Sprott | PHYS
Keep More of What You Earn

NYSE ARCA PHYS

The Sprott Physical Gold Trust (NYSE Arca: PHYS) lets you own physical gold in a convenient and secure way that has potentially favorable tax advantages for U.S. non-corporate investors versus owning the gold directly or through ETFs.

	Sprott Physical Gold Trust[1]	Precious Metals: Coins, Bullion and ETFs
Tax Treatment if Held Over 1 Year	**15% or 20%**[2] Taxed at Capital Gains Tax Rate	**28%** Taxed at Collectibles Tax Rate

How are precious metals usually taxed?

The IRS considers precious metals to be collectibles like art, rare books and fine wine. Provided you hold it for more than 1 year, the capital gains tax on your net gain from selling a collectible is 28%. This level of tax is considerably higher than the tax rate on most net capital gains, which is an average of 15% for most taxpayers, according to the IRS.[3] If you sell a collectible in less than one year, the proceeds will be taxed as ordinary income.

How does PHYS provide a tax advantage?

Special U.S. federal income tax rules apply to holders of the Sprott Physical Gold Trust because it is classified as Passive Foreign Investment Corporation (PFIC) by the IRS. If a U.S. non-corporate holder makes a timely QEF election each year by filing IRS Form 8621 with their federal income tax return, it will generally mitigate the otherwise adverse U.S. federal income tax consequences of owning precious metals via coins, bullion or ETFs. Capital gains will be taxed at either 15% or 20% depending on the holder's tax situation.[4]

Sprott Physical Gold Trust (PHYS) vs. Hypothetical Gold ETF

In addition to tax considerations, PHYS offers other advantages when compared to a hypothetical gold ETF, including:

	PHYS	Hypothetical Gold ETF
Product & Tax Structure	Closed-End Exchange Listed Trust • Trade at premium or discount to NAV (net asset value) • Passive Foreign Investment Company (PFIC)	**Example:** Open-Ended ETF such as Grantor Trust
Redemptions	Fully Redeemable for Physical Bullion	**Example:** Physical Redemption Restricted to Authorized Participant Institutions
Storage/Custody (Counter Party)	Gold Stored at Royal Canadian Mint • Crown Corporation backed by the full faith of the Government of Canada, AA+ rated sovereign	**Example:** Gold Stored in Commercial Bank Vaults such as HSBC or J.P.Morgan
Sub-Custodians (Counter Party)	N/A; the Mint shall not assign or transfer its obligations	**Example:** Commercial bank vaults can use sub-custodians for storage and other duties. These sub-custodians may themselves select sub-custodians to perform their duties, creating additional and unknown counterparty risks
Tax Treatment	Tax at Capital Gains Tax Rate[5] • 15% or 20% depending on holder's filing status	Taxed at 28% Collectibles Tax Rate[6]
Fees[7]	Total Annual Operating Expense Ratio of 0.45%	**Example:** Total Annual Operating Expense Ratios typically range between 0.25% to 0.40%

1 Requires the timely filing of IRS Form 8621 with your tax return.
2 15% for single filers earning over $400,000 per year; 20% for married filers earning over $450,000 per year.
3 Source: How Are Collectibles Taxed? Investopedia.
4 For more information, please see "Tax Considerations-U.S. Federal Income Tax Considerations" in the Prospectus and always consult your tax accountant regarding your particular situation.
5 For U.S. non-corporate investors only; requires the timely filing of IRS Form 8621; units must be held for at least one year.
6 Applicable only if the shares are held for more than one year; the tax rates for capital gains recognized upon the sale of assets held by an individual U.S. shareholder for one year or less are generally the same as those at which ordinary income is taxed.
7 As of 12/31/2019.

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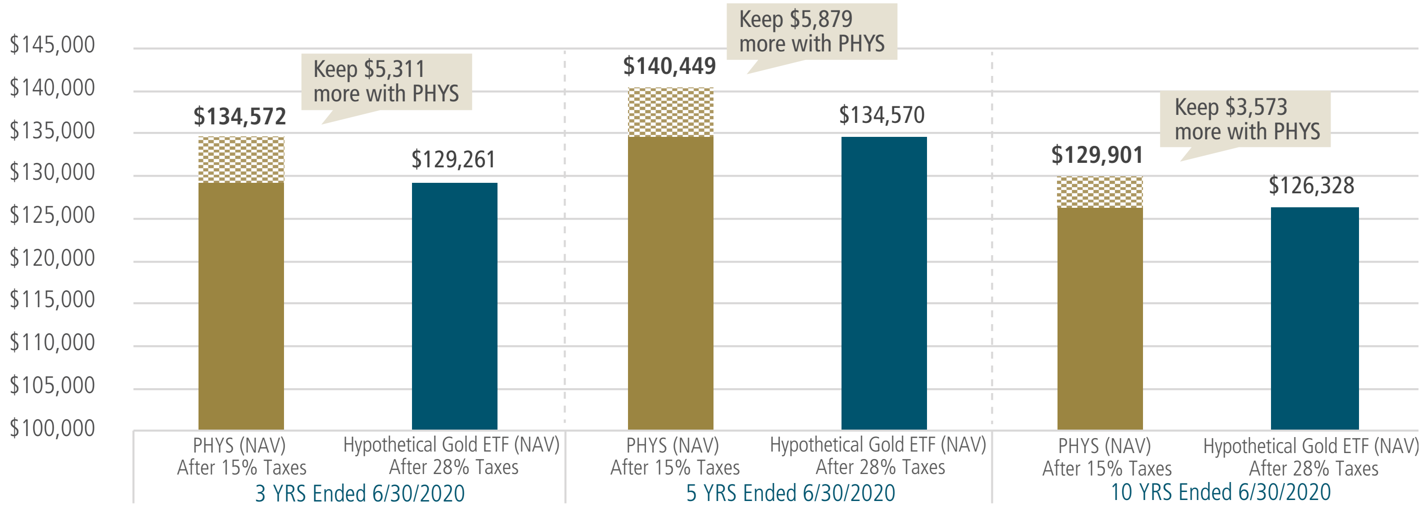
The following bar chart compares the after-tax returns of hypothetical investments of $100,000 in PHYS and a hypothetical gold ETF, for 3-, 5- and 10-year periods ending 6/30/2020. The mathematical details are outlined in the table below.



As of June 30, 2020 in $US	3 YRS	5 YRS	10 YRS
Sprott Physical Gold Trust (PHYS): Based on NAV			
Original Investment	$100,000	$100,000	$100,000
Investment Value at End of Period	**$140,672**	**$147,587**	**$135,178**
Tax Payable %	Capital Gains Tax (LT 15%)	Capital Gains Tax (LT 15%)	Capital Gains Tax (LT 15%)
Tax Payable $	$6,100	$7,138	$5,277
Investment Value After Taxes	**$134,572**	**$140,449**	**$129,901**
PHYS Before-Tax Return	12.05%	8.10%	3.06%
PHYS After-Tax Return	10.40%	7.03%	2.65%
Hypothetical Gold ETF: Based on NAV			
Original Investment	$100,000	$100,000	$100,000
Investment Value at End of Period	**$140,641**	**$148,013**	**$136,566**
Tax Payable %	Collectibles Tax 28%	Collectibles Tax 28%	Collectibles Tax 28%
Tax Payable $	$11,380	$13,443	$10,238
Investment Value After Taxes	**$129,261**	**$134,570**	**$126,328**
Hypothetical Gold ETF Before-Tax Return	12.03%	8.15%	3.16%
Hypothetical Gold ETF After-Tax Return	8.93%	6.12%	2.36%

The above chart and table represent hypothetical examples and are shown for illustrative purposes only.

The Trust is generally exposed to the following risks. See the prospectus of the Trust for a description of these risks: fluctuation in gold price, fund expense risk, cash redemption risk, risk of losing London Good Delivery status, future gold price may be lower, risk of asset sale to pay expenses, uninsured losses, invalid insurance claim, inadequate insurance held by service providers, currency risk for non-U.S. unitholders, limited insurance recovery, losses relating to physical redemption, speculative investment, liquidity risk, limited recourse against bullion custodian, investment risk, redemption risk, bullion custodian risk, trust termination, premium/discount of trading price, suspension of redemption, regulatory risk, competition from other gold buyers, market risk, forced asset sales, regulatory status of the trust, official sector sale of gold, reliance on the manager, obligation to reimburse certain liabilities, no management of the trust by unitholders, limited unitholder rights, changes in investment objective and restrictions, substantial redemption risk, currency risk, taxation risks, unitholder may be liable for the trust's obligations, unenforceable actions or judgments.

Past performance is not an indication of future results. The information provided is general in nature and is provided with the understanding that it may not be relied upon as, nor considered to be, the rendering or tax, legal, accounting or professional advice. Readers should consult with their own accountants and/or lawyers for advice on the specific circumstances before taking any action. Sprott Asset Management LP is the investment manager to the Sprott Physical Gold Trust (the "Trust"). Important information about the Trust, including the investment objectives and strategies, applicable management fees, and expenses, is contained in the prospectus. Please read the document carefully before investing. There are ongoing fees and expenses associated with owning units of a Trust. The Trust must prepare disclosure documents that contain key information about the Trust. You can find more detailed information about the Trust in these documents. Investment funds are not guaranteed, their values change frequently. This communication does not constitute an offer to sell or solicitation to purchase securities of the Trust. The information contained herein does not constitute an offer or solicitation to anyone in the United States or in any other jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Views expressed regarding a particular company, security, industry or market sector should not be considered an indication of trading intent of any investment funds managed by Sprott Asset Management LP. These views are not to be considered as investment advice nor should they be considered a recommendation to buy or sell.

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