



# 4 reasons to consider Flow-Through investing





# 4 reasons to consider tax-advantaged Flow-Through investing

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## The Ninepoint Flow-Through franchise has the potential to deliver strong after-tax returns:

And even greater returns for select clients when used as a “wealth planning tool” (see Reason #4)

|                                  | Final NAV            | After-Tax Return <sup>1</sup> | Liquidity Event | Termination Date        |
|----------------------------------|----------------------|-------------------------------|-----------------|-------------------------|
| 2015 Flow-Through                | \$24.09              | 50.8%                         | 24 months       | 1/26/2017               |
| 2016 Short-Duration Flow-Through | \$22.16              | 54.4% <sup>2</sup>            | <10 months      | 1/26/2017               |
| 2016-II Flow-Through             | \$35.33              | 154.0%                        | <16 months      | 1/26/2018               |
| 2017 Flow-Through                | \$17.76 <sup>3</sup> | TBC                           | <24 months      | no later than 2/28/2019 |
| 2017-II Flow-Through             | \$17.60 <sup>3</sup> | TBC                           | <18 months      | no later than 2/28/2019 |

<sup>1</sup> Assumes the highest marginal tax rate for Ontario

<sup>2</sup> More robust tax credits in 2016 produced a higher after-tax return than 2015, despite a lower final NAV

<sup>3</sup> As at January 29, 2018

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## Flow-Through investing offers one of the few remaining advanced tax planning strategies in Canada:

Much like RRSPs, Flow-Through investing allows the investor to deduct 100% of the investment against personal income in the year of investment. On termination of the Flow-Through LP, the investment is rolled into a designated mutual fund corporation. The investor may now sell the fund, where their taxable capital gain is limited to 50% of the proceeds (unless they choose to defer taxation — see Reason #3).

|  | YEAR 1      | YEAR 2    | NET 2YR CASH FLOW |
|--|-------------|-----------|-------------------|
| Flow-Through L.P. investment           | (\$10,000 ) |           | (\$10,000 )       |
| Tax savings <sup>1</sup>               | \$5,350     |           | \$5,350           |
| Investment redemption <sup>2</sup>     |             | \$10,000  | \$10,000          |
| Capital gains tax payable <sup>3</sup> |             | (\$2,675) | (\$2,675)         |
| After-tax cash flow                    | (\$4,650)   | + \$7,325 | = \$2,675         |
| After-tax return <sup>4</sup>          |             |           | <b>57%</b>        |

<sup>1</sup> Assumes highest marginal tax rate in Ontario of 53.5%. Tax rates will vary by province.

<sup>2</sup> Assumes no net gain or loss at the end of the term. On redemption, in exchange for favourable tax treatment, full value of investment is treated as capital gains.

<sup>3</sup> Assumes a 53.5% marginal tax rate x 50% Capital Gains inclusion rate x \$10,000 = \$2,675

<sup>4</sup> After-tax cost of investment is \$4,650. After-tax return calculated as: \$2,675/\$4,650 = 57%

# 4 reasons to consider tax-advantaged Flow-Through investing



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### Tax-advantaged roll-over option into a top-performing resource corporate class:

At termination of the LP, unitholders receive shares in the resource corporate class. Should they choose to continue to hold their corporate class shares, they will defer any taxable event on their original Flow-Through investment. Sprott Resource Class, with lead manager Jason Mayer, has historically outperformed its benchmark.

| Fund Name                             | Code   | Value Date | MTD          | YTD           | 1YR           | 3YR           | 5YR           | Since Inception |
|---------------------------------------|--------|------------|--------------|---------------|---------------|---------------|---------------|-----------------|
| <b>Sprott Resource Class Series F</b> | SPR107 | 12/29/17   | 7.2%         | 23.4%         | 23.4%         | 26.9%         | 10.0%         | 2.7%*           |
| <b>Blended Index**</b>                |        | 12/29/17   | 2.8%         | -1.2%         | -1.2%         | 3.5%          | -1.8%         | -2.5%           |
| <b>Added Value</b>                    |        |            | <b>+4.4%</b> | <b>+24.6%</b> | <b>+24.6%</b> | <b>+23.4%</b> | <b>+11.8%</b> | <b>+5.2%</b>    |

All returns and fund details are a) based on Series F shares; b) net of fees; c) annualized if period is greater than one year; d) as at December 29, 2017.

\* Fund inception date: October 17, 2011.

\*\* Blended Index (50/50 S&P/TSX Capped Materials Total Return Index and S&P/TSX Capped Energy Total Return Index) is computed by Ninepoint Partners LP based on available index information.

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### An excellent wealth planning tool:

In combination with the tax deferral achieved by the corporate class roll-over described above, an investor may also take advantage of any capital loss carry-forwards they have, which can be used to offset their capital gain.

|  | YEAR 1      | YEAR 2                      | NET 2YR CASH FLOW |
|--|-------------|-----------------------------|-------------------|
| Flow-Through L.P. investment                       | (\$10,000 ) |                             | (\$10,000)        |
| Tax savings <sup>1</sup>                           | \$5,350     |                             | \$5,350           |
| Investment redemption <sup>2</sup>                 |             | \$10,000                    | \$10,000          |
| Adjusted net capital loss of \$10,000 <sup>3</sup> |             | <i>offsets capital gain</i> |                   |
| Capital gains tax payable <sup>4</sup>             |             | \$0                         | \$0               |
| After-tax cash flow                                | (\$4,650)   | + \$10,000                  | = \$5,350         |
| After-tax return <sup>5</sup>                      |             |                             | <b>115%</b>       |

<sup>1</sup> Assumes highest marginal tax rate in Ontario of 53.5%. Tax rates will vary by province.

<sup>2</sup> Assumes no net gain or loss at the end of the term. On redemption, in exchange for favourable tax treatment, full value of investment is treated as capital gains.

<sup>3</sup> Assumes investor has an adjusted net capital loss carry-forward of \$10,000 which they apply to this investment.

<sup>4</sup> Because capital gain has been reduced to zero, capital gains taxes are likewise zero.

<sup>5</sup> After-tax cost of investment is \$4,650. After-tax return calculated as: \$5,350/\$4,650 = 115%

To learn more about Flow-Through investing, please contact your financial advisor.



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