

*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 in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities.*

## PROSPECTUS

Continuous Offering

May 11, 2016

# PURPOSE

## INVESTMENTS

### Silver Bullion Trust

The Silver Bullion Trust (the “Fund”) is a mutual fund established as a trust under the laws of the Province of Ontario. The authorized capital of the Fund includes one class of exchange-traded units (“**ETF Non-Currency Hedged Units**”) and one class of currency hedged exchange-traded units (“**ETF Currency Hedged Units**”). The ETF Non-Currency Hedged Units and ETF Currency Hedged Units are referred to in this prospectus as the “**Units**”. An unlimited number of ETF Non-Currency Hedged Units and ETF Currency Hedged Units are authorized for issuance.

This prospectus qualifies for distribution the ETF Non-Currency Hedged Units and ETF Currency Hedged Units of the Fund. The ETF Non-Currency Hedged Units are U.S. dollar denominated and Canadian dollar denominated and the ETF Currency Hedged Units are Canadian dollar denominated.

The Fund has been created to buy and hold substantially all of its assets in silver bullion and, incidental thereto, minor amounts of silver certificates, if any.

The Fund invests in and holds substantially all of its assets in long-term holdings of silver bullion in order to provide investors with a secure, convenient, low-cost alternative for investors interested in holding an investment in silver bullion.

The Fund invests in and holds unencumbered silver bullion on a long-term basis in 1,000 ounce international bar sizes, and not to speculate with regard to short-term changes in silver prices in order to provide investors with the ability to effectively invest in unencumbered silver bullion in a convenient and secure manner, without the associated inconvenience and relatively high transaction, handling, storage, insurance and other costs typical of a direct silver bullion investment.

Purpose Investments Inc. (the “**Manager**” or “**Purpose**”), is the trustee and manager of the Fund and is responsible for the administration of the Fund. The Manager has engaged Silver Administrators Ltd. (the “**SAL**”), as the administrator of the silver bullion for the Fund. See “Organization and Management Details of the Fund”.

The ETF Non-Currency Hedged Units are listed on the TSX under the ticker symbol “SBT” and offered on a continuous basis.

The Toronto Stock Exchange (“**TSX**”) has conditionally approved the listing of the ETF Currency Hedged Units of the Fund. Listing is subject to fulfilling all of the requirements of the TSX on or before May 18, 2017. Subject to satisfying the TSX’s original listing requirements, the ETF Currency Hedged Units will be listed on the TSX and an investor will be able to buy or sell the ETF Currency Hedged Units on the TSX through registered brokers and dealers in the Province or Territory where the investor resides. Investors will incur customary brokerage commissions in buying or selling the Units. The Units are being issued and sold on a continuous basis and there is no maximum number of Units that may be issued.

The Manager, on behalf, of the Fund, has entered into or may enter into agreements with registered dealers (each a “**Designated Broker**” or “**Dealer**”), which amongst other things enables Designated Brokers and Dealers to purchase and redeem Units directly from the Fund. Unitholders will be able to redeem Units for cash at a redemption price equal to the lesser of: (a) 95% of the closing price for the Units on the effective date of redemption and (ii) the net asset value per Unit on the effective date of redemption. Unitholders may also exchange a Prescribed Number of Units (defined herein) (or an integral multiple thereof) for cash and Baskets (defined herein) held by the Fund. The Fund will issue Units directly to Designated Brokers and Dealers.

**No underwriter has been involved in the preparation of this prospectus or has performed any review of the contents of the prospectus.** The Canadian securities regulators have provided the Fund with a decision exempting it from the requirement to include a certificate of an underwriter in this prospectus. The Designated Brokers and Dealers are not underwriters of the Fund in connection with the distribution of Units under this prospectus.

In the opinion of counsel, provided that the Fund qualifies as a “mutual fund trust” within the meaning of the *Income Tax Act* (Canada) (the “**Tax Act**”), or the Units of the Fund are listed on a “designated stock exchange” within the meaning of the Tax Act (which currently includes the TSX), such Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (“**Registered Plans**”). Holders of tax-free savings accounts and annuitants of registered retirement savings plans and registered retirement income funds should consult their own tax advisors to ensure Units of the Fund would not be a “prohibited investment” for purposes of the Tax Act in their particular circumstances.

**While the Fund is a mutual fund under the securities legislation of certain provinces and territories of Canada, the Fund has been granted exemptive relief from certain provisions of Canadian securities legislation applicable to conventional mutual funds.**

For a discussion of the risks associated with an investment in Units, see “Risk Factors”.

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## GLOSSARY

*Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars and all references to times in this prospectus are to Toronto time.*

***Basket*** – (of a class) means Bullion and cash in such amount as determined by the Manager in its discretion from time to time;

***Bullion*** – physical silver bullion.

***Bullion Management Agreement*** – the bullion asset inventory management agreement dated as of February 8, 2016 between the Manager, as manager of the Fund and Silver Administrators Ltd., as bullion administrator of the Fund, as amended and as may be amended from time to time.

***Business Day*** – any day on which the TSX (including its successors or assigns) or such other exchange or market as may be designated by the Manager from time to time, is open for business;

***Canadian securities legislation*** – the applicable securities legislation in force in each Province and Territory of Canada, all regulations, rules, orders and policies made thereunder and all multilateral and national instruments adopted by the securities regulatory authorities.

***Cash Exchange Fee*** - the fee payable in connection with cash payments (in whole or in part) for exchanges of a Prescribed Number of Units of a class of the Fund, representing, as applicable, brokerage expenses, commissions, transaction costs, costs or expenses related to market impact and other costs or expenses that the Fund incurs or expects to incur in selling Bullion on the market to obtain the necessary cash for the exchange.

***Cash Creation Fee*** - means the fee payable in connection with cash payments (in whole or in part) for subscriptions of a Prescribed Number of Units of a class of the Fund, representing, as applicable, brokerage expenses, commissions, transaction costs, costs or expenses related to market impact, and other costs or expenses that the Fund incurs or expects to incur in purchasing Bullion on the market with such cash proceeds.

***CDS*** – CDS Clearing and Depository Services Inc.

***CDS Participant*** – a participant in CDS that holds Units on behalf of beneficial owners of Units.

***Custodian*** – Canadian Imperial Bank of Commerce.

***Dealer*** – a registered dealer (that may or may not be a Designated Broker), that has entered into a Dealer Agreement with the Manager, pursuant to which the Dealer may subscribe for Units as described under “Purchases of Units – Issuance of Units”.

***Dealer Agreement*** – an agreement between the Manager on behalf of the Fund, and a Dealer, as amended from time to time.

***Declaration of Trust*** – the declaration of trust dated June 8, 2009, as amended or as amended and restated from time to time, pursuant to which the Fund has been established.

**Designated Broker** – a registered dealer that has entered into a Designated Broker Agreement with the Manager on behalf of the Fund pursuant to which the Designated Broker agrees to perform certain duties in relation to the Fund.

**Designated Broker Agreement** – an agreement between the Manager on behalf of the Fund, and a Designated Broker, as amended from time to time.

**Distribution Payment Date** – a day on which the Fund pays a dividend or distribution, as the case may be, to its Unitholders and that is no later than the 10<sup>th</sup> Business Day following the applicable Distribution Record Date.

**Distribution Record Date** – a date determined by the Manager as a record date for the determination of Unitholders of the Fund entitled to receive a distribution.

**DPSPs** – deferred profit sharing plans as defined in the Tax Act.

**ETF** – exchange-traded fund.

**ETF Summary Document** – a summary document in respect of an exchange traded fund, which summarizes certain features of the exchange traded fund and which is publicly available at [www.sedar.com](http://www.sedar.com) and provided or made available to registered dealers for delivery to purchasers of securities of an exchange traded fund.

**Fund** – the Silver Bullion Trust.

**HST** – the harmonized sales tax imposed under the *Excise Tax Act* (Canada) that is applicable in certain Provinces of Canada.

**IRC** – the Independent Review Committee of the Fund.

**Manager** – means Purpose Investments Inc., the trustee and manager of the Fund.

**Net Asset Value of the Units and Net Asset Value per Unit** – the net asset value of the Fund attributable to each class of Units and the net asset value per Unit of a class, calculated by the Valuation Agent as described under “Calculation of Net Asset Value”.

**NI 81-102** – National Instrument 81-102 – *Investment Funds*.

**NI 81-107** – National Instrument 81-107 – *Independent Review Committee for Investment Funds*.

**Permitted Merger** – as defined under “Unitholder Matters – Matters Requiring Unitholders’ Approval”.

**Prescribed Number of Units** – the number of Units of a class determined by the Manager from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes.

**Purpose** – Purpose Investments Inc.

**RDSPs** – registered disability savings plans as defined in the Tax Act.

**Registered Plans** – collectively, RRSPs, RRIFs, DPSPs, RDSPs, RESPs and TFSAs.

**RESPs** – registered education savings plans as defined in the Tax Act.

**RRIFs** – registered retirement income funds as defined in the Tax Act.

**RRSPs** – registered retirement savings plans as defined in the Tax Act.

**Safekeeping Agreement** – the safekeeping agreement dated July 13, 2009, as amended between the Fund and the Custodian, as custodian.

**securities regulatory authorities** – the securities commission or similar regulatory authority in each Province and Territory of Canada that is responsible for administering the Canadian securities legislation in force in such Province or Territory.

**Special Resolution** – resolution passed by the affirmative votes of the holders of more than 66 2/3% of the Units represented at the meeting and voted upon such resolution.

**SIFT Rules** – provisions of the Tax Act applicable to “SIFT trusts” and “SIFT partnerships” (as defined in the Tax Act).

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

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

**TFSAs** – tax-free savings accounts as defined in the Tax Act.

**Trading Day** – a day on which a regular session of the TSX is held;

**TSX** – the Toronto Stock Exchange.

**Unit** – an exchange-traded Unit.

**Unitholder** – a holder of a Unit.

**U.S.** – the United States of America.

**Valuation Agent** – the company appointed from time to time by the Manager to calculate the Net Asset Value and the Net Asset Value per Unit.

**Valuation Date** – each Trading Day and any other day designated by the Manager on which the Net Asset Value and Net Asset Value per Unit of the Fund will be calculated.

**Valuation Time** – 4:00 p.m. (Toronto time) or such other time the Manager deems appropriate on each Valuation Date.

**\$** – Canadian dollars unless otherwise indicated.

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of the Units offered hereby and should be read together with the more detailed information and statements contained elsewhere in this prospectus or incorporated by reference in this prospectus.*

**Issuer:** Silver Bullion Trust (the “**Fund**”)

The Fund is an exchange traded mutual fund established as a trust under the laws of the Province of Ontario pursuant to the declaration of trust dated June 8, 2009, as amended or as amended and restated from time to time (the “**Declaration of Trust**”). The registered address of the Fund is 130 Adelaide Street West, P.O. Box 83, Suite 1700, Toronto, Ontario, M5H 3P5.

Purpose Investments Inc. (the “**Manager**” or “**Purpose**”) is the trustee and manager of the Fund.

See “Overview of the Legal Structure of the Fund”.

**Offering:** The Fund is offering a class of exchange-traded units (the “**ETF Non-Currency Hedged Units**”) and a class of exchange-traded currency hedged units (the “**ETF Currency Hedged Units**”). The ETF Non-Currency Hedged Units and the ETF Currency Hedged Units are collectively referred to in this prospectus as the “**Units**”. The ETF Non-Currency Hedged Units are U.S. dollar denominated and Canadian dollar denominated and the ETF Currency Hedged Units are Canadian dollar denominated. See “Overview of the Legal Structure of the Fund”.

**Continuous Distribution:** The Units offered hereby are being issued and sold on a continuous basis and there is no maximum number of Units that may be issued.

The ETF Non-Currency Hedged Units are listed on the TSX under the ticker symbol “SBT” and offered on a continuous basis.

The Toronto Stock Exchange (“**TSX**”) has conditionally approved the listing of the ETF Currency Hedged Units of the Fund. Listing is subject to fulfilling all of the requirements of the TSX on or before May 18, 2017. Subject to satisfying the TSX’s original listing requirements, the ETF Currency Hedged Units will be listed on the TSX and an investor will be able to buy or sell the ETF Currency Hedged Units on the TSX through registered brokers and dealers in the Province or Territory where the investor resides. Investors will incur customary brokerage commissions in buying or selling the Units. The Units are being issued and sold on a continuous basis and there is no maximum number of Units that may be issued.

The Fund issues Units directly to Designated Brokers and Dealers. From time to time as may be agreed between the Manager and the Designated Brokers and Dealers, the Designated Brokers and Dealers may agree to accept Bullion (as

defined herein) as payment for Units from prospective purchasers.

See “Purchases of Units – Issuance of Units” and “Purchases of Units – Buying and Selling Units”.

**Investment Objectives:**

The Fund has been created to buy and hold substantially all of its assets in silver bullion and, incidental thereto, minor amounts of silver certificates, if any.

See “Investment Objectives”.

**Investment Strategies:**

The Fund invests in and holds substantially all of its assets in long-term holdings of silver bullion in order to provide investors with a secure, convenient, low-cost alternative for investors interested in holding an investment in silver bullion.

The Fund invests in and holds unencumbered silver bullion on a long-term basis in 1,000 ounce international bar sizes, and not to speculate with regard to short-term changes in silver prices in order to provide investors with the ability to effectively invest in unencumbered silver bullion in a convenient and secure manner, without the associated inconvenience and relatively high transaction, handling, storage, insurance and other costs typical of a direct silver bullion investment.

*Currency Hedging*

In respect of the ETF Currency Hedged Units of the Fund, the Fund enters into currency forwards that seek to hedge substantially all of its U.S. dollar currency exposure with respect to such Units back to the Canadian dollar. Hedging currency exposure to reduce the impact of fluctuations in exchange rates on the Fund is intended to reduce Unitholders’ exposure to foreign currency risk. Other than the foregoing, the Fund does not use derivatives.

See “Investment Strategies”.

**Special Considerations for Purchasers:**

The provisions of the “early warning” requirements set out in Canadian securities legislation do not apply in connection with the acquisition of Units. The Fund has obtained exemptive relief from the securities regulatory authorities to permit Unitholders to acquire more than 20% of the Units of a class of the Fund through purchases on the TSX (or such other designated exchange on which the Units of the Fund may be listed from time to time) without regard to the take-over bid requirements of Canadian securities legislation, provided that any such Unitholder, and any person acting jointly or in concert with the Unitholder, undertakes to the Manager not to vote more than 20% of the Units of a class at any meeting of Unitholders.

**Distribution Policy:**

The distribution policy of the Fund is to pay cash distributions on Units on an annual basis, if any.

**Exchanges and Redemptions:**

Holders of Units may redeem Units for cash, subject to a redemption discount. Holders of Units may also exchange a Prescribed Number of Units (as defined herein) (or integral multiple thereof) for Baskets (as defined herein) and cash.



See “Redemption and Exchange of Units – Redemption of Units for Cash” and “Redemption and Exchange of Units – Exchange of Units for Baskets”.

**Termination of the Fund:**

The Fund shall continue for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on June 8, 2009. For the purpose of terminating the Fund by such date, the Manager shall commence to wind-up the affairs of the Fund on such date as may be determined by the Manager, being not more than two years prior to the end of the term of the Fund. Unitholders may extend the term of the Fund, if permitted under applicable legislation in Ontario or terminate the Fund at any meeting of Unitholders duly called by the Manager for the purpose of considering the termination of the Fund.

**Eligibility for Investment:**

It is intended that the Units will at all relevant times be qualified investments for trusts governed by Registered Plans (as defined herein).

Holders of Tax-Free Savings Accounts (“**TFSAs**”) and annuitants of Registered Retirement Savings Plans (“**RRSPs**”) and Registered Retirement Income Fund (“**RRIFs**”), should consult with their tax advisors as to whether Units would be a prohibited investment for such accounts or plans in their particular circumstances. See “Eligibility for Investment”.

**Risk Factors:**

There are certain risks inherent in an investment in Units, including:

- (i) Fluctuations in Net Asset Value and Net Asset Value per Unit;
- (ii) Risk of Loss;
- (iii) Tax Risk;
- (iv) Changes in Legislation;
- (v) Illiquid Securities;
- (vi) Reliance on Key Personnel;
- (vii) Absence of an Active Market for the Units;
- (viii) Trading Price of Units;
- (ix) Commodity Risk;
- (x) Precious Metals Risk;
- (xi) Exchange Rate Risk;
- (xii) Withdrawal from Participation of Broker-Dealers;
- (xiii) Lack of Arbitrage Transactions;
- (xiv) Depletion of Amount of Bullion Represented by Each Unit.
- (xv) Currency Risk;
- (xvi) Exchange Rate Risk; and
- (xvii) Use of Derivatives Risk.

See “Risk Factors”.

**Income Tax Considerations:**

This summary of Canadian federal income tax considerations for the Fund and for Canadian resident Unitholders is subject in its entirety to the qualifications, limitations and assumptions set out in “Income Tax Considerations”.

A Unitholder who is an individual (other than a trust) resident in Canada and who holds Units as capital property (all within the meaning of the Tax Act) will generally be required to include in the Unitholder's income for tax purposes for any year the amount of net income and net taxable capital gains of the Fund paid or payable to the Unitholder in the year and deducted by the Fund in computing its income. Any return of capital from the Fund paid or payable to a Unitholder in a taxation year will reduce the adjusted cost base of the Unitholder's Units of the Fund. To the extent that a Unitholder's adjusted cost base would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder and the adjusted cost base of the Unit to the Unitholder will be increased by the amount of such capital gain. Any loss of the Fund cannot be allocated to, and cannot be treated as a loss of, the Unitholders of the Fund. Upon the actual or deemed disposition of a Unit, including the exchange or redemption of a Unit, a capital gain (or a capital loss) will generally be realized by the Unitholder to the extent that the proceeds of disposition of the Unit exceed (or are less than) the aggregate of the adjusted cost base to the Unitholder of the Unit and any reasonable costs of disposition.

The Declaration of Trust requires that the Fund distribute its net income and net realized capital gains, if any, for each taxation year to Unitholders to such an extent that the Fund will not be liable in respect of the taxation year for ordinary income tax.

In the opinion of counsel, provided that the Fund qualifies as a "mutual fund trust" within the meaning of the Tax Act, or the Units of the Fund are listed on a "designated stock exchange" within the meaning of the Tax Act (which currently includes the TSX), such Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (collectively, "**Registered Plans**"). Holders of tax-free savings accounts and annuitants of registered retirement savings plans and registered retirement income funds should consult their own tax advisors to ensure Units would not be a "prohibited investment" for the purposes of the Tax Act in their particular circumstances. See "Income Tax Considerations – Status of the Fund".

Each investor should satisfy himself or herself as to the tax consequences of an investment in Units by obtaining advice from his or her own tax advisor.

See "Income Tax Considerations".

### **Organization and Management Details of the Fund**

**Manager:**

Purpose is the trustee, manager and portfolio manager of the Fund. The address of the Manager is 130 Adelaide Street West, P.O. Box 83, Suite 1700, Toronto, Ontario, M5H 3P5.

See "Organization and Management Details of the Fund".

**Bullion Administrator:** Silver Administrators Ltd. (the “SAL”) is the administrator of the Fund’s physical silver bullion. SAL is located in Ancaster, Ontario.

See “The Bullion Administrator”.

**Custodian:** Canadian Imperial Bank of Commerce is the custodian of the assets of the Fund pursuant to the Safekeeping Agreement. The Custodian is located in Toronto, Ontario. The address of the Custodian is 161 Bay Street, 12th Floor, Toronto, Ontario M5J 2S8.

See “Organization and Management Details of the Fund – Custodian”.

**Registrar and Transfer Agent of the Units:** CST Trust Company, at its principal offices in Toronto, Ontario, is the registrar and transfer agent for the Units. The register for the Fund is kept in Toronto.

See “Organization and Management Details of the Fund – Registrar and Transfer Agent”.

**Auditor:** Ernst & Young LLP, at its principal offices in Toronto, Ontario, is the auditor of the Fund.

See “Organization and Management Details of the Fund – Auditor”.

## SUMMARY OF FEES AND EXPENSES

*This table lists the fees and expenses that you may have to pay if you invest in the Fund. You may have to pay some of these fees and expenses directly. The Fund may have to pay some of these fees and expenses, which will therefore reduce the value of your investment in the Fund. For further particulars, see “Fees and Expenses”.*

### **Fees and Expenses Payable by the Fund**

**Administration Fees:** The Fund will pay the Manager a declining fee (the “**Administration Fees**”) pursuant to the terms of the Management Services Agreement, plus applicable HST, on a monthly basis in arrears, equal to: 0.40% per annum on the first U.S.\$100,000,000 of the Fund’s total net assets; 0.30% per annum on any excess over U.S.\$100,000,000 up to U.S.\$200,000,000 of total net assets; and 0.20% per annum on any excess over U.S.\$200,000,000 of total net assets as at the month-end Valuation Date (as defined herein). Such fees shall be payable on or before the 10th day following the end of each such month. The Manager shall pay to Silver Administrators Ltd. an amount as agreed upon between the Manager and Silver Administrators Ltd. out of the Management Fees.

**Operating Expenses:** The Fund will pay for all ordinary expenses (the “**Administrative Expenses**”) incurred in connection with the operation and administration of the Fund including: custodian fees; transfer agency fees; filing fees; listing fees; audit fees; legal expenses; premiums for directors’ and officers’ insurance coverage for the members of the IRC; fees and expenses of the members of the IRC; income taxes; sales taxes (including GST/HST); brokerage expenses and commissions; withholding taxes; extraordinary expenses; accounting fees; expenses incurred in connection with the valuation of the Fund’s assets; any costs and expenses incurred in complying with NI 81-107 (including any expenses related to the implementation and on-going operation of an independent review committee), other operating and administrative expenses incurred in connection with the day-to-day operation of the Fund and, in relation to the ETF Currency Hedged Units, any fees associated with the forward contracts relating to the currency hedging strategy of the class. The Administrative Expenses payable by the Fund, plus applicable HST, will be calculated and accrued daily and paid monthly in arrears.

The Manager may, from time to time, in its sole discretion, pay all or a portion of any Administrative Expenses which would otherwise be payable by the Fund.

See “Fees and Expenses – Fees and Expenses Payable by the Fund – Operating Fees” and “Organization and Management Details of the Fund – The Manager”.

### **Fees and Expenses Payable Directly by Unitholders**

**Short-term Trading Fees:** At the present time, the Manager is of the view that it is not necessary to impose any short-term trading restrictions on the Units.

See “Fees and Expenses Payable Directly by Unitholders” and “Purchase of Units – Initial Investment”.

**Administrative Fee:** If a Unitholder exchanges or redeems Units, the Manager may charge an administrative fee of up to 2% of the Net Asset Value of the Units being exchanged or redeemed, to offset certain transaction costs associated with the exchange or redemption of Units.

See “Fees and Expenses Payable Directly by Unitholders”.

## OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

The Fund is a mutual fund established as a trust under the laws of the Province of Ontario pursuant to the Declaration of Trust (as defined herein). The authorized capital of the Fund includes two classes of exchange-traded units, namely, the ETF non-currency hedged units (“**ETF Non-Currency Hedged Units**”) and ETF currency hedged units (“**ETF Currency Hedged Units**”). ETF Non-Currency Hedged Units and ETF Currency Hedged Units are referred to in this prospectus as “**Units**”. An unlimited number of ETF Non-Currency Hedged Units and ETF Currency Hedged Units are authorized for issuance.

The Fund is subject to certain restrictions and practices contained in Canadian securities legislation, including National Instrument 81-102 – *Investment Funds* (“**NI 81-102**”), and is managed in accordance with these restrictions, subject to receipt of any exemptions therefrom obtained by the Fund.

While the Fund is a mutual fund under the securities legislation of certain Provinces and Territories of Canada, the Fund has obtained exemptive relief from certain provisions of Canadian securities legislation applicable to conventional mutual funds. See “Exemptions and Approvals”.

The ETF Non-Currency Hedged Units are listed on the TSX under the ticker symbol “**SBT**” and offered on a continuous basis.

The Toronto Stock Exchange (“**TSX**”) has conditionally approved the listing of the ETF Currency Hedged Units of the Fund. Listing is subject to fulfilling all of the requirements of the TSX on or before May 18, 2017. Subject to satisfying the TSX’s original listing requirements, the ETF Currency Hedged Units will be listed on the TSX and an investor will be able to buy or sell the ETF Currency Hedged Units on the TSX through registered brokers and dealers in the Province or Territory where the investor resides. Investors will incur customary brokerage commissions in buying or selling the Units. The Units are being issued and sold on a continuous basis and there is no maximum number of Units that may be issued.

The ETF Non-Currency Hedged Units are U.S. dollar denominated and Canadian dollar denominated and the ETF Currency Hedged Units are Canadian dollar denominated.

The Manager, on behalf of the Fund, has entered, or will enter, into agreements with registered dealers (each a “**Designated Broker**” or “**Dealer**”), which amongst other things enables Designated Brokers and Dealers to purchase and redeem Units directly from the Fund. Unitholders may redeem Units for cash at a redemption price of equal to the lesser of: (a) 95% of the closing price for the Units on the effective date of redemption and (b) the Net Asset Value of the Units on the effective date of redemption. Unitholders may also exchange a Prescribed Number of Units (defined herein) (or an integral multiple thereof) for cash and/or Baskets (defined herein) held by the Fund. The Fund will issue Units directly to Designated Brokers and Dealers.

The head office of the Fund and the Manager is located at 130 Adelaide Street West, Suite 1700, Toronto, Ontario, M5H 3P5. The Manager is a corporation incorporated under the laws of the Province of Ontario. Silver Administrators Ltd. (“**SAL**”) will act as administrator of the Fund’s physical silver bullion.

## INVESTMENT OBJECTIVES

The Fund has been created to buy and hold substantially all of its assets in silver bullion and, incidental thereto, minor amounts of silver certificates, if any.

## INVESTMENT STRATEGIES

The Fund invests in and holds substantially all of its assets in long-term holdings of silver bullion in order to provide investors with a secure, convenient, low-cost alternative for investors interested in holding an investment in silver bullion.

The Fund invests in and holds unencumbered silver bullion on a long-term basis in 1,000 ounce international bar sizes, and not to speculate with regard to short-term changes in silver prices in order to provide investors with the ability to effectively invest in unencumbered silver bullion in a convenient and secure manner, without the associated inconvenience and relatively high transaction, handling, storage, insurance and other costs typical of a direct silver bullion investment.

### Currency Hedging

As Bullion is priced in U.S. dollars, for Canadian dollar investors the return on an investment in Bullion denominated in Canadian dollars will be affected by two variables: (i) the price return of Bullion in U.S. dollars; and (ii) the variation in the U.S. dollar/Canadian dollar exchange rate.

In respect of the ETF Currency Hedged Units of the Fund, the Fund will enter into currency forwards that seek to hedge substantially all of its U.S. dollar currency exposure in respect of such Units back to the Canadian dollar. Hedging currency exposure to reduce the impact of fluctuations in exchange rates on the Fund is intended to reduce Unitholders' exposure to foreign currency risk.

Investors who purchase the ETF Non-Currency Hedged Units in Canadian dollars will be exposed to the return on an investment in Bullion as well as variations in the U.S. dollar/Canadian dollar exchange rate.

Other than the foregoing, the Fund does not use derivatives.

## OVERVIEW OF THE SECTORS IN WHICH THE FUND INVESTS

The Fund invests in a portfolio of pure, refined and unencumbered silver bullion, in London Bullion Market Association recognized Good Delivery international bars (0.999 purity, circa 1,000 troy ounces), and does not speculate with regard to short-term changes in silver prices. See "Investment Objectives".

The global trade in silver consists of Over-the-Counter ("OTC") transactions in spot, forwards, and options and other derivatives, together with exchange-traded futures and options. The Fund intends to acquire its bullion through the OTC system. The OTC market is unique in that it trades 24 hours per day, with no formal structure and no central meeting place. The vast majority of OTC silver trading of physical bullion occurs through the London Bullion Market in London through wholesale trades. The London Bullion Market Association ("LBMA") acts as the coordinator for the activities of its members and other participants in the London Bullion Market and generates a daily reference price known as the LBMA Silver Price (the "LBMA Silver Price"). The members of the LBMA typically trade with each other and with their clients on a principal-to-principal basis, which allows for more flexible trading conditions than would be possible on an exchange. Silver bullion can also be acquired on the Mercantile Exchange and Commodity Exchange, Inc. ("COMEX") based in New York.

The quality of the silver bullion accepted for trading is set out in the LBMA's "London Good Delivery List", which identifies approved refiners of silver. Silver bullion must meet the specifications for weight, dimensions, fineness (or purity), identifying marks (including the assay stamp of an LBMA-acceptable refiner) and appearance set forth in "The Good Delivery Rules for Gold and Silver Bars" as published by the LBMA and are known as "London Good Delivery Bars". COMEX has similar grade and quality

specifications known as “COMEX Good Delivery”. London Good Delivery bars and COMEX Good Delivery bars must have a minimum fineness (or purity) of 999.0 parts per 1,000. All silver bullion purchased by the Fund will be certified either London Good Delivery List or COMEX Good Delivery.

The price of silver is volatile and its fluctuations are expected to have an impact on the price of the Units. Movements in the price of silver in the past, and any past or present trends, are not a reliable indicator of future movements. See “Risk Factors”.

### **INVESTMENT RESTRICTIONS**

The Fund is subject to certain restrictions and practices contained in the Canadian securities legislation. The Fund is managed in accordance with these restrictions and practices, except as otherwise permitted by exemptions provided by Canadian securities regulatory authorities. See “Exemptions and Approvals”. The Fund is managed in accordance with the restrictions and practices set out in NI 81-102 which regulates mutual funds under applicable Canadian securities law, and subject to receipt of any exemptions therefrom obtained by the Fund.

In addition, the Fund is subject to the following restrictions set forth in the Declaration of Trust and is limited to:

- (a) investing in and holding a minimum of 90% of its net assets in silver bullion and holding no more than 10% of its total net assets in the following:
  - (i) silver certificates to enable payments, if any, to be made in connection with: (1) the redemption of any Units or other securities of the Fund; (2) making distributions, if any, to Unitholders; and (3) for working capital purposes; and
  - (ii) cash and interest-bearing accounts, short-term government debt or short-term investment grade corporate debt for working capital purposes;
- (b) only issuing Units (or subject to applicable law, rights, warrants, convertible securities or options to acquire Units or permitting re-investment of distributions) if the net proceeds per Unit to be received by the Fund are not less than the most recently calculated Net Asset Value per Unit prior to or upon authorization of such issuance;
- (c) borrowing on a short-term basis in strictly limited circumstances to facilitate bullion purchases, provided that, under such circumstances, the Fund may enter into short-term borrowing arrangements for which all outstanding amounts do not exceed 5% of the Fund’s total net assets at any and all times;
- (d) holding cash in interest-bearing accounts, short-term government debt, short-term investment grade corporate debt or money market mutual funds for the purposes of paying the expenses of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units or other securities, and making distributions to Unitholders;
- (e) purchasing securities issued by the Fund;
- (f) satisfying the obligations or liabilities of the Fund;
- (g) undertaking such other activities, or taking such actions including investing in securities, as are related to or in connection with the foregoing or as are contemplated by the Declaration of Trust



or as may be approved by the Manager from time to time, provided that the Fund shall not undertake any activity, take any action, or make any investment which would result in:

- (i) the Fund not being considered a “mutual fund trust” for purposes of the Tax Act (as defined herein); or
- (ii) all or substantially all of the property of the Fund consisting of property that would be taxable Canadian property if the definition “taxable Canadian property” in subsection 248(1) of the Tax Act were read without reference to the paragraph (b) of that definition.

Further, the Fund is required to:

- (a) ensure that the silver bullion owned by the Fund is unencumbered and to ensure any amounts borrowed to facilitate silver bullion purchases are restricted in accordance with the terms of the Declaration of Trust;
- (b) store all silver bullion owned by the Fund on a fully allocated and segregated basis in Canada in treasury vault facilities of a Canadian chartered bank or an affiliate thereof or any other entity permitted to so hold silver bullion and/or silver certificates pursuant to applicable laws or an exemption therefrom, which shall be the custodian of the Fund;
- (c) ensure that no part of the silver bullion held in storage on behalf of the Fund may be delivered out of safekeeping by the Custodian without receipt of a certified resolution of the Manager specifying the purpose of the delivery and giving direction with respect to specific amounts;
- (d) ensure that the silver bullion held in storage on behalf of the Fund shall be inspected annually and spot audited periodically by bar number, refiner, weight and purity in the presence of at least one officer of the Manager, at least one representative of the Fund’s auditors and one or more representatives of the Custodian; and
- (e) seek to maintain the qualifying status of the Units under current Canadian legislation, as described under “Eligibility of Investment”.

## **FEES AND EXPENSES**

### **Fees and Expenses Payable by the Fund**

#### ***Management Fees***

The Fund will pay the Manager a declining fee (the “**Management Fees**”) pursuant to the terms of the Management Services Agreement, plus applicable HST, on a monthly basis in arrears, equal to: 0.40% per annum on the first U.S.\$100,000,000 of the Fund’s total net assets; 0.30% per annum on any excess over U.S.\$100,000,000 up to U.S.\$200,000,000 of total net assets; and 0.20% per annum on any excess over U.S.\$200,000,000 of total net assets as at the month-end Valuation Date. Such fees shall be payable on or before the 10th day following the end of each such month. For such purposes, “total assets” shall mean the total assets of the Fund as at the Valuation Date, valuing silver bullion, silver certificates and other investments at market value and cash, short-term government securities, short-term deposits with financial institutions and prime commercial paper at cost less any outstanding payables or other indebtedness of the Fund. The Manager may, from time to time in its discretion, waive all or a portion of the management fee charged at any given time. The Manager shall pay to Silver Administrators Ltd. an amount as agreed upon between the Manager and Silver Administrators Ltd. out of the Management Fees.

### ***Operating Expenses***

The Fund will pay for all ordinary expenses (the “**Administrative Expenses**”) incurred in connection with the operation and administration of the Fund including: custodian fees; transfer agency fees; filing fees; listing fees; audit fees; legal expenses; premiums for directors’ and officers’ insurance coverage for the members of the IRC; fees and expenses of the members of the IRC; income taxes; sales taxes (including GST/HST); brokerage expenses and commissions; withholding taxes; extraordinary expenses; accounting fees; expenses incurred in connection with the valuation of the Fund’s assets; and any costs and expenses incurred in complying with NI 81-107 (including any expenses related to the implementation and on-going operation of an independent review committee), other operating and administrative expenses incurred in connection with the day-to-day operation of the Fund and, in relation to the ETF Currency Hedged Units, any fees associated with the forward contracts relating to the currency hedging strategy of the class. The Administrative Expenses payable by the Fund, plus applicable HST, will be calculated and accrued daily and paid monthly in arrears.

The Manager may, from time to time, in its sole discretion, pay all or a portion of any Administrative Expenses which would otherwise be payable by the Fund.

### **Fees and Expenses Payable Directly by Unitholders**

#### ***Short-Term Trading Fees***

At the present time, the Manager is of the view that it is not necessary to impose any short-term trading restrictions on the Units.

#### ***Administrative Fee***

If a Unitholder exchanges or redeems Units, the Manager may charge an administrative fee of up to 2% of the Net Asset Value of the Units being exchanged or redeemed, to offset certain transaction costs associated with the exchange or redemption of Units.

### **ANNUAL RETURNS, MANAGEMENT EXPENSE RATIO AND TRADING EXPENSE RATIO**

The following chart provides the annual returns, the management expense ratios (“**MER**”) and trading expense ratios (“**TER**”) for the Fund from January 1, 2011 to December 31, 2015.

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Annual Returns (%)	-8.2%	5.7%	-34.8%	-18.2%	-16.5%
MER (%)	0.41%	0.45%	0.50%	0.49%	3.59%
TER (%)	-	-	-	-	-

### **RISK FACTORS**

In addition to the considerations set out elsewhere in this prospectus, the following are certain considerations relating to an investment in the Fund that prospective investors should consider before purchasing Units.

### ***Fluctuations in Net Asset Value and Net Asset Value per Unit***

The Net Asset Value per Unit will vary according to, among other things, the value of the Bullion held by the Fund. The Manager and the Fund have no control over the factors that affect the value of the assets held by the Fund, including factors that affect the silver bullion market generally such as general economic and political conditions and fluctuations in interest rates.

### ***Risk of Loss***

An investment in the Fund is not guaranteed by any entity. Unlike bank accounts or guaranteed investment certificates, an investment in the Fund is not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

### ***Tax Risk***

If the Fund were to cease to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations described under the heading “Income Tax Considerations” would be materially and adversely different in certain respects.

Under the SIFT Rules, trusts or partnerships (defined as “SIFT trusts” and “SIFT partnerships”, respectively), the securities of which are listed or traded on a stock exchange or other public market and that hold one or more “non-portfolio properties” (as defined), are effectively taxed on income and capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by Canadian corporations. Distributions of such income received by unitholders of SIFT trusts (and allocations of such income made to members of SIFT partnerships) are treated as eligible dividends from a taxable Canadian corporation.

The Fund has been created to provide Unitholders with an exposure to Bullion in accordance with the investment strategy of the Fund. The Fund is subject to investment restrictions intended to ensure that it will not be a SIFT trust (as defined in the Tax Act). If the Fund were to qualify as a SIFT trust, the income tax considerations described under “Income Tax Considerations” would be materially and adversely different in certain respects. Particularly in circumstances where the Fund realizes net gains upon settlement of currency hedging contracts in respect of the ETF Currency Hedged Units in a taxation year which are unsheltered by any loss carryforwards from prior taxation years, the Fund will distribute net income and net realized gains through a payment of reinvested distributions. The amount of such income or taxable portion of such capital gains thus distributed by the Fund will be included in the income of its Unitholders and subject to tax despite the absence of any cash distribution from the Fund to fund the resulting tax liability of the Unitholders.

In determining its income for tax purposes, the Fund will treat gains (or losses) as a result of any disposition of Bullion as capital gains (or capital losses) or, depending on the circumstances, include the full amount in (or deduct the full amount from) income. The Canada Revenue Agency has expressed the opinion that gains (or losses) of mutual fund trusts resulting from transactions in commodities should generally be treated for tax purposes as ordinary income rather than as capital gains, although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances.

The Fund may enter into currency forward agreements for the purposes of currency hedging. In supplementary information released concurrently with the initial proposal of rules in the Tax Act (the “**DFA Rules**”), the Department of Finance (Canada) stated that those rules target certain financial arrangements (described as “**derivative forward agreements**”) that seek to reduce tax by converting,

through the use of derivative contracts, the return on an investment that would have the character of ordinary income into capital gains. The use of derivatives by the Fund for the purposes of currency hedging will not have the intent or effect identified in the supplementary information. However, the DFA Rules are broad in scope and could apply to other agreements or transactions (including certain currency forward agreements). If the DFA Rules were to apply to the Fund's derivatives that would otherwise generate capital gains, gains realized in respect of such derivatives could be treated as ordinary income rather than capital gains.

If any transactions of the Fund are reported on capital account but subsequently determined to be on income account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase. Any such redetermination by the CRA may result in the Fund being liable for taxes, including unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for purposes of the Tax Act at the time of the distribution. Such potential liability may reduce the Net Asset Value, Net Asset Value per Unit and/or the trading prices of the Units.

Rules in the Tax Act that apply to "loss restriction events" (as defined in the Tax Act) of certain trusts (the "**LRE Rules**") may have an impact on the Fund in certain circumstances. Generally, unless the Fund qualifies for the exemption from the LRE Rules described below, the Fund will have a "loss restriction event" if any person, either alone or together with other persons with whom that person is affiliated within the meaning of the Tax Act, or any group of persons acting in concert, acquires Units of the Fund having a fair market value that is greater than 50% of the fair market value of all the Units of the Fund. Upon the occurrence of a "loss restriction event", the Fund would have a deemed year-end resulting generally in a short taxation year, any undistributed income and realized capital gains (net of any applicable losses) would be expected to be made payable as a distribution on the Units held by Unitholders of record of the Fund on the record date for such distribution (which generally would be expected to be the last Trading Day in such short taxation year) and the Fund would be restricted in its ability to use tax losses (including any unrealized capital losses) that exist at the time of the "loss restriction event". Trusts that qualify as "investment funds" as defined in the LRE Rules are exempt from such adverse consequences. An "investment fund" for this purpose includes a trust that meets certain conditions, including qualifying as a "mutual fund trust" for purposes of the Tax Act, not using any property in the course of carrying on a business and complying with certain asset diversification requirements.

### ***Changes in Legislation***

There can be no assurance that tax, securities or other laws will not be changed in a manner that adversely affects the distributions received by the Fund or by its Unitholders.

There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Fund or its Unitholders. For example, changes to tax legislation or the administration thereof could affect the taxation of the Fund.

### ***Illiquid Securities***

If the Fund is unable to dispose of some or all of the assets held by it, the Fund may experience a delay in the receipt of the proceeds of disposition until such time as it is able to dispose of such assets or may be able to do so only at prices which may not reflect the fair value of such investments.

### ***Reliance on Key Personnel***

The Manager depends, to a great extent, on the services of a limited number of individuals in connection with the services provided to the Fund. The loss of such services or the loss of some key individuals could impair the ability of the Manager to perform its management and administrative services, as applicable, on behalf of the Fund.

### ***Absence of an Active Market for the Units***

Although the ETF Non-Currency Hedged Units are and ETF Currency Hedged Units will be (subject to receiving conditional approval and meeting the TSX's original listing requirements in respect of the Fund and a receipt being issued for the final prospectus of the Fund by the securities regulatory authorities) listed on the TSX (or another designated exchange), there can be no assurance that an active public market for (a) the ETF Non-Currency Hedged Units will be sustained or (b) the ETF Currency Hedged Units will develop.

### ***Trading Price of Units***

Units may trade in the market at a premium or discount to the Net Asset Value per Unit. There can be no assurance that the Units will trade at prices that reflect their Net Asset Value. The trading price of the Units will fluctuate in accordance with changes in the Fund's Net Asset Value, as well as market supply and demand on the designated exchanges on which on which the Units of the Fund may be listed or traded from time to time. However, given that generally only a Prescribed Number of Units are issued to Designated Brokers and Dealers, and that holders of a Prescribed Number of Units (or an integral multiple thereof) may redeem such Units at their Net Asset Value, the Manager believes that large discounts or premiums to the Net Asset Value of the Units should not be sustained.

### ***Commodity Risk***

The Fund provides exposure to silver bullion which has historically been more volatile than other markets, including the broader equity market.

### ***Precious Metals Risk***

The Fund may be subject to a number of risks specific to precious metals, such as: (i) changes in industrial, government and consumer demand, including industrial and jewelry demand and the degree to which governments, corporate and financial institutions and consumers hold precious metals, such as physical silver, as a safe haven asset, which may be affected by the structure of and confidence in the global monetary system or a rapid change in the value of other assets; (ii) disruptions in the supply chain, from mining to storage to smelting or refining; (iii) adjustments to inventories; (iv) variations in production costs, including storage, labour and energy costs; (v) costs associated with regulatory compliance, including environmental regulations; (vi) interest rates and borrowing and lending rates relating to precious metals; (vii) currency exchange rates, including the relative strength of, and confidence in, exchange rates relating to currencies in which precious metals prices are quoted; and (viii) levels of economic growth and inflation. These factors interrelate in complex ways, and the effect of one factor on the Fund and the value of its Units may increase or reduce the effect of another factor.

### ***Exchange Risk***

In the event that a stock exchange on which the Units are traded closes early or unexpectedly on any day that it is normally open for trading, Unitholders will be unable to purchase or sell Units on the stock

exchange until it reopens and there is a possibility that, at the same time and for the same reason, the exchange and redemption of Units may be suspended until the stock exchange reopens.

#### ***Withdrawal from Participation of Broker-Dealers***

In the event that one or more broker-dealers that have substantial interests in Units withdraw from participation, the liquidity of the Units will likely decrease which could adversely affect the market price of the Units and result in Unitholders incurring a loss on their investment.

#### ***Lack of Arbitrage Transactions***

If the processes of creation and redemption of Units encounters any unanticipated difficulties, potential market participants, such as broker-dealers and their customers, who would otherwise be willing to purchase or redeem Units to take advantage of any arbitrage opportunity arising from discrepancies between the price of the Units and the price of the underlying silver may not take the risk that, as a result of those difficulties, they may not be able to realize the profit they expect. If this is the case, the liquidity of the Units may decline and the price of the Units may fluctuate independently of the price of silver and may fall or otherwise diverge from Net Asset Value.

#### ***Depletion of Amount of Bullion Represented by Each Unit***

Each Unit represents an equal, fractional, undivided ownership interest in the net assets of the Fund. As the Fund would not be expected to generate any net income and may be required to sell Bullion over time on an as-needed basis to pay for ongoing expenses and to fund certain redemptions, the amount of Bullion represented by each Unit will and the Net Asset Value per Unit may, gradually decline over time, irrespective of whether the trading price of the Units rises or falls in response to changes in the price of Bullion. The continuous offering of Units will not reverse this trend, as the amount of Bullion acquired by the proceeds from such offering will proportionately reflect the amount of Bullion represented by the Units issued pursuant thereto.

#### ***Currency Risk***

You may purchase ETF Non-Currency Hedged Units in Canadian dollars. Canadian dollar denominated ETF Non-Currency Hedged Units are offered only as a convenience for investors and do not act as a currency hedge between the U.S. dollar and the Canadian dollar.

#### ***Exchange Rate Risk***

ETF Currency Hedged Units are Canadian dollar denominated. Generally, a substantial portion of the foreign currency exposure within the Fund's portfolio allocated to the ETF Currency Hedged Units will be hedged back to the Canadian dollar in the Manager's discretion. The effectiveness of the Manager's currency hedging strategy will, in general, be affected by the volatility of the Canadian dollar relative to the currencies to be hedged. Increased volatility will generally reduce the effectiveness of the currency hedging strategy. The effectiveness of the Manager's currency hedging strategy may also be affected by any significant difference between Canadian dollar interest rates and foreign currency interest rates.

#### ***Currency Hedging Risk***

With respect to the ETF Currency Hedged Units, the Fund will seek to hedge economic exposure to foreign currency by entering into currency forward transactions. The use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in

securities and other traditional investments. Risks associated with the use of derivatives include: (i) there is no guarantee that hedging to reduce risk will not result in a loss or that there will be a gain; (ii) there is no guarantee that a market will exist when the Fund wants to complete or settle the derivative contract, which could prevent the Fund from reducing a loss or making a profit; (iii) the Fund could experience a loss if the other party to the derivative contract is unable to fulfill its obligations; and (iv) if the Fund has an open position in a forward contract with a dealer who goes bankrupt, the Fund could experience a loss and, for an open forward contract, a loss of margin deposited with that dealer. The effectiveness of the Fund's currency hedging strategies will in general be affected by the volatility of the Canadian dollar relative to the currencies to be hedged, as well as the volatility of the price of Bullion. Increased volatility will generally reduce the effectiveness of the Fund's currency hedging strategy. In addition, significant differences between Canadian dollar interest rates and foreign currency interest rates may affect the effectiveness of the currency hedging strategies employed by the Fund. The currency hedging strategy of the Fund may result in the ETF Currency Hedged Units trading at a higher or lower value than the aggregate value of Bullion equal to the Net Asset Value per Unit of that class. As such, investing in ETF Currency Hedged Units may not replicate the price of Bullion.

### **Risk Rating of the Fund**

The Manager assigns an investment risk rating to each of the funds that it manages as an additional guide to help investors decide whether the fund is appropriate for them. The methodology that the Manager used to determine the risk rating of a fund is based on the methodology recommended by the Fund Risk Classification Task Force of The Investment Fund Institute of Canada (the "IFIC Task Force"). The IFIC Task Force concluded that the most comprehensive, easily understood form of risk is the historical volatility of a fund as measured by the standard deviation of its performance. However, the IFIC Task Force recognizes that other types of risk, both measurable and non-measurable, may exist and that historical performance may not be indicative of future returns and a fund's historical volatility may not be indicative of future volatility.

Using this methodology, the Manager assigns a risk rating to a fund in one of the following categories:

- Low – generally includes money market funds and Canadian fixed income funds.
- Low to medium – generally includes balanced, higher yielding fixed-income and asset allocation funds.
- Medium – generally includes equity funds investing in large-capitalization companies in developed markets.
- Medium to high – generally includes equity funds investing in small-capitalization companies or specific regions or sectors.
- High – generally includes equity funds investing in narrow sectors or emerging market countries where there may be substantial risk of loss over short to medium periods.

Using an average annual return of 7% as an example, the IFIC risk categories can be summarized in the following table:

<b>Risk Rating Categories</b>	<b>Standard Deviations (%)</b>	<b>Average Return (%)</b>	<b>Range of Returns (%)</b>
Low	0 to 6	7	1 to 13
Low to medium	6 to 11	7	-4 to 18

Medium	11 to 16	7	-9 to 23
Medium to high	16 to 20	7	-13 to 27
High	>20	7	< -13 to >27

In certain instances, the methodology set forth above may produce a result that the Manager believes may not be indicative of a fund's future volatility. As a result, in addition to using the methodology recommended by the IFIC Task Force, the Manager may take into account other qualitative factors, including, but not limited to, economic climate, portfolio management styles, sector concentration and types of investments made by a fund and the liquidity of those investments, in making the final determination of a fund's risk rating. The investment risk rating for each fund is reviewed at least annually as well as if there is a material change in the fund's investment objective or investment strategies.

A copy of the methodology used by the Manager to identify the investment risk levels of the Fund is available on request, at no cost, by calling by calling 1-877-789-1517 or by emailing Purpose at [info@purposeinvest.com](mailto:info@purposeinvest.com).

The risk rating set forth in the table below does not necessarily correspond to an investor's risk tolerance assessment. Investors are advised to consult their financial advisor for advice regarding their personal circumstances.

Legal Name	Risk Rating
Silver Bullion Trust	Medium

## DISTRIBUTION POLICY

Cash distributions on Units will be made on an annual basis, if at all.

On an annual basis, the Fund will ensure that its income and net realized capital gains, if any, have been distributed to Unitholders to such an extent that the Fund will not be liable for ordinary income tax thereon. To the extent that the Fund has not distributed the full amount of its net income or capital gains in any year, the difference between such amount and the amount actually distributed by the Fund will be paid as a "reinvested distribution". Reinvested distributions on Units, net of any required withholding taxes, will be reinvested automatically in additional Units at a price equal to the Net Asset Value per Unit and the Units will be immediately consolidated such that the number of outstanding Units following the distribution will equal the number of Units outstanding prior to the distribution. The tax treatment to Unitholders of reinvested distributions is discussed under the heading "Income Tax Considerations – Taxation of Unitholders".

In addition to the distributions described above, the Fund may from time to time pay additional distributions on its Units, including without restriction in connection with a special distribution or in connection with returns of capital.

## PURCHASES OF UNITS

### Continuous Distribution

Units are being issued and distributed on a continuous basis and there is no maximum number of Units that may be issued.



## **Designated Brokers**

The Manager on behalf of the Fund, has entered or will enter into a Designated Broker Agreement with one or more Designated Brokers pursuant to which the Designated Broker agrees to perform certain duties relating to the Fund with respect to the Units including, without limitation: (i) to subscribe for Units on an ongoing basis in connection with the adjustments to the portfolio of the Fund; and (ii) to post a liquid two-way market for the trading of Units on the TSX or such other exchange as agreed between the Manager and the Designated Broker. The Manager may, in its discretion from time to time, reimburse any Designated Broker for certain expenses incurred by the Designated Broker in performing these duties.

The Designated Broker Agreement provides or will provide that the Manager may from time to time require the Designated Broker to subscribe for Units for cash in a dollar amount not to exceed 0.30% of the Net Asset Value of the Units per quarter. The number of Units issued will be the subscription amount divided by the Net Asset Value per Unit next determined following the delivery by the Manager of a subscription notice to the Designated Broker. Payment for the Units must be made by the Designated Broker, and the Units will be issued, by no later than the third Trading Day after the subscription notice has been delivered.

## **Issuance of Units**

### ***To Designated Brokers and Dealers***

All orders to purchase Units directly from the Fund must be placed by Designated Brokers or Dealers. The Manager reserves the absolute right to reject any subscription order placed by a Designated Broker or Dealer. No fees will be payable by the Fund to a Designated Broker or Dealer in connection with the issuance of Units. On the issuance of Units, the Manager may, in its discretion, charge an administrative fee to a Designated Broker or Dealer to offset the expenses (including any applicable additional exchange listing fees) incurred in issuing the Units.

On any Trading Day, a Designated Broker or Dealer may place a subscription order for the Prescribed Number of Units (or an integral multiple thereof) of the Fund. If a subscription order is received by the Fund by 9:00 a.m. (Toronto time) on a Trading Day (or such later time on such Trading Day as the Manager may permit), the Fund will issue to the Designated Broker or Dealer the Prescribed Number of Units (or an integral multiple thereof) by no later than the third Trading Day following the effective date of the subscription order or such other day as mutually agreed between the Manager and the Designated Broker, provided that payment for such Units has been received.

For each Prescribed Number of Units issued, a Designated Broker or Dealer must deliver payment consisting of, in the Manager's discretion: (i) one Basket and cash in an amount sufficient so that the value of the Bullion and the cash received is equal to the Net Asset Value of the Units next determined following the receipt of the subscription order; (ii) cash in an amount equal to the Net Asset Value of the Units next determined following the receipt of the subscription order; or (iii) a combination of Bullion and cash, as determined by the Manager, in an amount sufficient so that the value of the Bullion and cash received is equal to the Net Asset Value of the Units next determined following the receipt of the subscription order prior to 4:00 p.m. (Toronto time) or such other time as indicated on the website for the Fund, plus, if applicable, Cash Creation Fee.

The Manager may, in its discretion, increase or decrease the Prescribed Number of Units from time to time.

### ***To Designated Brokers in Special Circumstances***

Units may be issued by the Fund to Designated Brokers in connection with the adjustments to the Fund or its portfolio when cash redemptions of Units occur as described below under “Redemption and Exchange of Units – Redemption of Units for Cash”.

### **Buying and Selling Units**

Investors are able to buy or sell Units through registered brokers and dealers in the Province or Territory where the investor resides. Investors may incur customary brokerage commissions in buying or selling Units. The Fund issues Units directly to the Designated Brokers and Dealers.

From time to time as may be agreed by the Fund and the Designated Brokers and Dealers, the Designated Brokers and Dealers may agree to accept Bullion as payment for Units from prospective investors.

### **Special Considerations**

The provisions of the so-called “early warning” requirements set out in Canadian securities legislation do not apply in connection with the acquisition of Units. The Fund obtained exemptive relief from the securities regulatory authorities to permit the holders of Units to acquire more than 20% of the Units through purchases on the TSX (or such other designated exchange on which the Units of the Fund may be listed from time to time) without regard to the take-over bid requirements of Canadian securities legislation, provided that any such holder, and any person acting jointly or in concert with the holder, undertakes to the Manager not to vote more than 20% of the Units of a class at any meeting of Unitholders.

### **Registration and Transfer through CDS**

Registration of interests in, and transfers of, Units, will be made only through CDS. Units may be purchased, transferred and surrendered for exchange or redemption only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units. Upon purchase of any Units the owner will receive only the customary confirmation; physical certificates evidencing ownership will not be issued. References in this prospectus to a holder of Units mean, unless the context otherwise requires, the beneficial owner of such Units.

The Fund and the Manager will not have any liability for: (i) records maintained by CDS relating to the beneficial interests in the Units or the book entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such owner’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-based system in which case certificates for Units in fully registered form will be issued to beneficial owners of such Units to their nominees.

## **REDEMPTION AND EXCHANGE OF UNITS**

### **Redemption of Units for Cash**

On any Trading Day, holders of Units may redeem Units for cash at a redemption price per Unit equal to the lesser of (i) 95% of the closing price for the Units on the effective day of the redemption and (ii) the Net Asset Value per Unit. Because holders of Units will generally be able to sell Units at the market price on the TSX (or such other designated exchange on which the Units of the Fund may be listed from time to time) through a registered broker or dealer subject only to customary brokerage commissions, holders of Units are advised to consult their brokers, dealers or investment advisors before redeeming their Units for cash.

In order for a cash redemption to be effective on a Trading Day, a cash redemption request in the form prescribed by the Manager from time to time must be delivered to the Manager at its registered office by 9:00 a.m. (Toronto time) on the Trading Day (or such later time on such Trading Day as the Manager may permit). If a cash redemption request is not received by the delivery deadline noted immediately above on a Trading Day, the cash redemption request will be effective on the next Trading Day. Payment of the redemption price will be made by no later than the third Trading Day after the effective day of the redemption. Cash redemption request forms may be obtained from any registered broker or dealer.

Investors that redeem Units prior to the ex-distribution date for the Distribution Record Date for any distribution will not be entitled to receive that distribution.

In connection with the redemption of Units, the Fund will generally dispose of certain assets to satisfy the redemption.

### **Exchange of Units for Baskets and/or Cash**

On any Trading Day, holders of Units may exchange the Prescribed Number of Units (or an integral multiple thereof) for Baskets and cash.

To effect an exchange of Units a Unitholder must submit an exchange request in the form prescribed by the Manager from time to time to the Manager at its registered office by 9:00 a.m. (Toronto time) on a Trading Day (or such later time on such Trading Day as the Manager may permit). The exchange redemption request forms may be obtained from any registered broker or dealer. The exchange price will be equal to the Net Asset Value of the Units being exchanged on the effective day of the exchange request, payable by delivery of Baskets and cash less, if applicable a Cash Exchange Fee. The Units will be redeemed in the exchange.

If an exchange request is not received by the submission deadline noted immediately above on a Trading Day, the exchange order will be effective on the next Trading Day. Settlement of exchanges for a Basket and/or cash will be made by no later than the third Trading Day after the effective day of the exchange request.

Holders of Units should be aware that the Net Asset Value per Unit will decline by the amount of the distribution on the ex-distribution date, which is usually two Trading Days prior to the Distribution Record Date. A Unitholder that is no longer a holder of record on the applicable Distribution Record Date will not be entitled to receive that distribution.

## **Requests for Exchange and Redemption**

A holder of Units submitting an exchange or redemption request is deemed to represent to the Fund and the Manager that: (i) it has full legal authority to tender the Units for exchange or redemption and to receive the proceeds of the exchange or redemption and (ii) the Units have not been loaned or pledged and are not the subject of a repurchase agreement, securities lending agreement or a similar arrangement that would preclude the delivery of the Units to the Fund. The Manager reserves the right to verify these representations at its discretion. Generally, the Manager will require verification with respect to an exchange or redemption request if there are unusually high levels of exchange or redemption activity or short interest in the Fund. If a holder of Units upon receipt of a verification request, does not provide the Manager with satisfactory evidence of the truth of the representations, the Unitholder's exchange or redemption request will not be considered to have been received in proper form and will be rejected.

## **Suspension of Exchange and Redemption**

The Manager may suspend the redemption of Units or payment of redemption proceeds of the Fund with the prior permission of the securities regulatory authorities, for any period not exceeding 30 days during which the Manager determines that conditions exist that render impractical the sale of assets of the Fund or that impair the ability of the Valuation Agent to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first 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 shall be conclusive.

## **Costs Associated with Exchange and Redemption**

The Manager may charge to Unitholders, in its discretion, an administrative fee of up to 2% of the exchange or redemption proceeds of the Fund to offset certain transaction costs associated with the exchange or redemption of Units.

## **Exchange and Redemption of Units through CDS Participants**

The exchange and redemption rights described above must be exercised through the CDS Participant through which the holder of Units holds its Units. Beneficial owners of Units should ensure that they provide exchange and/or redemption instructions to the CDS Participants through which they hold Units sufficiently in advance of the cut-off times described above to allow such CDS Participants to notify CDS and for CDS to notify the Manager prior to the relevant cut-off time.

## **Short-Term Trading**

At the present time, the Manager is of the view that it is not necessary to impose any short-term trading restrictions on the Fund as the Units are generally traded by investors on an exchange in the secondary market in the same way as other listed securities. In the few situations where Units are not purchased in the secondary market, purchases usually involve a Designated Broker or a Dealer upon whom the

Manager may impose a redemption fee, which is intended to compensate the Fund for any costs and expenses incurred in relation to the trade.

### PRICE RANGE AND TRADING VOLUME OF UNITS

The following table sets forth the market price range and trading volume of the Units of the Fund on the TSX for the calendar periods indicated. The greatest volume of trading of the Fund generally occurs on the TSX.

	Price Range		Volume (000's)
	High	Low	
<b>2015</b>			
May	\$11.69	\$10.87	126,436
June	\$11.60	\$10.12	166,085
July	\$10.75	\$10.19	199,362
August	\$10.93	\$9.80	108,048
September	\$10.61	\$10.19	83,797
October	\$11.12	\$10.23	112,489
November	\$10.64	\$9.74	90,073
December	\$10.67	\$9.83	105,530
<b>2016</b>			
January	\$11.25	\$10.17	131,213
February	\$12.14	\$11.00	120,253
March	\$11.54	\$10.93	93,041
April	\$12.30	\$10.85	217,255

### INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act for the Fund and for a prospective investor in the Fund who, for the purpose of the Tax Act at all relevant times, is an individual (other than a trust), is resident in Canada, holds Units of the Fund as capital property, is not affiliated and deals at arm's length with the Fund, and has not entered into a "derivative forward agreement" (as defined in the Tax Act) with respect to Units of the Fund. This summary is based upon the current provisions of the Tax Act and regulations thereunder, the Tax Proposals and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency publicly available prior to the date hereof. This summary does not take into account or anticipate any other changes in law whether by legislative, administrative or judicial action and it does not take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the considerations described below.

This summary is of a general nature only and is not exhaustive of all possible income tax considerations. Prospective investors should therefore consult their own tax advisors about their individual circumstances.

Under the SIFT Rules, trusts or partnerships (defined as "SIFT trusts" and "SIFT partnerships", respectively) the securities of which are listed or traded on a stock exchange or other public market, and that hold one or more "non-portfolio properties" (as defined), are effectively taxed on income and taxable

capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by Canadian corporations. Distributions of such income received by unitholders of SIFT trusts (and allocations of such income made to members of SIFT partnerships) are treated as eligible dividends from a taxable Canadian corporation.

The SIFT Rules could affect the Fund and its Unitholders to the extent that the Fund is a SIFT trust to which the SIFT Rules apply, and the Fund earns income from non-portfolio property or taxable capital gains from the disposition of “non-portfolio property”. Counsel believes that the SIFT Rules were not intended to apply to trusts such as the Fund and the Fund is subject to investment restrictions intended to restrict its ability to hold “non-portfolio property.” If the Fund is considered to be a SIFT trust, “non-portfolio earnings” of the Fund will be subject to the tax under the SIFT Rules when such amounts are distributed by the Fund to its Unitholders and such distributions will be treated in the hands of such Unitholders as eligible dividends from a taxable Canadian corporation. This summary assumes that at no time will the Fund be a SIFT trust.

### **Status of the Fund**

This summary is based on the assumption that the Fund will comply at all material times with the conditions set out in the Tax Act and otherwise so as to qualify as a “mutual fund trust” as defined in the Tax Act. Counsel is advised that the Fund has qualified as a “mutual fund trust” under the Tax Act at all material times. If the Fund does not qualify as a “mutual fund trust” under the Tax Act, the income tax consequences would differ materially from those described below.

In the opinion of counsel, provided that the Fund continues to qualify as a “mutual fund trust” within the meaning of the Tax Act, or the Units of a class of the Fund continue to be listed on a “designated stock exchange” within the meaning of the Tax Act (which currently includes the TSX), such Units will be qualified investments for Registered Plans. However, in the case of a tax-free savings account (“TFSA”), a registered retirement savings plan (“RRSP”) and a registered retirement income fund (“RRIF”), if the holder or annuitant of the TFSA, RRSP or RRIF holds a “significant interest” in the Fund, or if such holder or annuitant does not deal at arm’s length with the Fund for purposes of the Tax Act, the Units of the Fund will be a “prohibited investment” for such TFSA, RRSP or RRIF. If Units of the Fund are a “prohibited investment” for a TFSA, RRSP or RRIF that acquires such Units, the holder or annuitant of the TFSA, RRSP or RRIF will be subject to a penalty tax as set out in the Tax Act. Generally, a holder or annuitant will not be considered to have a “significant interest” in the Fund unless the holder or annuitant owns 10% or more of the value of the outstanding Units of the Fund, either alone or together with persons and partnerships with which the holder or annuitant does not deal at arm’s length. Holders of TFSAs and annuitants of RRSPs and RRIFs should consult their own tax advisors to ensure Units of the Fund would not be a “prohibited investment” for purposes of the Tax Act in their particular circumstances.

In the case of an exchange of Units for a Basket, the investor will receive Bullion. The Bullion received by an investor as a result of an exchange of Units may or may not be a qualified investment for Registered Plans. Investors should consult their own tax counsel for advice on whether or not such Bullion would be a qualified investment for Registered Plans.

At the date hereof, the assets of a pension plan may be invested in Units provided that the assets of such plan are invested in accordance with the applicable laws and regulations, investment criteria and statement of investment policies and procedures established for such pension plan. However, no purchase of Units should be made solely in reliance on the above general statement. A pension plan wishing to invest in Units should make its own assessment, including by consulting its advisors, of its ability to make such an investment in its particular circumstances.

## **Taxation of the Fund**

The Fund will include in computing its income, taxable distributions received or deemed to be received on assets held by it, the taxable portion of capital gains realized by the Fund on the disposition of assets held by it, and other income. The Declaration of Trust requires that the Fund distribute its net income and net realized capital gains, if any, for each taxation year of the Fund to Unitholders to such an extent that the Fund will not be liable in any taxation year for ordinary income tax (after taking into account any applicable losses of the Fund and any capital gains refunds to which the Fund is entitled). If in a taxation year the income for tax purposes of the Fund exceeds the cash available for distribution by the Fund, the Fund will distribute its income through a payment of reinvested distributions.

The CRA has expressed the opinion that gains (or losses) of mutual fund trusts resulting from transactions in commodities should generally be treated for tax purposes as ordinary income rather than as capital gains, although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances. As the Fund intends to be a long-term holder of Bullion, the Manager anticipates that the Fund will generally treat gains (or losses) as a result of any disposition of Bullion as capital gains (or capital losses) although, depending on the circumstances, the Fund may instead include the full amount in (or deduct the full amount from) income.

Any losses incurred by the Fund may not be allocated to Unitholders, but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules and limitations in the Tax Act.

The Fund is subject to the suspended loss rules contained in the Tax Act. A loss realized on a disposition of capital property is considered to be a suspended loss when the Fund acquires a property (a “**substituted property**”) that is the same as or identical to the property disposed of, within 30 days before and 30 days after the disposition and the Fund owns the substituted property 30 days after the original disposition. If a loss is suspended, the Fund cannot deduct the loss until the substituted property is sold and is not reacquired within 30 days before and after the sale, which may increase the amount of net realized capital gains of the Fund to be made payable to its Unitholders.

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 its Units during the year (“**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 its investments in connection with redemptions of Units.

The Fund is required to compute its income and gains for tax purposes in Canadian dollars. Therefore, the amount of income, cost, proceeds of disposition and other amounts in respect of investments that are not Canadian dollar denominated will be affected by fluctuations in the exchange rate of the Canadian dollar against the relevant foreign currency.

## **Taxation of Unitholders**

### *Distributions*

A Unitholder will be required to include in the Unitholder’s income for tax purposes for any year the amount of net income and net taxable capital gains of the Fund, if any, paid or payable to the Unitholder in the year and deducted by the Fund in computing its income, whether or not such amounts are reinvested in additional Units. The non-taxable portion of any net realized capital gains of the Fund that is

paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year and, provided appropriate designations are made by the Fund, will not reduce the adjusted cost base of the Unitholder's Units. Any returns of capital will reduce the Unitholder's adjusted cost base. To the extent that a Unitholder's adjusted cost base would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder and the Unitholder's adjusted cost base will be nil immediately thereafter. The Fund will designate, to the extent permitted by the Tax Act, the portion of the net income distributed to Unitholders as may reasonably be considered to consist of net taxable capital gains realized or considered to be realized by the Fund. Any such designated amount will be deemed for tax purposes to be realized by Unitholders in the year as a taxable capital gain. Capital gains so designated will be subject to the general rules relating to the taxation of capital gains described below. Any loss of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, the Unitholders of the Fund.

### **Composition of Distributions**

Unitholders will be informed each year of the composition of the amounts distributed to them, including amounts in respect of both cash and reinvested distributions. This information will indicate whether distributions are to be treated as ordinary income, taxable capital gains and returns of capital, as those items are applicable.

### **Tax Implications of the Fund's Distribution Policy**

When a Unitholder acquires Units of the Fund, a portion of the price may reflect income and capital gains of the Fund that have not been realized or distributed. This may particularly be the case near year-end before year-end distributions have been made. When such income and capital gains are distributed by the Fund, they must be taken into account by the Unitholder in computing its income for tax purposes even though such amounts may have been reflected in the price paid by the Unitholder.

### **Disposition of Units**

Upon the actual or deemed disposition of a Unit, including the exchange or redemption of a Unit, a capital gain (or a capital loss) will generally be realized by the Unitholder to the extent that the proceeds of disposition of the Unit exceed (or are less than) the aggregate of the adjusted cost base to the Unitholder of the Unit and any reasonable costs of disposition. In general, the adjusted cost base of all Units held by the Unitholder is the total amount paid for the Units (including brokerage commissions paid), regardless of when the investor bought them, less any returns of capital and less the adjusted cost base of any Units previously disposed of by the Unitholder. For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property immediately before that time.

Where Units of the Fund are exchanged by the redeeming Unitholder for Baskets, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the Baskets so received, plus the amount of any cash received on the exchange, and less any capital gain or income realized by the Fund as a result of the transfer of those Baskets which has been designated by the Fund to the Unitholder. If any income or capital gain realized by the Fund as a result of the transfer of Baskets on the redemption of Units were designated by the Fund to a redeeming Unitholder, the Unitholder would be required to include in income the income or taxable portion of the capital gain so designated. The cost for tax purposes of Bullion acquired by a redeeming Unitholder on the exchange or redemption of Units will generally be the fair market value of the Bullion at that time.



## **Where Baskets are Accepted as Payment for Units of the Fund**

Where Baskets are accepted as payment for Units acquired by a Unitholder, such Unitholder will generally realize a capital gain (or capital loss) in the taxation year of the Unitholder in which the disposition of such Bullion takes place to the extent that the proceeds of disposition for such Bullion, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Bullion to the Unitholder. For this purpose, the proceeds of disposition to the Unitholder will equal the aggregate of the fair market value of the Units received and the amount of any cash received in lieu of fractional Units. The cost to a Unitholder of Units so acquired will be equal to the fair market value of the Baskets disposed of in exchange for such Units at the time of disposition less any cash received in lieu of fractional Units, which sum would generally be equal to or would approximate the fair market value of the Units received as consideration for the Baskets. In computing the adjusted cost base of a Unit so acquired by a Unitholder, the cost of such Unit must be averaged with the adjusted cost base of any other Units then held by that Unitholder as capital property.

## **Taxation of Capital Gains and Capital Losses**

One-half of any capital gain realized by an investor and the amount of any net taxable capital gains realized or considered to be realized by the Fund and designated by the Fund in respect of an investor will be included in the investor's income as a taxable capital gain. One-half of a capital loss will be an allowable capital loss realized by an investor that will be deducted from taxable capital gains subject to and in accordance with detailed rules in the Tax Act.

## **Taxation of Registered Plans**

In general, the amount of a distribution paid or payable to a Registered Plan from the Fund and gains realized by a Registered Plan on a disposition of a Unit will not be taxable under the Tax Act. As is the case for all investments held in Registered Plans, amounts withdrawn from a Registered Plan (other than from a TFSA or a return of contributions from a registered education savings plan or certain withdrawals from a registered disability savings plan) will generally be subject to tax.

## **International Information Reporting**

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention entered into by Canada and the United States on February 5, 2014 and related Canadian legislation found in Part XVIII of the Tax Act, Unitholders will be required to provide their dealer with information related to their citizenship or residence for tax purposes and, if applicable, a U.S. federal tax identification number. If a Unitholder does not provide the information or is identified as a U.S. citizen or U.S. resident, details of the Unitholder's investment in the Fund will generally be reported to the Canada Revenue Agency, unless the investment is held within a Registered Plan. The Canada Revenue Agency will then provide the information to the U.S. Internal Revenue Service.

## **ELIGIBILITY FOR INVESTMENT**

It is intended that the Units will at all relevant times be qualified investments for trusts governed by Registered Plans.

Notwithstanding the foregoing, the holder of a TFSA, or the annuitant under an RRSP or RRIF will be subject to a penalty tax in respect of Units held by such TFSA, RRSP or RRIF, as the case may be, if such Units are a "prohibited investment" for such plan trusts for the purposes of the Tax Act. Units will not be a "prohibited investment" for trusts governed by a TFSA, RRSP or RRIF unless the holder of the TFSA

or the annuitant under the RRSP or RRIF, as applicable, does not deal at arm's length with the Fund for purposes of the Tax Act, or has a "significant interest" as defined in the Tax Act in the Fund. Holders and annuitants should consult their own tax advisors with respect to whether Units would be a prohibited investment as defined in the Tax Act.

Bullion received on the redemption of Units may not be a qualified investment for trusts governed by Registered Plans.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND**

### **Officers and Directors of the Trustee and Manager of the Fund**

The board of directors of the Manager consists of a minimum of 3 and a maximum of 10 directors. The board of directors is currently composed of 3 directors. Directors are appointed to serve on the board of directors until such time as they retire or are removed and successors are appointed. The name and municipality of residence of each of the directors and executive officers of Purpose, the trustee, manager and portfolio manager of the Fund, and their principal occupations are as follows:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position with the Manager</u></b>	<b><u>Principal Occupation</u></b>
SOM SEIF Toronto, Ontario	President, Chief Executive Officer, Chairman of the Board of Directors and Director	President and Chief Executive Officer of Purpose Investments Inc.
SCOTT BARTHOLOMEW Milton, Ontario	Chief Financial Officer, Chief Operating Officer and Director	Chief Financial Officer and Chief Operating Officer of Purpose Investments Inc.
DAN RUBIN Thornhill, Ontario	Vice President, Marketing and Director	Vice President, Marketing of Purpose Investments Inc.
VLADIMIR TASEVSKI Toronto, Ontario	Vice President	Vice President of Purpose Investments Inc.

Prior to August 2012, Som Seif was the President and Chief Executive Officer of Claymore. Prior to March 2013, Scott Bartholomew was the Vice-President, Operations of Claymore and during his last year with Claymore acted as Chief Compliance Officer. Prior to December 2012, Dan Rubin was Vice President, Marketing at Claymore. Prior to February 2016, Vladimir Tasevski held other positions with Purpose. Prior to joining Purpose in April 2013, Vladimir Tasevski was Vice-President at BlackRock Investments Inc. (Toronto) which he joined following the sale of Claymore to BlackRock Inc. in March 2012.

A description of the experience and background relevant to the business of the Fund of each of the directors and officers of the Manager is set out below.

#### ***Som Seif***

Som Seif is the founder and Chief Executive Officer of Purpose which he formed following the sale of Claymore to BlackRock Inc. in March 2012. Mr. Seif started Claymore in Canada in January 2005 and was the former President and Chief Executive Officer leading the implementation of the company's business development and corporate strategies. Over the seven years of its operation, Claymore

organically grew to \$8 billion in assets and established itself as a Canadian leader in bringing intelligent, low-cost exchange-traded funds to investors through its family of thirty-four exchange-traded funds across broad asset classes.

Prior to joining Claymore, Mr. Seif was an investment banker with RBC Capital Markets, where he worked since 1999. He played a key role in developing the structured products group at RBC Capital Markets in both Canada and the U.S., where he structured and raised capital for both Canadian and U.S. asset managers.

Mr. Seif is a Chartered Financial Analyst and has a Bachelor of Applied Science with an emphasis on Industrial and Systems Engineering from the University of Toronto. Mr. Seif has a strong commitment to the community and is currently Vice Chair of the Sunnybrook Hospital Foundation Board, Chair of the Art Gallery of Ontario Corporate Advisory Committee, and a member of the University of Toronto Mechanical & Industrial Engineering Advisory Board and the Engineering Alumni Association Biz Skule™ Committee. Through support for programs such as the Next 36 and the UofT Hatchery Program, Mr. Seif is an advocate for leadership and entrepreneurship in Canada. In 2011, Mr. Seif was recognized for his vision and leadership by Caldwell Partners International with the Top 40 Under 40 award, a celebrated, national program that honors leaders for their achievements in leadership, vision, innovation, community involvement and contribution.

#### ***Scott Bartholomew***

Scott Bartholomew is the Chief Financial Officer and Chief Operating Officer of Purpose. He has 17 years of experience in the Canadian investment fund industry. Mr. Bartholomew was an integral part in the development of the Canadian mutual fund services business during his 14 years at State Street Fund Services Toronto Inc. as Assistant Vice-President of Fund Administration. During the last 4 years, Mr. Bartholomew ran the operations for Claymore, and was involved in the sale and business integration of Claymore to BlackRock Inc. in 2012. During his last year with Claymore, Mr. Bartholomew was also Chief Compliance Officer of the firm. He has a Bachelor of Commerce from Ryerson University and is a CFA charterholder.

#### ***Dan Rubin***

Dan Rubin is the Vice President, Marketing of Purpose. He has over 10 years of experience in the investment management industry. Mr. Rubin served as Vice President, Marketing at Claymore where he oversaw the development and implementation of all marketing and communications strategies. His experience also includes terms as Vice President, Marketing at Horizons ETFs and Associate Vice President, Marketing at JovFund Inc. Mr. Rubin graduated with a Bachelor of Arts, Business Economics from York University.

#### ***Vladimir Tasevski***

Vladimir Tasevski is the Vice President of Purpose. He has over 8 years of experience in the investment management industry. Mr. Tasevski serviced as a Vice President at BlackRock Investments Inc. in Toronto which he joined following the acquisition of Claymore Investments, Inc. in March, 2012. At Claymore Investments, Inc. Mr. Tasevski spent 5 years in a generalist role where he gained broad experience in the areas of product development, operations and sales. He is a CFA chartholder and has a Bachelor of Commerce degree from the University of Toronto.

## **The Manager**

Purpose, an Ontario corporation incorporated on August 28, 2012, is the trustee and manager of the Fund and is responsible for the administration of the Fund. The equity securities of the Manager are owned by Som Seif, Breton Hill Capital Ltd., NexC Partners Corp. and other principals of Purpose. Purpose is located at 130 Adelaide Street West, Suite 1700, Toronto, Ontario, M5H 3P5.

### ***Duties and Services to be Provided by the Manager***

The Fund has retained the Manager to manage and administer the day-to-day business and affairs of the Fund. The Manager is responsible for providing managerial, administrative and compliance services to the Fund pursuant to the Management Services Agreement, including, without limitation, managing the assets held by the Fund in accordance with the Fund's investment objectives and investment strategies and subject to its investment restrictions, authorizing the payment of operating expenses incurred on behalf of the Fund, preparing financial statements and financial and accounting information as required by the Fund, ensuring that Unitholders are provided with financial statements (including interim and annual financial statements) and other reports as are required by applicable law from time to time, ensuring that the Fund complies with regulatory requirements and applicable stock exchange listing requirements, preparing the Fund's reports to Unitholders and the securities regulatory authorities, determining the amount of distributions to be made by the Fund and negotiating contractual agreements with third-party providers of services, including the Designated Brokers, the Custodian, the Registrar and Transfer Agent, the Auditor, the Valuation Agent, the administration of the Fund's Bullion and printers. The Manager may from time to time employ or retain any other person or entity to perform, or to assist the Manager in the performance of management, administrative and investment advisory services to all or any portion of the Fund's assets and in performing other duties of the Manager as set out in the Management Services Agreement. The Manager has delegated certain of its duties and powers to Silver Administrators Ltd. and certain other service providers of the Fund.

### ***Details of the Management Services Agreement***

Purpose is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Unitholders of the Fund, and in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent investment fund manager would exercise in similar circumstances.

Purpose may resign as trustee, manager and/or portfolio manager of the Fund upon 60 days' notice to the Unitholders. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Manager, its successor must be approved by the Unitholders. If the Manager is in material default of its obligations under the Management Services Agreement and such default has not been cured within 30 days after notice of the same has been given to the Manager, the Unitholders may remove the Manager and appoint a successor trustee and/or manager.

The Manager is entitled to fees for its services as manager under the Management Services Agreement as described under "Fees and Expenses – Management Fees". In addition, the Manager and its affiliates and each of their directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against any of them in the exercise of the Manager's duties under the Management Services Agreement, if they do not result from the Manager's wilful misconduct, bad faith, negligence or breach of its obligations thereunder.

The services of the Manager are not exclusive and nothing in the Management Services Agreement or any agreement prevents the Manager from providing similar services to other investment funds and other

clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other business activities.

### ***Brokerage Arrangements***

The Fund has no pre-arrangement, formula or method for allocating the brokerage business arising from its purchases and sales of bullion. Transactions in bullion are generally done with dealers acting as principals and thus are done on a net price basis, which reflects the dealers' spread between bid and asked prices. The Fund's policy is to execute all bullion transactions at the most favourable prices consistent with the best execution, considering all of the costs of the transactions, including brokerage commissions, spreads and delivery charges. This policy governs the selection of brokers and dealers and the market in which a transaction is executed.

### **Independent Review Committee**

The Manager has appointed an independent review committee ("IRC") for the Fund pursuant to NI 81-107. The IRC currently consists of three members, each of whom is an independent director of the Manager.

The mandate of the IRC is to review conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. At all times, the members of the IRC are required to act honestly and in good faith in the best interests of the Fund and, in connection therewith, will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Manager has established written policies and procedures for dealing with each conflict of interest matter. At least annually, the IRC will review and assess the adequacy and effectiveness of the Manager's written policies and procedures relating to conflict of interest matters and will conduct a self-assessment of the IRC's independence, compensation and effectiveness.

The Manager will maintain records of all matters and/or activities subject to the review of the IRC, including a copy of the Manager's written policies and procedures dealing with conflict of interest matters, minutes of IRC meetings, and copies of materials, including any written reports, provided to the IRC. The Manager will also provide the IRC with assistance and information sufficient for the IRC to carry out its responsibilities under NI 81-107.

The members of the IRC are entitled to be compensated by the Fund and reimbursed for all reasonable costs and expenses for the duties they perform as IRC members. In addition, the members of the IRC are entitled to be indemnified by the Fund, except in cases of wilful misconduct, bad faith, negligence or breach of their standard of care.

The name and municipality of residence of each of the members of the IRC is as follows:

<b><u>Name</u></b>	<b><u>Municipality of Residence</u></b>
DOUGLAS G. HALL <sup>1</sup>	Halifax, Nova Scotia
RANDALL C. BARNES	Las Vegas, Nevada
MICHAEL HOLLEND	Toronto, Ontario



the benefit of its creditors. In addition, the Bullion Management Agreement will terminate automatically upon the termination of the Management Services Agreement.

SAL is entitled to receive fees from the Manager which shall be paid out of the Management Fee. In addition, SAL and its directors, officers, employees, consultants and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against any of them in the exercise of SAL's duties under the Bullion Management Agreement, if they do not result from SAL's wilful misconduct, bad faith, negligence, reckless disregard of its duties as administrator of the Fund's Bullion or failure to meet its standard of care.

### **Custodian**

Pursuant to the Safekeeping Agreement, Canadian Imperial Bank of Commerce is the custodian of the assets of the Fund. The address of the Custodian is 161 Bay Street, 12th Floor, Toronto, Ontario M5J 2S8. The Manager, on behalf of the Fund, or the Custodian may terminate the Safekeeping Agreement upon at least 90 days' written notice. The Manager, on behalf of the Fund, may terminate the Safekeeping Agreement immediately if the Custodian ceases to be qualified to act as a custodian of the Fund under applicable law. The Custodian is entitled to receive fees from the Fund as described under "Fees and Expenses" and to be reimbursed for all expenses and liabilities that are properly incurred by the Custodian in connection with the activities of the Fund.

### **Auditor**

Ernst & Young LLP, at its principal offices in Toronto, is the auditor for the Fund.

### **Registrar and Transfer Agent**

CST Trust Company, at its principal offices in Toronto, is the registrar and transfer agent for the Units. The register and transfer ledger for the Units is kept in Toronto.

## **CALCULATION OF NET ASSET VALUE**

The Net Asset Value of class of the Fund and Net Asset Value per Unit of a class of the Fund will be calculated by the Valuation Agent as of the Valuation Time on each Valuation Date in U.S. dollars and Canadian dollars. The Net Asset Value of each class of the Fund on a particular date will be equal to the aggregate value of the assets attributable to such class of Units of the Fund, less the aggregate value of the liabilities of the Fund attributable to the class of Units, including any income, net realized capital gains or other amounts payable to Unitholders on or before such date and the value of the liabilities of the Fund for administration fees, expenses and taxes, expressed in Canadian dollars at the applicable exchange rate on such date.

The Net Asset Value per Unit of a class of the Fund on a particular date shall be the quotient obtained by dividing the amount of the Net Asset Value of the class of the Fund determined at such time by the total number of Units of such class then outstanding. The Net Asset Value of a class of the Fund and Net Asset Value per Unit of a class of the Fund at a particular date shall be determined, computed and verified by the Valuation Agent as follows: in the case of silver bullion, at the value which is based on the LBMA Silver Price for silver bullion on such date when available and otherwise, the best alternative market as determined by the Manager, and, in the case of all other assets and liabilities of the Fund, in accordance with the method of valuation prescribed by the Manager, acting reasonably, from time to time. The

Manager has the authority to engage a different third party at any time and from time to time for the purpose of calculating the Net Asset Value.

### **Valuation Policies and Procedures**

In determining the Net Asset Value of a class of the Fund and Net Asset Values per Unit of a class of the Fund at any time, the Valuation Agent uses the following principles:

- (a) the value of any asset which is listed or dealt with on a stock exchange or traded on an over-the-counter market will be: (a) in the case of a security which was traded on a Trading Day, the closing sale price; (b) in the case of a security which was not traded on a Trading Day the price last determined for such security for the purpose of calculating the Net Asset Value of the Fund; or (c) in the case of Bullion, its market value is based on that day's announced LBMA Silver Price. If there is no announced LBMA Silver Price on a Business Day, the Silver Bullion shall be valued at the most recently announced LBMA Silver Price or an alternative market price as determined by the Valuation Agent;
- (b) dividend income will be recognized on the ex-dividend date and interest income will be accrued daily;
- (c) the value of any bond will be priced using the mid-price provided by a third party;
- (d) the value of any security or other property (other than property contemplated above) for which a market quotation is not readily available will be its market value as determined by the Valuation Agent in such manner as the Valuation Agent will from time to time provide;
- (e) any market price reported in foreign currency will be translated into Canadian currency at the prevailing rate of exchange, as determined by the Valuation Agent, on the Trading Day the Net Asset Value of the Fund is being determined; and
- (f) notwithstanding the foregoing, the value of all fund property shall be the value that the Valuation Agent determines, in its reasonable discretion, most accurately reflects its value in an open and unrestricted market between informed and prudent parties, acting at arm's length and under no compulsion to act, expressed in terms of money or money's worth.

Each portfolio transaction will be reflected in the calculation of the Net Asset Value per Unit no later than the calculation of Net Asset Value per Unit next made after the date on which the transaction becomes binding. The issue of Units will be reflected in the calculation of Net Asset Value per Unit next made after the issue date for such Units, which may be up to three Trading Days after the date that the subscription order for such Units is accepted. The exchange or redemption of Units will be reflected in the calculation of the Net Asset Value per Unit next made after the exchange request or redemption request is accepted.

The Net Asset Value per Unit of a class of the Fund is calculated in Canadian dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The Net Asset Value per Unit of a class determined in accordance with the principles set out above may differ from the Net Asset Value per Unit determined under International Financial Reporting Standards.



## **Reporting of Net Asset Value**

Following the Valuation Time on any Valuation Date, the Net Asset Value of the Fund and Net Asset Value per Unit will usually be published in the financial press and will be posted on Purpose's website at [www.purposeinvest.com](http://www.purposeinvest.com).

## **DESCRIPTION OF THE UNITS DISTRIBUTED**

### **The Units**

The Fund is authorized to issue an unlimited number of redeemable, transferable units of an unlimited number of classes of units, each of which represents an equal, undivided interest in the net assets of the Fund and includes one class of exchange-traded units and one class of currency hedged exchange-traded units. An unlimited number of ETF Non-Currency Hedged Units and ETF Currency Hedged Units are authorized for issuance. The ETF Non-Currency Hedged Units are U.S. dollar denominated and Canadian dollar denominated and the ETF Currency Hedged Units are Canadian dollar denominated.

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 default, obligation or liability of the trust if, when the 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 the Province of Ontario. The Fund is a reporting issuer under the *Securities Act* (Ontario) and the Fund is governed by the laws of the Province of Ontario by virtue of the provisions of the Declaration of Trust.

### **Certain Provisions of the Units**

All units of a class of the Fund have equal rights and privileges. Each whole unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund to unitholders, other than management fee distributions, including distributions of net income and net realized capital gains and distributions upon the termination of the Fund. Units are issued only as fully-paid and are non-assessable.

### **Exchange of Units for Baskets**

On any Trading Day, holders of Units may exchange the Prescribed Number of Units (or an integral multiple thereof) of the Fund for Baskets and cash. See "Redemption and Exchange of Units – Exchange of Units for Baskets".

### **Redemption of Units for Cash**

On any Trading Day, holders of Units may redeem Units for cash at a redemption price per Unit equal to the lesser of (i) 95% of the closing price for the Units on the effective day of the redemption and (ii) the Net Asset Value per Unit. See "Redemption and Exchange of Units – Redemption of Units for Cash – Units".

### **Modification of Terms**

The rights attached to the Units may only be modified, amended or varied in accordance with the terms of the Declaration of Trust. See "Unitholder Matters – Matters Requiring Unitholders' Approval".

## **UNITHOLDER MATTERS**

A meeting of the Unitholders voting as a single class (unless the circumstances are such that one class is affected differently in which case the holders of each class of the Fund will vote separately) may be called at any time by the Manager. Except as otherwise required or permitted by law, meetings of Unitholders will be held if called by the Manager upon written notice of not less than 21 days nor more than 50 days before the meeting. At any meeting of the Unitholders, a quorum shall consist of five or more individuals present in person either holding personally or representing as proxies not less in aggregate than 10% of the Units outstanding entitled to vote at such meeting. In the event of such quorum not being present at the appointed place on the date for which the meeting is called within 30 minutes after the time fixed for the holding of such meeting, the meeting, if called by request of Unitholders, shall be terminated (and not adjourned) and, if otherwise called, shall stand adjourned to such day being not less than three days later and to such place and time as may be appointed by the chairperson of the meeting. If at such adjourned meeting a quorum as above defined is not present, the Unitholders present either personally or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same. If the meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as for the original meeting. Unitholders present in person or represented by proxy will constitute a quorum.

### **Matters Requiring Unitholders' Approval**

A meeting of the Unitholders of the Fund will be called to approve certain changes as follows:

- (a) the basis of the calculation of a fee or expense that is charged to the Fund is changed in a way that could result in an increase in charges to the Fund, except where:
  - (i) the Fund is at arm's length with the person or company charging the fee;
  - (ii) the Unitholders have received at least 60 days' notice before the effective date of the change; and
  - (iii) the right to notice described in (ii) is disclosed in the prospectus of the Fund;
- (b) a fee or expense is introduced that is to be charged to the Fund or directly to its Unitholders by the Fund or the Manager in connection with the holding of securities of the Fund that could result in an increase in charges to the Fund or its Unitholders;
- (c) the Manager is changed, unless the new manager of the Fund is an affiliate of the Manager;
- (d) the fundamental investment objectives of the Fund is changed;
- (e) the Fund decreases the frequency of the calculation of the Net Asset Value per Unit;
- (f) the Fund undertakes a reorganization with, or transfers its assets to, another mutual fund, if the Fund ceases to continue after the reorganization or transfer of assets and the transaction results in the Unitholders of the Fund becoming unitholders in the other mutual fund, unless:

- (i) the IRC has approved the change;
  - (ii) the Fund is being reorganized with, or its assets are being transferred to, another mutual fund to which NI 81-102 and NI 81-107 apply and that is managed by the Manager, or an affiliate of the Manager;
  - (iii) the Unitholders have received at least 60 days' notice before the effective date of the change;
  - (iv) the right to notice described in (iii) is disclosed in the prospectus of the Fund; and
  - (v) the transaction complies with certain other requirements of applicable Canadian securities legislation;
- (g) the Fund undertakes a reorganization with, or acquires assets from, another mutual fund, if the Fund continues after the reorganization or acquisition of assets, the transaction results in the unitholders of the other mutual fund becoming Unitholders of the Fund, and the transaction would be a material change to the Fund;
  - (h) any amendment to the Fund's investment restrictions;
  - (i) the appointment or removal of the auditor of the Fund;
  - (j) the appointment of an inspector to investigate the performance by the Manager of the Fund of its responsibilities and duties in respect of the Fund;
  - (k) the termination or winding-up of the Fund;
  - (l) any sale, lease or other disposition of all or substantially all of the assets of the Fund;
  - (m) prior to any engagement in hedging activities by the Fund;
  - (n) any material amendment to or the termination of the Management Services Agreement; and
  - (o) any other matter which is required by law applicable to the Fund or otherwise to be submitted to a vote of the Unitholders of the Fund.

Approval of Unitholders will be deemed to have been given if expressed by resolution passed at a meeting of Unitholders duly called and held for the purpose of considering the same, by at least a majority of the votes cast, except for the matters set out in paragraphs (k) to (o) above, which matters must be approved by Special Resolution. Unitholders are entitled to one vote per whole Unit held on the record date established for voting at any meeting of Unitholders.

The Fund may, without Unitholders' approval, enter into a merger or other similar transaction that has the effect of combining the Fund or its assets (a "**Permitted Merger**") with any other investment fund or funds managed by the Manager or an affiliate of the Manager that have investment objectives that are substantially similar to those of the Fund, subject to:

- (a) approval of the merger by the IRC;
- (b) compliance with certain merger pre-approval conditions set out in section 5.6 of NI 81-102; and
- (c) written notice to Unitholders at least 60 days before the effective date of the merger.

In connection with a Permitted Merger, the merging funds will be valued at their respective net asset values for the purpose of such transaction.

### **Amendments to the Declaration of Trust**

The Declaration of Trust may only be amended upon the approval of Unitholders by Special Resolution, provided that the provisions of the Declaration of Trust may be amended without the consent, approval or ratification of the Unitholders or any other person (other than the Manager where so provided under the terms of the Management Services Agreement): (a) at any time for the purpose of: (i) ensuring continuing compliance and conformity of the Declaration of Trust with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Manager or the Fund; (ii) providing additional protection, in the opinion of counsel to the Manager, for the Unitholders; (iii) removing any conflicts or inconsistencies in the Declaration of Trust or making minor changes or corrections which are, in the opinion of the Manager, necessary or desirable and not prejudicial to the Unitholders; (iv) providing added benefits to Unitholders; or (v) making amendments which, in the opinion of the Manager, are necessary or desirable as a result of changes in taxation laws; or (b) as may be specifically contemplated in the Declaration of Trust including creating an additional class or classes of units as provided for in the Declaration of Trust. Any amendments to the Declaration of Trust made by the Manager without the consent of Unitholders will be disclosed in the next regularly scheduled report to Unitholders.

### **Reporting to Unitholders**

The Fund's fiscal year is the calendar year or such other fiscal period permitted under the Tax Act as the Fund elect. The Manager will make available to Unitholders such financial statements and other continuous disclosure documents as are required by applicable law, including (i) unaudited interim and audited annual financial statements of the Fund, prepared in accordance with International Financial Reporting Standards and (ii) interim and annual management reports of fund performance in respect of the Fund.

Any tax information necessary for Unitholders to prepare their annual federal income tax returns will be distributed to them within 90 days after the end of each financial year of the Fund.

The Manager will keep adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative has the right to examine the books and records of the Fund during normal business hours at the registered office of the Fund. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

## **TERMINATION OF THE FUND**

The Fund shall continue for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on June 8, 2009. For the purpose of terminating the Fund by such date, the Manager shall commence to wind-up the affairs of the Fund on such date as may be determined by the Manager, being not more than two years prior to the end of the term of the Fund. Unitholders may extend the term of the Fund, if permitted under applicable legislation in Ontario or terminate the Fund at any meeting of Unitholders duly called by the Manager for the purpose of considering the termination of the Fund.

The rights of Unitholders to exchange and redeem Units described under "Redemption and Exchange and of Units" will cease as and from the date of termination of the Fund.

## **PRINCIPAL UNITHOLDER OF THE FUND**

CDS & Co., the nominee of CDS, is the registered owner of the Units, which it holds for various brokers and other persons on behalf of their clients and others. From time to time, the Fund or another investment fund managed by the Manager or an affiliate of the Manager may beneficially own, directly or indirectly, more than 10% of the Units.

To the knowledge of the Manager, the only person that beneficially owns, directly or indirectly, or exercises control or direction of Units carrying 10% or more of the voting rights attached to all outstanding Units is Polar Multi-Strategy Master Fund (“Polar”), a Cayman Islands-based hedge fund managed by Polar Securities Inc. Based on publicly-available trading information on the System for Electronic Disclosure by Insiders (SEDI), Polar controls 660,700 Units or 8.0% of the Units outstanding as of February 12, 2016.

## **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Manager, on behalf of the Fund, may enter into various Dealer Agreements with registered dealers (that may or may not be Designated Brokers) pursuant to which the Dealers may subscribe for Units as described under “Purchases of Units – Issuance of Units”.

The Manager will receive fees for its services to the Fund. See “Fees and Expenses”.

## **MATERIAL CONTRACTS**

The following contracts can reasonably be regarded as material to purchasers of Units:

- (a) the Management Services Agreement referred to under “Organization and Management Details of the Fund – The Manager – Details of the Management Services Agreement”;
- (b) the Bullion Management Agreement referred to under “Organization and Management Details of the Fund – The Bullion Administrator”;
- (c) the Safekeeping Agreement referred to under “Custodian”; and
- (d) the Declaration of Trust referred to under “Organization and Management Details of the Fund”.

Copies of the foregoing agreements may be examined during normal business hours at the registered office of the Fund.

## **EXPERTS**

Osler, Hoskin & Harcourt LLP, legal counsel to the Fund and the Manager, has provided certain legal opinions on the principal Canadian federal income tax considerations that apply to an investment in the Fund by an individual resident in Canada. See “Income Tax Considerations” and “Eligibility for Investment”.

The auditor of the Fund is Ernst & Young LLP. 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 Chartered Professional Accountants of Ontario.

## EXEMPTIONS AND APPROVALS

The Fund has received exemptive relief from the Canadian securities regulatory authorities to permit the following:

- (a) the purchase by a Unitholder of more than 20% of the Units of that Fund through purchases on the TSX (or such other designated exchange on which the Units of the Fund may be listed from time to time) without regard to the take-over bid requirements of Canadian securities legislation;
- (b) to relieve the Fund from the requirement that a prospectus contain a certificate of the underwriters;
- (c) to relieve the Fund from the requirement to include in the prospectus a statement respecting purchasers' statutory rights of withdrawal and remedies of rescission as prescribed in item 36.2 of Form 41-101F2 – *Information Required in an Investment Fund Prospectus*;
- (d) subject to certain conditions, to permit each Fund to pay brokerage commissions in relation to its purchase and sale on a recognized exchange of exchange traded mutual funds that are managed by Purpose or an affiliate of Purpose;
- (e) to permit the payment for the issuance of Units of the Fund partially in cash and partially in Bullion, provided that the acceptance of Bullion as payment is made in accordance with Section 9.4(2)(b) of NI 81-102; and
- (f) permit the Fund to invest up to 100% of its net assets, taken at market value at the time of purchase, in Bullion, provided that the prospectus of the Fund includes (i) disclosure regarding the unique risks associated with an investment in the Fund, including the risk that direct purchases of Bullion by the Fund may generate higher transaction and custody costs than other types of investments, which may impact the performance of the Fund and (ii) that the Fund has obtained relief in order to invest in Bullion.

Additionally, certain dealers of the Fund, including the Designated Brokers and Dealers, have received exemptive relief from the Canadian securities regulatory authorities from the requirement that a dealer, not acting as agent of the purchaser, who receives an order or subscription for a security offered in a distribution to which the prospectus requirement of the securities legislation of the Provinces and Territories apply, send or deliver to the purchaser or its agent, unless the dealer has previously done so, the latest prospectus and any amendment either before entering into an agreement of purchase and sale resulting from the order or subscription, or not later than midnight on the second Business Day after entering into that agreement. As a condition of this exemptive relief, the dealer is required to deliver a copy of the ETF Summary Document of the Fund to a purchaser of Units if the dealer does not deliver a copy of this prospectus.

The Fund intends to apply for relief to permit the Fund's Bullion to be held by certain sub-custodians not listed in Sections 6.2 and 6.3 of NI 81-102.

## 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 mutual fund securities offered in a distribution within two (2) Business Days after receipt of a prospectus and any amendment. In addition, securities legislation in certain of the Provinces of Canada provides purchasers of mutual fund securities with a limited right to rescind the purchase within 48 hours after receipt of a confirmation of such purchase. If the purchase of

mutual fund securities is made under a contractual plan, the time period during which the right to rescind is exercisable may be longer. In most of the Provinces and Territories of Canada, the securities legislation further provides a purchaser with remedies for rescission or damages, or, in Québec, revision of the price, if the prospectus and any amendment is not delivered to the purchaser, provided that the remedies for rescission, damages or revision of the price are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's Province or Territory.

Notwithstanding the foregoing, purchasers of Units will not have the right to withdraw from an agreement to purchase the Units after the receipt of a prospectus and any amendment, and will not have remedies for rescission, damages or revision of the price for non-delivery of the prospectus or any amendment, if the dealer receiving the purchase order has obtained an exemption from the prospectus delivery requirement under a decision pursuant to National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* ("NP 11-203"). However, purchasers of Units will, in the applicable Provinces of Canada, retain their right under securities legislation to rescind their purchase within 48 hours (or, if purchasing under a contractual plan, such longer time period as applicable) after the receipt of a confirmation of purchase.

In several of the Provinces and Territories of Canada, the securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus, together with any amendment to the prospectus, contains a misrepresentation, provided that such remedies are exercised by the purchaser within the time limits prescribed by the securities legislation of the purchaser's Province or Territory. Any remedies under securities legislation that a purchaser of Units may have for rescission or damages, if the prospectus and any amendment to the prospectus contains a misrepresentation, remain unaffected by the non-delivery of the prospectus pursuant to reliance by a dealer upon the decision referred to above.

However, the Manager has obtained exemptive relief from the requirement in securities legislation to include an underwriter's certificate in the prospectus under a decision pursuant to NP 11-203. As such, purchasers of Units will not be able to rely on the inclusion of an underwriter's certificate in the prospectus or any amendment for the statutory rights and remedies that would otherwise have been available against an underwriter that would have been required to sign an underwriter's certificate.

Purchasers should refer to the applicable provisions of the securities legislation and the decisions referred to above for the particulars of their rights or consult with a legal advisor.

## **DOCUMENTS INCORPORATED BY REFERENCE**

Additional information about the Fund is or will be available in the following documents:

- (a) the most recently filed comparative annual financial statements of the Fund, together with the accompanying report of the auditor;
- (b) any interim financial statements of the Fund filed after the most recently filed comparative annual financial statements of the Fund;
- (c) the most recently filed annual management report of fund performance ("MRFP") of the Fund;
- (d) any interim MRFP of the Fund filed after the most recently filed annual MRFP of the Fund; and
- (e) the most recently filed ETF Summary Document of the Fund.

These documents are or will be incorporated by reference into, and form an integral part of, this prospectus. These documents may be obtained upon request, at no cost, by calling 1-877-789-1517, by emailing Purpose at

[info@purposeinvest.com](mailto:info@purposeinvest.com) or by contacting a registered dealer. These documents and other information about the Fund is also available on Purpose's website at [www.purposeinvest.com](http://www.purposeinvest.com) and/or on SEDAR at [www.sedar.com](http://www.sedar.com).



**CERTIFICATE OF THE TRUSTEE AND MANAGER OF THE FUND**

Dated: May 11, 2016

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities of the Fund offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon Territory, Northwest Territories and Nunavut.

**PURPOSE INVESTMENTS INC.  
as trustee and manager of the Fund**

By: (Signed) SOM SEIF  
Chief Executive Officer

By: (Signed) SCOTT BARTHOLOMEW  
Chief Financial Officer

On behalf of the Board of Directors

By: (Signed) SOM SEIF  
Director

By: (Signed) SCOTT BARTHOLOMEW  
Director

By: (Signed) DAN RUBIN  
Director