

# Sprott | ETFs

## 2024 Year-End Distributions

We are pleased to provide the following information that summarizes the 2024 year-end distributions for the Sprott exchange traded funds (ETFs). This is not intended to be a statement for official tax reporting purposes or any form of tax advice. We encourage shareholders to consult their tax advisers to better understand the potential tax implications of these distributions.

*If you have any questions concerning this information or the Sprott ETFs in general, please call 888.622.1813 between 9:00 am and 5:30 pm ET, Monday through Friday.*

| Sprott ETF                       | Ticker | Record Date | Ex-Date    | Payable Date | Short-Term Capital Gains Per Share | Long-Term Capital Gains Per Share | Ordinary Income Per Share | Total Distributions Per Share |
|----------------------------------|--------|-------------|------------|--------------|------------------------------------|-----------------------------------|---------------------------|-------------------------------|
| Sprott Gold Miners ETF           | SGDM   | 12/12/2024  | 12/12/2024 | 12/19/2024   | \$0.00                             | \$0.00                            | \$0.29                    | \$0.29                        |
| Sprott Junior Gold Miners ETF    | SGDJ   | 12/12/2024  | 12/12/2024 | 12/19/2024   | \$0.00                             | \$0.00                            | \$2.18                    | \$2.18                        |
| Sprott Critical Materials ETF    | SETM   | 12/12/2024  | 12/12/2024 | 12/19/2024   | \$0.00                             | \$0.00                            | \$0.31                    | \$0.31                        |
| Sprott Uranium Miners ETF        | URNM   | 12/12/2024  | 12/12/2024 | 12/19/2024   | \$0.00                             | \$0.00                            | \$1.28                    | \$1.28                        |
| Sprott Junior Uranium Miners ETF | URNJ   | 12/12/2024  | 12/12/2024 | 12/19/2024   | \$0.00                             | \$0.00                            | \$0.81                    | \$0.81                        |
| Sprott Copper Miners ETF         | COPP   | 12/12/2024  | 12/12/2024 | 12/19/2024   | \$0.00                             | \$0.00                            | \$0.53                    | \$0.53                        |
| Sprott Junior Copper Miners ETF  | COPJ   | 12/12/2024  | 12/12/2024 | 12/19/2024   | \$0.00                             | \$0.00                            | \$2.15                    | \$2.15                        |
| Sprott Lithium Miners ETF        | LITP   | 12/12/2024  | 12/12/2024 | 12/19/2024   | \$0.00                             | \$0.00                            | \$0.44                    | \$0.44                        |
| Sprott Nickel Miners ETF         | NIKL   | 12/12/2024  | 12/12/2024 | 12/19/2024   | \$0.00                             | \$0.00                            | \$0.37                    | \$0.37                        |

### Sprott ETFs Invest in PFICs

Sprott ETFs own shares in foreign corporations that qualify for treatment as Passive Foreign Investment Companies (PFICs) under the Internal Revenue Code. The "Ordinary Income per Share" distributions from Sprott ETFs, as shown in the table above, are primarily driven by mark-to-market gains on PFIC holdings within the ETFs.

### Understanding PFICs and Their Tax Impact on ETFs

#### What Is a PFIC?

A PFIC is a foreign corporation that meets certain criteria related to its income or assets. Specifically, a PFIC is any foreign corporation that derives 75% or more of its gross income from passive sources, including interest and dividends, or at least 50% of its invested assets produce passive income, including but not limited to dividends, interest and rents.

PFICs are generally companies whose primary revenue comes from investments rather than business operations. Non-U.S. corporations that invest in mines that are not yet operational are often treated as PFICs.

#### The Impact of PFICs on U.S. Investors

According to U.S. tax regulations, distributions from PFICs and gains derived from the sale of shares in PFICs do not qualify for preferential capital gains or qualified dividend tax rates. Instead, these earnings are taxed at **ordinary income** rates, which are typically higher. Additionally, gains from PFICs cannot be offset by capital losses, presenting further tax challenges.

The tax implications of owning PFICs can vary depending on whether an investor holds individual PFICs or invests in ETFs that include PFIC holdings.

To the extent an ETF invests in PFICs, it generally intends to make a "mark-to-market" election at the end of each taxable year. By making this election, the ETF's unrealized gains are recognized as ordinary income and passed through to shareholders. All distributions from PFIC-related income and gains are essentially treated as ordinary income.<sup>1</sup>

<sup>1</sup> In some cases, however, an ETF may make a qualified electing fund ("QEF") election with respect to an investment in a PFIC. Please note that Sprott Uranium Miners ETF will likely make a QEF election with respect to its investments in the Sprott Physical Uranium Trust, which is expected to be treated as a PFIC.

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### Prevalence of PFIC Income Distributions in ETFs

The frequency of PFIC income distributions within ETFs will generally vary depending on what the ETF is invested in. Certain sectors, like mining, can be susceptible to PFIC tax implications. For example, many mining companies operate as early-stage ventures focused on exploration and initial production, often without significant revenue. Given that the mineral deposits are located internationally, funds investing in these miners might have considerable PFIC exposure.

Furthermore, in a strong market, funds with substantial PFIC holdings might need to distribute significant amounts of income due to the mark-to-market treatment of unrealized gains. Additionally, a portion of these distributions may be related to unrealized mark-to-market gains that were generated during the last two months of the year before the distribution, which is called a spillover dividend.

### Planning for PFIC Income Distributions

PFIC exposure within an ETF can be challenging. Funds collaborate with auditors and tax professionals annually to determine PFIC exposure and calculate distributions. Investors may not be aware of a PFIC income distribution until it is declared.

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**About Sprott** – Sprott is a global leader in precious metals and critical materials investments. We are specialists. Our in-depth knowledge, experience and relationships separate us from the generalists. Our investment strategies include Exchange Listed Products, Managed Equities and Private Strategies. Sprott has offices in Toronto, New York, Connecticut and California and the company's common shares are listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbol (SII). For more information, please visit [www.sprott.com](http://www.sprott.com).

### IMPORTANT DISCLOSURES & DEFINITIONS

**The Sprott Funds Trust is made up of the following ETFs ("Funds"):** Sprott Gold Miners ETF (SGDM), Sprott Junior Gold Miners ETF (SGDJ), Sprott Critical Materials ETF (SETM), Sprott Uranium Miners ETF (URNM), Sprott Junior Uranium Miners ETF (URNJ), Sprott Copper Miners ETF (COPP), Sprott Junior Copper Miners ETF (COPJ), Sprott Lithium Miners ETF (LITP) and Sprott Nickel Miners ETF (NIKL). Before investing, you should consider each Fund's investment objectives, risks, charges and expenses. Each Fund's prospectus contains this and other information about the Fund and should be read carefully before investing. A prospectus can be obtained by calling 888.622.1813 or from the Fund's web page on [www.sprottetfs.com](http://www.sprottetfs.com).

The Funds are not suitable for all investors. There are risks involved with investing in ETFs, including the loss of money. The Funds are non-diversified and can invest a greater portion of assets in securities of individual issuers than a diversified fund. As a result, changes in the market value of a single investment could cause greater fluctuations in share price than would occur in a diversified fund.

**Exchange Traded Funds (ETFs) are bought and sold through exchange trading at market price (not NAV) and are not individually redeemed from the Fund. Shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns. "Authorized participants" may trade directly with the Fund, typically in blocks of 10,000 shares.**

Funds that emphasize investments in small/mid-cap companies will generally experience greater price volatility. Diversification does not eliminate the risk of experiencing investment losses. ETFs are considered to have continuous liquidity because they allow for an individual to trade throughout the day. A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses, affect the Fund's performance.

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