



Sprott Diversified Yield Class

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

Lead Managers



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Fund Details

Fund Type	Diversified High-Yield Fixed Income
Nature of Securities Offered	Shares of a Mutual Fund Corporation
Launch Date	October 17, 2011
Launch NAV	\$10.00 per unit
Min. Initial Investment	\$1,000
Min. Subsequent Investment	\$100
Min. Investment Term/ Early Redemption Fee (ERF)	60 Days/1.5% ERF
Valuations	Daily
Management Fee	1.65% (Series A)
Performance Fee	10% over blended benchmark index ¹
Eligible for Registered Plans	Yes
Risk Tolerance	Medium

Fund Codes

Code	NL	FE	LL
Series A		SPR200	SPR237
Series T		SPR224	SPR239
Series F	SPR221		
Series FT	SPR227		

¹Based on underlying fund. Blended benchmark is 75% BofA Merrill Lynch US High Yield Index/ 25% DEX Universe Bond Index.

Class Overview

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.

Why Invest in this Corporate Class Fund?

- Tax-efficiency may be maximized by re-characterizing interest income to capital gains
- Series T and FT provide an approximate 6% annual yield for investors seeking tax-efficient cash flow
- Ideal complement to traditional bond holdings
- Flexible and tactical investment strategy
- Ability to use currencies and short-selling to enhance returns [±]

Tax-Efficient Fund Switching

Within a Mutual Fund Corporation, it is possible to switch from one Corporate Class Fund to another Corporate Class Fund without triggering an immediate taxable event. Therefore, any unrealized capital gains are 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 Not until the investment is eventually withdrawn from the Mutual Fund Corporation, will it be considered a disposition for tax purposes.

Tax-Efficient Growth

A Mutual Fund Corporation is treated as a single tax entity, and thus, 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

Interest income earned from the underlying fund's bond holdings may be re-characterized as capital gains. Any capital gains may be deferred until the shares of the Mutual Fund Corporation are redeemed. This may allow for more to remain invested to grow and compound over the long-term.

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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 and Series T), 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.

‡ Subject to certain regulatory requirements as applicable.

Sprott Asset Management LP is the investment manager to the Sprott Funds (collectively, the "Funds"). Important information about these Funds, including their investment objectives and strategies, purchase options, and applicable management fees, performance fees (if any), and expenses, is contained in their prospectus or offering memorandum. Please read these documents carefully before investing. Commissions, trailing commissions, management fees, performance fees, other charges and expenses all may be associated with investing in the Funds. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. This communication does not constitute an offer to sell or solicitation to purchase securities of the Funds. The information contained herein does not constitute an offer or solicitation by anyone in the United States or in any other jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Prospective investors who are not resident in Canada should contact their financial advisor to determine whether securities of the Funds may be lawfully sold in their jurisdiction.

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