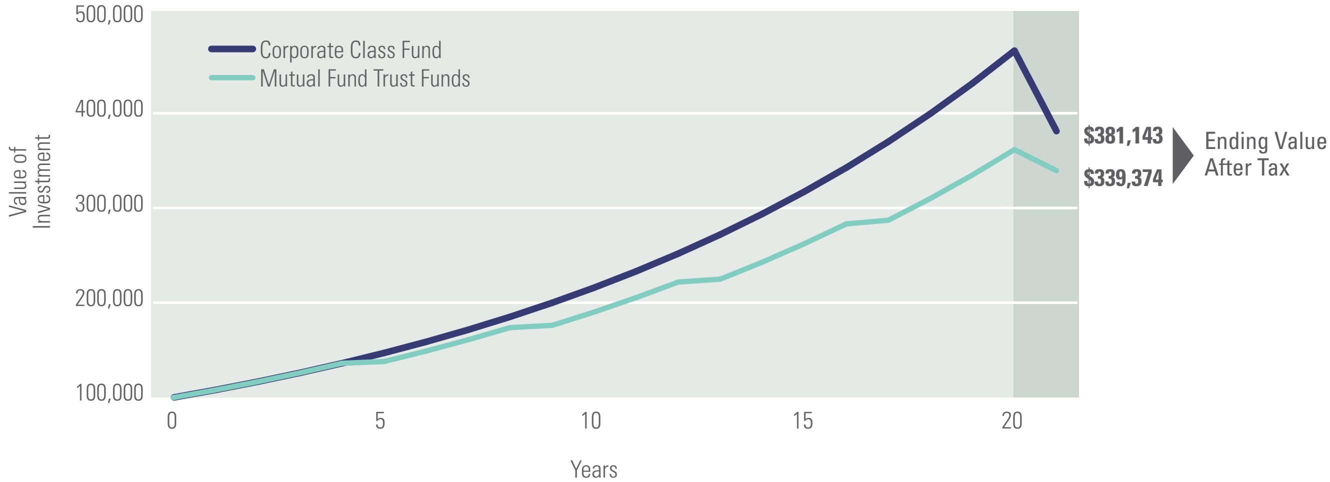
HOW DO SPROTT CORPORATE CLASS FUNDS PROVIDE TAX-EFFICIENCY?

Tax-Efficient Fund Switching

If one's investment objective or outlook changes, or if portfolio rebalancing is required, it is possible to switch from one Corporate Class Fund to another Corporate Class Fund, without triggering an immediate taxable event. Any unrealized capital gains will be allowed to continue to grow and compound within the Mutual Fund Corporation on a tax-deferred basis. Not until the investment is eventually withdrawn from the Mutual Fund Corporation, will it be considered a disposition for tax purposes. In contrast, each time one Mutual Fund Trust is switched to another, an immediate taxable disposition is triggered.

An Illustration of the Benefits of Tax-Deferred Switching

Consider this hypothetical example of how tax-deferred compound growth can enhance after-tax returns over the long-term. Let's compare a $100,000 non-registered investment in Corporate Class Funds versus holding the same investments of equal value in Mutual Fund Trust Funds. We have assumed that both portfolios maintain the same fund mix over a 20 year period and that you change fund allocations every 4 years. Over the 20 year period, the Corporate Class Fund portfolio accumulated $41,769 or (18.2%) more than the Mutual Fund Trust portfolio. This difference in value can be attributed to the value of switching between share classes without triggering an immediate tax liability.



This is a hypothetical example only. It is assumed taxes are paid from the gains of the investment before reinvesting into another investment. It assumes a capital gain inclusion rate of 50% and a marginal tax rate of 46.41%. The rates of return illustrate the effects of compound growth only and are not intended to reflect future values of any funds or investments in any funds offered by Sprott Asset Management LP. The example does not assume any other tax impact from other activities of the corporation.

Tax-Efficient Growth

Generally, distributions will be lower in a Mutual Fund Corporation compared to the Mutual Fund Trust version of the same investment for two reasons:

1) Interest and foreign dividends cannot be distributed by Mutual Fund Corporations;

2) A Mutual Fund Corporation can share capital losses, allowing some class funds to defer the distribution of taxable capital gains.

A Mutual Fund Corporation provides enhanced tax-efficiency because it is treated as a single taxable entity. As a result, the Corporation aggregates all income and expenses, as well as any realized capital gains and losses from its underlying share classes. This provides greater flexibility in reducing the frequency and amount of taxable distributions that have to be paid to investors.

Tax-Efficient Income Investing

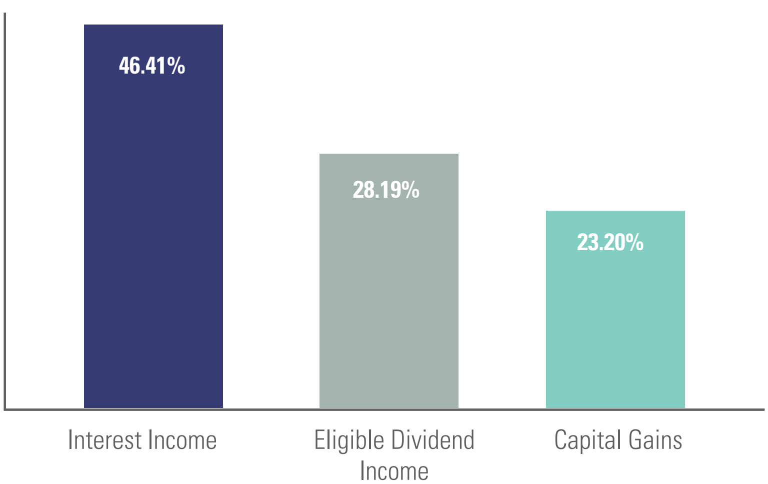
Sprott Diversified Yield Class is designed to provide a more tax-efficient non-registered bond investment.

As part of Sprott Corporate Class Inc., interest income earned from the underlying fund's bond holdings may be re-characterized as capital gains for tax purposes. Any capital gains may be deferred until the shares of the Mutual Fund Corporation are redeemed. As a result, unlike a typical bond Mutual Fund Trust, no taxable interest income may be distributed from a Corporate Class Fund each year. This may allow for more to remain invested to grow and compound over the long-term.

Sprott Diversified Yield Class and Sprott Tactical Balanced Class also provide Series T and Series FT options for investors seeking tax-efficient cash flow. Both Series T and Series FT provide approximately 6% annual target distributions to help meet investors' cash flow needs. The distributions will comprise return of capital (ROC) which is not immediately taxable, but reduce the adjusted cost bases (ACBs) of the investments. A hypothetical illustration is provided on page 6.

Top Marginal Tax Rates

Combined Federal and Ontario personal tax rates - 2011



Source: Ernst & Young, 2011

For illustrative purposes only.

An Illustration of Tax-Efficient Income Investing

The table below compares the after-tax returns of a typical Canadian Bond (mutual fund trust) to Sprott Diversified Yield Class (Series A), based on a $100,000 hypothetical investment that generates an assumed 6%* in annual income distribution with no market gains on the underlying bond holdings. In this example, we assume the entire investment is redeemed after 15 years.

* net of fees

		Example 1	Example 2	Example 3
		Typical Bond Fund (mutual fund trust)	Sprott Diversified Yield Class, Series A (mutual fund corporation)	Sprott Diversified Yield Class, Series T (mutual fund corporation)
After 15 years	Initial Investment	$100,000	$100,000	$100,000
	Cash Flow[1]	$90,000	$-	$90,000
	Tax on Interest Income[2]	$41,769	$-	$ -
	After-Tax Cash Flow	$48,231	$0[3]	$90,000
	Market Value at End of 15 Years	$100,000	$239,656	$100,000
	Adjusted Cost Base	$100,000	$100,000	$10,000
	Tax on Capital Gains at Redemption[5]	$-	$32,407	$20,885
	Total After-Tax Return	$48,231	$107,249	$69,116

Example 1:
Typical Bond Fund (mutual fund trust), Series A

In this example, interest income of $90,000 is generated and distributed each year and is fully taxable in the year it's received. As a result, when the investment is redeemed at the end of 15 years, the total after-tax return is $48,231.

Example 2:
Sprott Diversified Yield Class (mutual fund corporation), Series A

In this example, the interest income generated by the Corporate Class Fund through its underlying investment in Sprott Diversified Yield Fund is automatically reinvested because, under Canadian tax law, a Mutual Fund Corporation is unable to distribute interest income. Compounded over a 15-year period, the value of the investment grows to $239,656. The gain of $139,656 is subject to capital gains tax upon redemption. Because of the favourable tax treatment of capital gains, $32,407 in taxes would be paid, resulting in an after-tax return of $107,249 – a 122% increase when compared with the Typical Bond Fund in Example 1.

Example 3:
Sprott Diversified Yield Class (mutual fund corporation), Series T

In this example, the investor opts to receive the cash flow generated by the Corporate Class Fund by taking advantage of our Series T option which provides a target monthly distribution of approximately 6% per annum. In this case, the cash flow distributions are treated as return of capital (ROC), reducing the adjusted cost base (ACB) of the investment. Again, all shares are redeemed after year 15. At that time, capital gains tax of $20,885 would be incurred, for an after-tax return of $69,116 – a 43% increase over the Typical Bond Fund in Example 1.

SPROTT CORPORATE CLASS FUNDS

CLASS FUND	OVERVIEW	PORTFOLIO MANAGERS & INVESTMENT STRATEGISTS
Sprott Canadian Equity Class	To outperform the broad Canadian equity market over the long term, providing long-term capital appreciation and value by investing primarily in units of the Sprott Canadian Equity Fund. The Sprott Canadian Equity Fund invests predominantly in small-to-mid capitalization stocks of Canadian issuers.	Eric Sprott Allan Jacobs
Sprott Diversified Yield Class	To maximize total return and to provide income by investing primarily in units of the Sprott Diversified Yield Fund. The Sprott Diversified Yield Fund invests predominantly in debt and debt-like securities of corporate and government issuers from around the world.	Scott Colbourne Michael Craig
Sprott Energy Class	To achieve long-term capital growth by investing primarily in units of the Sprott Energy Fund. The Sprott Energy Fund invests predominantly in equity and equity related securities of companies that are involved directly or indirectly in the exploration, development, production and distribution of oil, gas, coal, or uranium and other related activities in the energy and resource sector.	Eric Nuttall
Sprott Gold Bullion Class	The Fund aims to seek to obtain exposure to gold. It seeks a similar return to its underlying fund, Sprott Gold Bullion Fund, by investing substantially all of its assets in securities of that fund. The underlying fund invests primarily in unencumbered, fully allocated gold bullion, permitted gold certificates, and/or closed-end funds the underlying interest of which is gold. The underlying fund may also invest a portion of its assets in cash, money market instruments and/or treasury bills.	Charles Oliver Jamie Horvat
Sprott Gold & Precious Minerals Class	To provide long-term capital growth by investing primarily in units of the Sprott Gold & Precious Minerals Fund. The Sprott Gold & Precious Minerals Fund invests predominantly in gold, gold certificates, precious metals and minerals, the certificates relating to such metals and minerals and/or in equity securities of companies that are directly or indirectly involved in the exploration, mining, production or distribution of gold and precious metals and minerals.	Charles Oliver Jamie Horvat
Sprott Resource Class	To achieve long-term capital growth by investing primarily in equity and equity-related securities of companies that are involved directly or indirectly in the natural resource sector.	Paul Wong Eric Sprott Rick Rule Charles Oliver Jamie Horvat Eric Nuttall
Sprott Short-Term Bond Class	To provide regular income while preserving capital and maintaining liquidity by investing primarily in units of the Sprott Short-Term Bond Fund. The Sprott Short-Term Bond Fund invests predominantly in short-term debt securities issued by Canadian federal, provincial and municipal governments as well as corporate issuers.	Scott Colbourne Michael Craig
Sprott Silver Bullion Class	The Fund aims to seek to obtain exposure to silver. It seeks a similar return to its underlying fund, Sprott Silver Bullion Fund, by investing substantially all of its assets in securities of that fund. The underlying fund invests primarily in unencumbered, fully allocated silver bullion and silver certificates. The underlying fund may also invest a portion of its assets in cash, money market instruments and/or treasury bills.	Charles Oliver Jamie Horvat
Sprott Silver Equities Class	The investment objective of the Fund is to seek to achieve long-term capital growth. The Fund invests primarily in equity securities of companies that are directly or indirectly involved in the exploration, mining, production or distribution of silver. The Fund can also invest in silver and silver certificates.	Eric Sprott Maria Smirnova
Sprott Small Cap Equity Class	To achieve long-term capital growth by investing primarily in units of the Sprott Small Cap Equity Fund. The Sprott Small Cap Equity Fund invests predominantly in small capitalization equity and equity-related securities listed in Canada, with some exposure to global small capitalization equities.	Allan Jacobs Peter Imhof
Sprott Tactical Balanced Class	To provide total return over the long term by investing primarily in a portfolio of mutual funds that are managed by the Manager, its associates or its affiliates, and other asset classes, etc.	Scott Colbourne Michael Craig Peter Imhof Peter Loach

Sprott's Flow-Through Limited Partnerships intend to provide liquidity to investors via a mutual fund rollover transaction whereby Limited Partners will receive redeemable shares of Sprott Resource Class of Sprott Corporate Class Inc.

Class Codes						
	SERIES A		SERIES T		SERIES F	SERIES FT
	FE	LL	FE	LL		
Sprott Canadian Equity Class	SPR206	SPR211	-	-	SPR207	-
Sprott Diversified Yield Class	SPR200	SPR237	SPR224	SPR239	SPR221	SPR227
Sprott Energy Class	SPR121	SPR124	-	-	SPR122	-
Sprott Gold Bullion Class	SPR429	-	-	-	SPR431	-
Sprott Gold & Precious Minerals Class	SPR302	SPR315	-	-	SPR303	-
Sprott Resource Class	SPR106	SPR114	-	-	SPR107	-
Sprott Short-Term Bond Class	SPR337	-	-	-	SPR338	-
Sprott Silver Bullion Class	SPR425	-	-	-	SPR 427	-
Sprott Silver Equities Class	SPR421	SPR422	-	-	SPR423	-
Sprott Small Cap Equity Class	SPR341	SPR344	-	-	SPR342	-
Sprott Tactical Balanced Class	SPR345	SPR350	SPR348	SPR351	SPR346	SPR349

FE – Front end
LL – Low Load

Sprott
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Assumptions used in the hypothetical example are as follows:
1. Based on an assumed annual bond yield of 6%. Assumes distributions are all ROC. Actual distributions may be a combination of ROC and capital gains.
2. Assumes interest income is taxed at Ontario's top 2011 marginal rate of 46.41%
3. Canadian tax legislation permits mutual fund corporations to distribute only Canadian dividends and capital gains, not ordinary income.
4. Any distributions deemed to be ROC will lower the ACB of the investment.
5. Assumes a marginal tax rate of 46.41% and a 50% inclusion rate for capital gains

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