# BMG Gold BullionFund

## Annual Management Report of Fund Performance

### For the year ended December 31, 2015

**Caution regarding forward-looking statements**

Certain portions of this Annual Management Report of Fund Performance, including, but not limited to, ‘‘Recent Developments’’, may contain forward-looking statements about BMG Gold BullionFund (the “BMG Fund”) including statements with respect to strategies, risks, expected performance events and conditions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “could”, “would”, “forecasts”, ‘‘expects’’, ‘‘anticipates’’, ‘‘intends’’, ‘‘plans’’, ‘‘believes’’, ‘‘estimates’’, ‘‘projects’’ and similar forward-looking expressions or negative versions thereof.

Forward-looking statements are not guarantees of future performance and actual results or events could differ materially from those expressed or implied in any forward-looking statements made by the BMG Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, such as interest and foreign currency rates, investment sentiment, volatility of precious metals prices, demand for various precious metals, and other factors affecting precious metals, currency fluctuations, global equity and capital markets, changes in government relations, unexpected judicial or regulatory proceedings and catastrophic events. We stress that the above-mentioned list of important factors is not exhaustive. Some of these risks, uncertainties and other factors are described in the BMG Fund’s simplified prospectus, under the heading ‘‘Risk Factors.’’

We encourage you to consider these and other factors carefully before making any investment decisions. Forward-looking statements should not be unduly relied upon. Further, you should be aware that the BMG Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance, and that the forward-looking statements speak only to the date of this Annual Management Report of Fund Performance.

*This Annual Management Report of Fund Performance contains financial highlights, but does not contain the complete annual financial statements of the BMG Fund. Security holders may request a copy of the BMG Fund’s annual financial statements, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure at no cost by calling 1.888.474.1001, by writing to us at 280-60 Renfrew Drive, Markham, Ontario, L3R 0E1, or by visiting our website at www.bmgbullion.com or SEDAR at www.sedar.com.*

# MANAGEMENT REPORT OF FUND PERFORMANCE

**Investment Objective and Strategies**

BMG Gold BullionFund (the "BMG Fund") invests in unencumbered, fully allocated physical gold that is held by the Bank of Nova Scotia. The BMG Fund's objective is to provide a secure, convenient, medium-risk method for investors seeking to hold gold bullion for capital preservation, long-term appreciation, portfolio diversification and portfolio hedging purposes.

All physical bullion purchased by the BMG Fund meets the London Good Delivery standard as set out by the London Bullion Market Association (LBMA).

The economic factors that determine the price of gold are, in most cases, opposed to the factors that determine the prices of most other financial assets. Ownership of BMG Fund units, therefore, acts as a hedge against the volatility of other investments. Units of a class of the BMG Fund are only intended to be one part of an investment strategy.

A small portion of the BMG Fund's assets (generally no more than 5%) may be held in cash to allow the BMG Fund to pay its expenses, and to facilitate any redemption of units of a class of the BMG Fund. The BMG Fund will not use derivatives or invest in securities or certificates of companies that produce gold bullion. The BMG Fund will not invest in foreign securities, and it does not hedge its holdings. The value of the BMG Fund, therefore, is purely a function of the spot price of gold bullion. The BMG Fund's objectives and strategies did not change in 2015.

**Risk**

The risks associated with investing in the BMG Fund remain as stated in the simplified prospectus dated September 14, 2015. The principal risk associated with investing in the BMG Fund is the fluctuating price of gold, as well as fluctuations in the relationship between the Canadian and U.S. dollars. In addition, the BMG Fund will be subject to precious metals risk, non-hedging strategy risk and specialization risk. Our view of the BMG Fund's risk rating was unchanged in 2015.

**Results of Operations**

**All monetary amounts are expressed in Canadian dollars, unless otherwise indicated.**

In 2015, the net asset value ("NAV") of the BMG Fund increased 0.8%, from $103.2 million at December 31, 2014 to $104.0 million at December 31, 2015. The increase was primarily driven by $6.3 million in realized and unrealized gains on investments, offset by $2.4 million in net redemptions and $3.1 million in total expenses. As at December 31, 2015, the BMG Fund's gold holdings were 70,326 ounces, compared to 73,623 ounces at December 31, 2014.

For the year ended December 31, 2015, the NAV per unit of the BMG Fund's Class A units increased by 3.0% in Canadian dollars, and declined by 14.2% in U.S. dollars, while the NAV per unit of the BMG Fund's Class F units increased by 4.1% in Canadian dollars, and declined by 13.2% in U.S. dollars. There was a gain in Canadian dollars but a loss in U.S. dollars because the Canadian dollar depreciated 16.6% against the U.S. dollar in 2015.

Gold's 2014 year-end price was US$1,199.25. During 2015 the gold price increased by 8.0% to reach a high of US$1,295.75 per ounce in January. The price declined thereafter, falling to a low of US$1,049.40 per ounce in December, and closed at $1,062.25 on December 31.

Daily average net assets decreased by 4.3% from $111.9 million in 2014 to $107.1 million in 2015. The decrease was primarily driven by net redemptions and the performance of gold bullion. Total expenses decreased by 8.2% from 2014, because of the decline in assets and a continuing effort to reduce operating costs.

A number of global economic events present at the close of 2014 continued to weigh heavily on the markets during 2015. These events and other developments affecting the performance of bullion are discussed in the "Recent Developments" section of this report.

**Recent Developments**

Last year was volatile for global financial markets, and 2016 is thus far following the same pattern. A number of significant factors contributed to the volatility.

China attracted much attention because of the drop in its stock market, the surprise devaluation of the yuan in August, and speculation regarding its near- to medium-term normalized level of growth as the government tries to transform the economy from an over-reliance on investment and manufacturing to consumption and services. There is market speculation that the yuan may depreciate even further during 2016. The slowing Chinese and global growth rate has translated into declining prices not only for oil, but other commodities as well.

There was much debate in the marketplace about the timing of U.S. Federal Reserve rate increase that eventually occurred in December 2015. It was the first rate hike by the Federal Reserve in about ten years, and another 1% increase is expected in 2016. This will still leave the United States with historically low interest rates, and the already strong U.S. dollar may go higher. Since this tightening of monetary policy has profound ramifications for the global economy—including the United States itself—it is debatable whether the Federal Reserve will be able to follow through with more rate increases in 2016. Many emerging markets have national and corporate debt denominated in U.S. dollars. Their weakening currencies and economies may lead to debt defaults.

The Bank of Canada moved in the opposite direction to the Federal Reserve, and cut its key interest rate by 0.25% twice in 2015 to help boost the Canadian economy, which was in a technical recession during the first half of the year. The divergent monetary policy is due to the continuing decline in the oil price, which started in 2014. Compounding the oversupply issues facing oil-producing countries such as Canada is the appreciation of the U.S. dollar, which is now at historical highs. Since bullion, oil and other commodities are priced in U.S. dollars, the surging dollar is having a negative effect on prices.

Greece’s protracted renegotiation of its bailout package was concluded in August 2015 after a long, drawn-out process with much political drama. The terms of the bailout are harsh, Greece’s economy is fragile and it is debatable whether Greece will be able to live up to its end of the deal. We may see a replay of the Greece debt crisis in a few years, along with the debate regarding its future as a member of the European Union.

The Middle East continues to be the focus of significant geopolitical upheaval. While the situation in Ukraine is unresolved, it seems to have taken a backseat, especially during the latter part of 2015, to the Middle East, terrorism and the refugee crisis.

Against this backdrop, the International Monetary Fund’s (“IMF”) latest update in January 2016 estimates global GDP growth for 2015 of 3.1%, declining from the 3.5% to 3.7% forecast in March 2015. The IMF’s projection for 2016 is 3.4%. We are therefore entering 2016 with the global growth rate declining for the fifth consecutive year, alongside a volatile financial market. There are many downside risks, and few signs of upside potential. The risk of contagion in this environment is heightened.

**Gold**

Gold bullion is experiencing a multi-year retreat that started in 2011 and continued into 2015, making it the longest period of decline since 2000. At the end of 2015, it had been fifty-two months since the gold bullion price began its descent, and the market remains bearish. However, gold remains an important portfolio diversification and risk management asset, which is especially important in this financial environment.

The price of gold ended the year at US$1,062.25, a decrease of 11.4% from the prior year’s close. The price increased in most other currencies, and in Canadian dollars it increased by 6.2% over the same period, due to the weakening currency.

Central banks have been net buyers of gold since 2010, and that trend continued in 2015. Russia has long been a major purchaser of gold, and its latest holdings were reported to be 1,370.6 tonnes, up 13.4% from the end of 2014.

China has made a number of strategic moves that have implications for gold. Since 2009, China's official holdings of gold have been static at 1,054 tonnes. In July 2015, however, China disclosed that its holdings had increased to 1,658 tonnes at the end of June, a 57% increase. China boosted its holdings over the next six months to 1,722.5 tonnes as of December 2015. There has been some speculation as to whether the updated Chinese disclosure represents the full amount of its total holdings, as analysts had estimated the amount to be significantly more than the official number of 1,054 tonnes. Regardless, there is now more transparency. The yuan has been accepted into the IMF's Special Drawing Rights program, with full implementation in the fall of 2016, at a 10.92% allocation. The Shanghai Gold Fix is being introduced in spring of 2016; it will deal only in physical gold, and may impact the level of short selling on the COMEX through arbitrage trades. India has indicated that it also intends to establish a gold exchange.

India launched three gold monetization programs in November 2015, as it attempted to lure an estimated 20,000 tonnes of gold from households and temples into the banking system, thus reducing the amount of imported gold. India's large appetite for gold has strained its current account. So far, the program has not been successful, and the government is taking steps to make it more attractive. Its viability, and the effect it could have on the gold price, is questionable.

Jewelry remains the largest component of gold demand, over 50% in 2013, 2014 and year-to-date third quarter 2015, with China and India being the major purchasers. The World Gold Council's latest statistics to the end of September 2015 indicate that demand was about 3% lower compared to the same period in 2014 for China, and slightly higher—4.6%—for India. The drop in the gold price during July and August resulted in higher demand in the third quarter, but demand in the first half of the year was weak. Overall global demand for jewelry was 3% lower year-to-date September 2015 over the same period in 2014.

### Related-Party Transactions

*Manager and Trustee*

Bullion Management Services Inc. (the "Manager") is the manager, trustee, registrar and transfer agent for the BMG Fund. The Manager provides, or arranges for the provision of, all management and administrative services for day-to-day operations, including providing fund and unitholder accounting, recordkeeping and other administrative services. At December 31, 2015, the Manager held 51,062 Class A units of the BMG Fund.

In consideration of management and administrative services, the BMG Fund pays the Manager a monthly management fee based on the NAV of the various classes of units of the BMG Fund, calculated daily. For the year ended December 31, 2015, the BMG Fund incurred management fees of $2,247,832.

*Distributor*

Bullion Marketing Services Inc., an affiliate of the Manager, has been retained by the Manager to assist with the marketing and distribution of units of the BMG Fund in the exempt market pursuant to prospectus exemptions.

*Operating Expenses*

For the year ended December 31, 2015, the Manager did not absorb BMG Fund operating expenses because the management expense ratios were below the expense cap. The decision to reduce operating expenses is made at the discretion of the Manager, and may be changed at any time.

*Independent Review Committee*

The Manager has created an independent review committee ("IRC") to review and provide impartial judgment on conflict of interest matters. The IRC reviews potential conflicts of interest referred to it by the Manager, and makes recommendations on whether a course of action is fair and reasonable for the BMG Fund. The IRC prepares an annual report of its activities for interested parties. A copy of the IRC's report for 2015 is available at www.bmgbullion.com.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about each class of units of the BMG Fund, and are intended to help you understand the BMG Fund's financial performance for the years shown ended December 31, and/or from the period since the particular class was first offered. The information is derived from the BMG Fund's financial statements.

| THE FUND'S NET ASSETS PER CLASS A UNIT | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Net assets - beginning of year**[(1)] | **$ 4.61** | **$ 4.38** | **$ 5.87** | **$ 5.86** | **$ 5.30** |
| **Increase (decrease) from operations:** | | | | | |
| Total revenue | - | - | - | - | - |
| Total expenses (excluding distributions) | (0.15) | (0.14) | (0.15) | (0.18) | (0.18) |
| Realized gains (losses) for the period | 0.02 | (0.01) | 0.02 | 0.03 | 0.08 |
| Unrealized gains (losses) for the period | 0.26 | 0.40 | (1.36) | 0.13 | 0.60 |
| **Total increase (decrease) from operations**[(2)] | **0.13** | **0.25** | **(1.49)** | **(0.02)** | **0.50** |
| **Distributions:** | | | | | |
| From net investment income (excluding dividends) | - | - | - | - | - |
| From dividends | - | - | - | - | - |
| From capital gains | - | - | - | - | - |
| Return of capital | - | - | - | - | - |
| **Total distributions**[(3)] | - | - | - | - | - |
| **Net assets at December 31 of year shown** | **$ 4.75** | **$ 4.61** | **$ 4.38** | **$ 5.87** | **$ 5.86** |
| RATIOS AND SUPPLEMENTAL DATA: | | | | | |
| Total net asset value (000's)[(1)] | $ 88,683 | $ 87,596 | $ 92,289 | $ 132,887 | $ 107,456 |
| Number of units outstanding[(1)] | 18,673,326 | 18,990,314 | 21,089,045 | 22,643,692 | 18,344,756 |
| Management expense ratio (%)[(2)] | 3.05 | 3.06 | 3.06 | 3.01 | 3.06 |
| Management expense ratio before waivers or absorption (%) | 3.05 | 3.17 | 3.07 | 3.01 | 3.17 |
| Trading expense ratio (%)[(3)] | - | - | - | - | - |
| Portfolio turnover rate (%)[(4)] | 2.80 | 1.62 | 7.20 | 3.30 | 8.84 |
| Net asset value per unit | $ 4.75 | $ 4.61 | $ 4.38 | $ 5.87 | $ 5.86 |

*For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.*

| THE FUND'S NET ASSETS PER CLASS B3 UNIT | 2015* |
|---|---|
| **Net assets - beginning of year**[(1)] | **$ 10.00** |
| **Increase (decrease) from operations:** | |
| Total revenue | - |
| Total expenses (excluding distributions) | (0.12) |
| Realized gains for the period | 0.02 |
| Unrealized gains for the period | 0.16 |
| **Total increase from operations**[(2)] | **0.06** |
| **Distributions:** | |
| From net investment income (excluding dividends) | - |
| From dividends | - |
| From capital gains | - |
| Return of capital | - |
| **Total distributions**[(3)] | - |
| **Net assets at December 31 of year shown** | **$ 9.68** |
| RATIOS AND SUPPLEMENTAL DATA: | |
| Total net asset value (000's)[(1)] | $ 122 |
| Number of units outstanding[(1)] | 12,590 |
| Management expense ratio (%)[(2)] | 1.77 |
| Management expense ratio before waivers or absorption (%) | 1.77 |
| Trading expense ratio (%)[(3)] | - |
| Portfolio turnover rate (%)[(4)] | 2.80 |
| Net asset value per unit | $ 9.68 |

**Data is from March 27, 2015, the date the Class B3 units were first offered, to December 31, 2015. For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.*

## FINANCIAL HIGHLIGHTS *(continued)*

| THE FUND'S NET ASSETS PER CLASS C3 UNIT | 2015 | 2014* |
|---|---|---|
| **Net assets - beginning of year(1)** | **$ 9.02** | **$ 10.00** |
| **Increase (decrease) from operations:** | | |
| Total revenue | - | - |
| Total expenses (excluding distributions) | (0.13) | (0.11) |
| Realized gains (losses) for the period | 0.03 | (0.03) |
| Unrealized gains (losses) for the period | 0.58 | (0.45) |
| **Total increase (decrease) from operations(2)** | **0.48** | **(0.59)** |
| **Distributions:** | | |
| From net investment income (excluding dividends) | - | - |
| From dividends | - | - |
| From capital gains | - | - |
| Return of capital | - | - |
| **Total distributions(3)** | - | - |
| **Net assets at December 31 of year shown** | **$ 9.44** | **$ 9.02** |
| RATIOS AND SUPPLEMENTAL DATA: | | |
| Total net asset value (000's)(1) | $ 1,371 | $ 1,392 |
| Number of units outstanding(1) | 145,228 | 154,333 |
| Management expense ratio (%)(2) | 1.38 | 1.48 |
| Management expense ratio before waivers or absorption (%) | 1.38 | 1.48 |
| Trading expense ratio (%)(3) | - | - |
| Portfolio turnover rate (%)(4) | 2.80 | 1.62 |
| Net asset value per unit | $ 9.44 | $ 9.02 |

**Data is from March 12, 2014, the date the Class C3 units were first offered, to December 31, 2014. For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.*

| THE FUND'S NET ASSETS PER CLASS F UNIT | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Net assets - beginning of year(1)** | **$ 5.25** | **$ 4.93** | **$ 6.53** | **$ 6.45** | **$ 5.76** |
| **Increase (decrease) from operations:** | | | | | |
| Total revenue | - | - | - | - | - |
| Total expenses (excluding distributions) | (0.11) | (0.11) | (0.11) | (0.12) | (0.13) |
| Realized gains (losses) for the period | 0.02 | (0.01) | 0.03 | 0.04 | 0.09 |
| Unrealized gains (losses) for the period | 0.22 | 0.85 | (1.55) | 0.11 | (0.27) |
| **Total increase (decrease) from operations(2)** | **0.13** | **0.73** | **(1.63)** | **0.03** | **(0.31)** |
| **Distributions:** | | | | | |
| From net investment income (excluding dividends) | - | - | - | - | - |
| From dividends | - | - | - | - | - |
| From capital gains | - | - | - | - | - |
| Return of capital | - | - | - | - | - |
| **Total distributions(3)** | - | - | - | - | - |
| **Net assets at December 31 of year shown** | **$ 5.46** | **$ 5.25** | **$ 4.93** | **$ 6.53** | **$ 6.45** |
| RATIOS AND SUPPLEMENTAL DATA: | | | | | |
| Total net asset value (000's)(1) | $ 6,214 | $ 3,636 | $ 5,832 | $ 10,164 | $ 7,272 |
| Number of units outstanding(1) | 1,137,417 | 692,988 | 1,183,930 | 1,556,336 | 1,127,724 |
| Management expense ratio (%)(2) | 1.90 | 2.02 | 1.92 | 1.87 | 1.93 |
| Management expense ratio before waivers or absorption (%) | 1.90 | 2.05 | 1.92 | 1.87 | 1.93 |
| Trading expense ratio (%)(3) | - | - | - | - | - |
| Portfolio turnover rate (%)(4) | 2.80 | 1.62 | 7.20 | 3.30 | 8.84 |
| Net asset value per unit | $ 5.46 | $ 5.25 | $ 4.93 | $ 6.53 | $ 6.45 |

*For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.*

## FINANCIAL HIGHLIGHTS *(continued)*

| THE FUND'S NET ASSETS PER CLASS S1 UNIT | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Net assets - beginning of year**[(1)] | **$ 8.77** | **$ 8.20** | **$ 10.77** | **$ 10.54** | **$ 9.34** |
| **Increase (decrease) from operations:** | | | | | |
| Total revenue | - | - | - | - | - |
| Total expenses (excluding distributions) | (0.10) | (0.13) | (0.10) | (0.11) | (0.11) |
| Realized gains (losses) for the period | 0.03 | (0.03) | 0.04 | 0.06 | 0.13 |
| Unrealized gains (losses) for the period | 0.60 | 0.86 | (2.57) | 0.32 | 1.55 |
| **Total increase (decrease) from operations**[(2)] | **0.53** | **0.70** | **(2.63)** | **0.27** | **1.57** |
| **Distributions:** | | | | | |
| From net investment income (excluding dividends) | - | - | - | - | - |
| From dividends | - | - | - | - | - |
| From capital gains | - | - | - | - | - |
| Return of capital | - | - | - | - | - |
| **Total distributions**[(3)] | - | - | - | - | - |
| **Net assets at December 31 of year shown** | **$ 9.22** | **$ 8.77** | **$ 8.20** | **$ 10.77** | **$ 10.54** |
| RATIOS AND SUPPLEMENTAL DATA: | | | | | |
| Total net asset value (000's)[(1)] | $ 1,158 | $ 1,296 | $ 1,460 | $ 3,629 | $ 4,071 |
| Number of units outstanding[(1)] | 125,696 | 147,691 | 178,190 | 336,896 | 386,181 |
| Management expense ratio (%)[(2)] | 1.04 | 1.51 | 1.06 | 0.99 | 1.06 |
| Management expense ratio before waivers or absorption (%) | 1.04 | 1.51 | 1.06 | 0.99 | 1.06 |
| Trading expense ratio (%)[(4)] | - | - | - | - | - |
| Portfolio turnover rate (%)[(3)] | 2.80 | 1.62 | 7.20 | 3.30 | 8.84 |
| Net asset value per unit | $ 9.22 | $ 8.77 | $ 8.20 | $ 10.77 | $ 10.54 |

*For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.*

| THE FUND'S NET ASSETS PER CLASS S2 UNIT | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Net assets - beginning of year**[(1)] | **$ 8.68** | **$ 8.25** | **$ 10.90** | **$ 10.73** | **$ 9.55** |
| **Increase (decrease) from operations:** | | | | | |
| Total revenue | - | - | - | - | - |
| Total expenses (excluding distributions) | (0.14) | (0.28) | (0.16) | (0.17) | (0.16) |
| Realized gains (losses) for the period | 0.03 | (0.03) | 0.11 | 0.06 | 0.14 |
| Unrealized gains (losses) for the period | 0.51 | 1.00 | (1.58) | 0.28 | 1.23 |
| **Total increase (decrease) from operations**[(2)] | **0.40** | **0.69** | **(1.63)** | **0.17** | **1.21** |
| **Distributions:** | | | | | |
| From net investment income (excluding dividends) | - | - | - | - | - |
| From dividends | - | - | - | - | - |
| From capital gains | - | - | - | - | - |
| Return of capital | - | - | - | - | - |
| **Total distributions**[(3)] | - | - | - | - | - |
| **Net assets at December 31 of year shown** | **$ 9.08** | **$ 8.68** | **$ 8.25** | **$ 10.90** | **$ 10.73** |
| RATIOS AND SUPPLEMENTAL DATA: | | | | | |
| Total net asset value (000's)[(1)] | $ 62 | $ 106 | $ 147 | $ 1,547 | $ 1,911 |
| Number of units outstanding[(1)] | 6,800 | 12,208 | 17,833 | 141,884 | 178,049 |
| Management expense ratio (%)[(2)] | 1.55 | 3.15 | 1.61 | 1.58 | 1.55 |
| Management expense ratio before waivers or absorption (%) | 1.55 | 3.15 | 1.61 | 1.58 | 1.55 |
| Trading expense ratio (%)[(3)] | - | - | - | - | - |
| Portfolio turnover rate (%)[(4)] | 2.80 | 1.62 | 7.20 | 3.30 | 8.84 |
| Net asset value per unit | $ 9.08 | $ 8.68 | $ 8.25 | $ 10.90 | $ 10.73 |

*For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.*

**Explanatory Notes to Financial Highlights**

*Fund's Net Assets per Unit of each Class*

(1) This information is derived from the BMG Fund's financial statements. In the period a BMG Fund or class is established, the financial information is provided from the date a particular class was first offered to the end of the period. Information for 2013 and subsequent years is in accordance with IFRS. Information for years prior to 2013 is reported under Canadian GAAP. The NAV per class presented in the financial statements does not differ from the NAV per class calculated for fund pricing purposes.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) in net assets from operations is based on the weighted average number of units outstanding over the fiscal period. This table is not intended to be a reconciliation of opening and closing net assets per unit.

(3) The BMG Fund did not make any distributions.

*Ratios and Supplemental Data*

(1) This information is provided as at the end of the period shown.

(2) The management expense ratio is based on total expenses for the stated period, and is expressed as an annualized percentage of daily average NAV during the period.

(3) The trading expense ratio represents the total commissions and other portfolio transaction costs expressed as an annualized percentage of NAV during the period.

(4) The BMG Fund's portfolio turnover rate indicates how actively the BMG Fund's gold bullion investments are traded. A portfolio turnover rate of 100% is equivalent to the BMG Fund buying and selling all its gold bullion once in the course of the relevant period. There is no trading cost payable by the BMG Fund. The higher a portfolio turnover rate in a year, the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the BMG Fund.

**Management Fees**

Management fees are paid by each class of the BMG Fund to the Manager, and are calculated at the applicable annual percentage of the NAV of each class of the BMG Fund. A portion of the management fees paid by the BMG Fund is for trailer fees paid to dealers. The trailer fees are a percentage of the daily average NAV of the applicable class of units of the BMG Fund that are held by the dealers' clients. No trailer fees are paid with respect to Class C3, Class F or Class S1 units of the BMG Fund. The table below outlines the BMG Fund's annual management fees for Class A, Class B3, Class C3, Class F, Class S1 and Class S2 units, and how those fees are split between trailer fees and portfolio administration.

| | Class A | Class B3 | Class C3 | Class F | Class S1 | Class S2 |
|---|---|---|---|---|---|---|
| Management Fee | 2.25% | 1.25% | 0.75% | 1.25% | 0.45% | 0.95% |
| Portfolio Administration Fee | 55.6% | 60% | 100% | 100% | 100% | 47.4% |
| Trailer Fee *(maximum rate as a percentage of management fees)* | 44.4% | 40% | 0% | 0% | 0% | 52.6% |

Out of the management fees that the Manager received from the BMG Fund, the Manager paid trailer fees of $914,554 during the year ended December 31, 2015.

## PAST PERFORMANCE

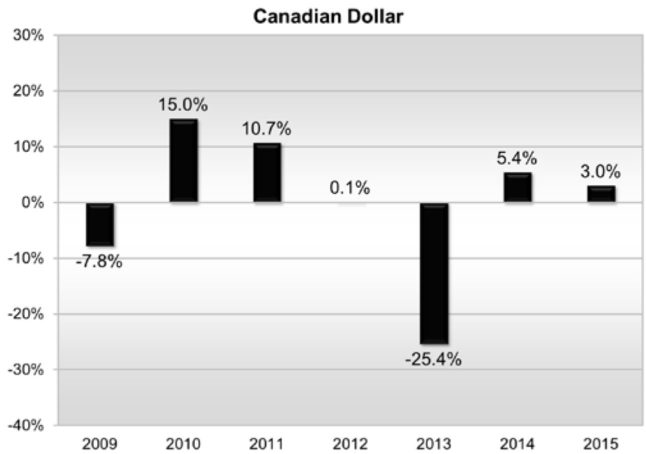
The following information does not take into account sales or redemption charges that would have reduced returns. Past performance does not necessarily indicate how the BMG Fund will perform in the future.

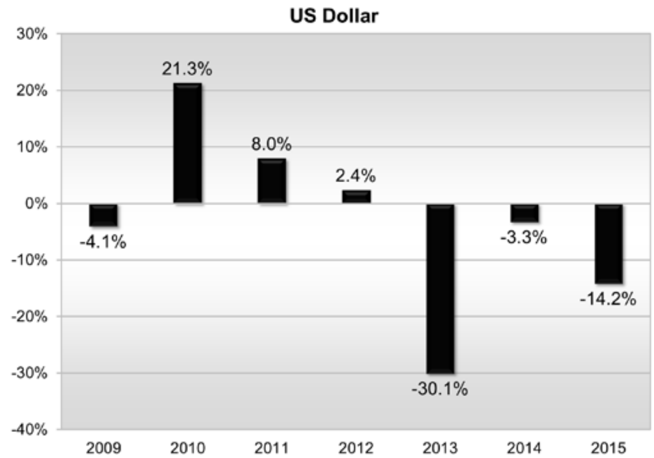
Class B3 units have been offered for fewer than twelve months, therefore performance is not available for disclosure for this class.

**Year-by-Year Returns**

The following bar charts show the BMG Fund's performance for each class of units of the BMG Fund in Canadian and U.S. dollars, as applicable, in each of the years shown. They illustrate how the BMG Fund's performance has changed from year to year. In percentage terms, the charts show how much an investment made on the first day of each financial year has increased or decreased by the last day of each financial year.

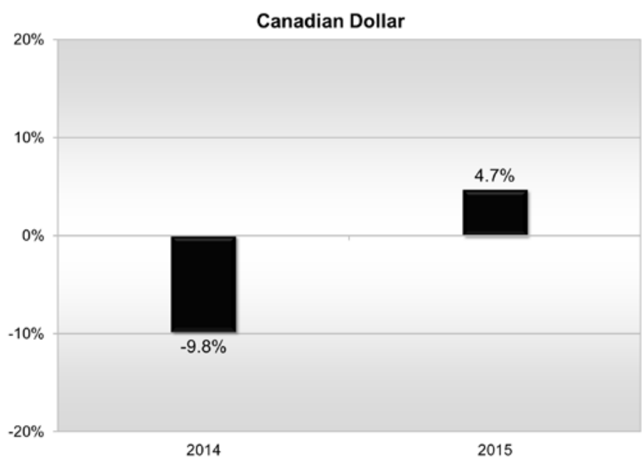
*Class A*

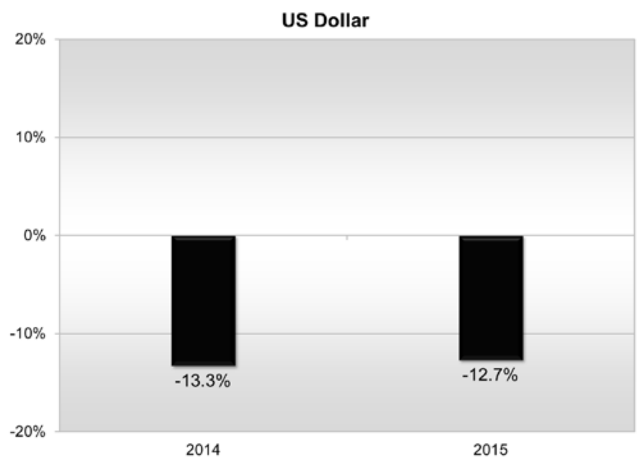



The return shown for 2009 is for the period from September 4, 2009, the date the Class A units were first offered.

*Class C3*

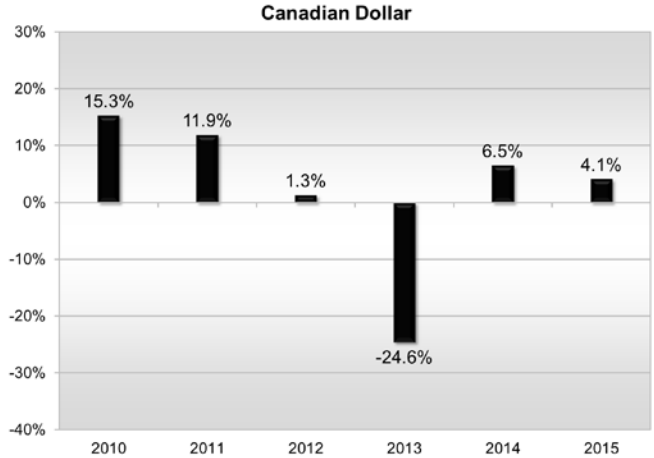


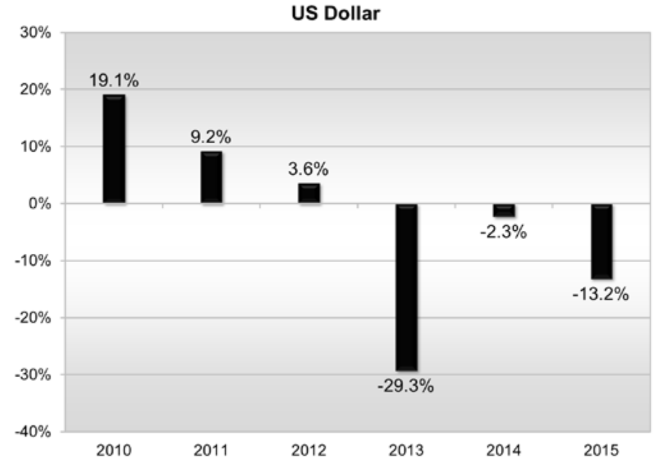




The return shown for 2014 is for the period from March 12, 2014, the date the Class C3 units were first offered.

## PAST PERFORMANCE *(continued)*

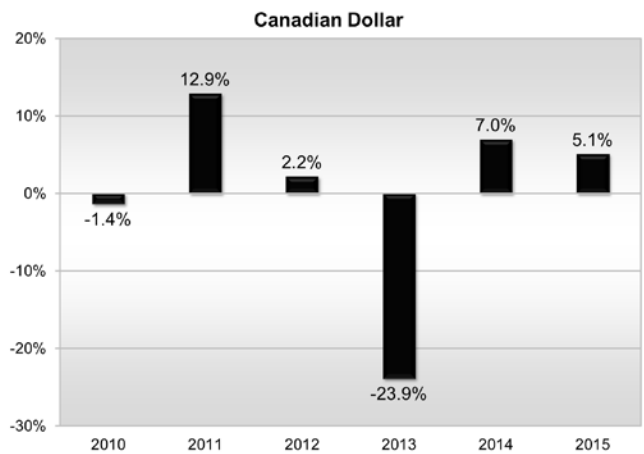
*Class F*



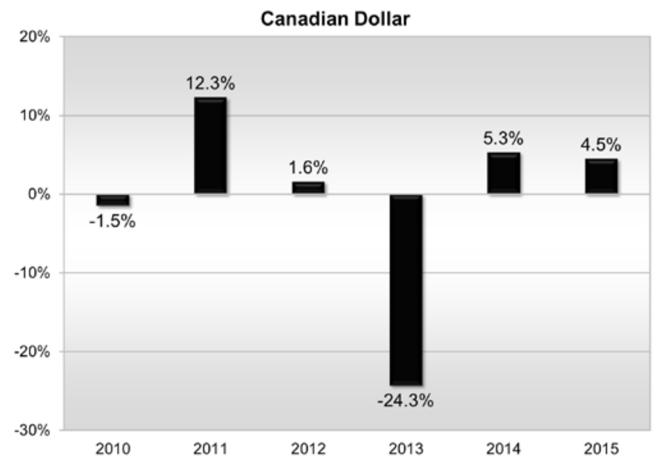




The return shown for 2010 is for the period from January 18, 2010, the date the Class F units were first offered.

*Class S1*




*Class S2*




The return shown for 2010 is for the period from November 9, 2010, the date the Class S1 and Class S2 units were first offered.

## PAST PERFORMANCE (CONTINUED)

**Annual Compound Returns**

The following table shows the annual compound total returns for each class of units of the BMG Fund in Canadian dollars and U.S. dollars since inception, or for the five, three or one year periods ended on December 31, 2015, as applicable. Annual returns in Canadian dollars are compared to inflation as measured by the Canadian Consumer Price Index ("CPI") as calculated by Statistics Canada, as well as to Bank of Canada's 3-month Treasury Bills. Annual returns in U.S. dollars are compared to inflation as measured by the U.S. CPI as calculated by the U.S. Department of Labor, as well as to U.S. 3-month Treasury Bills.

*Class A*

| | Since Inception (September 2009) | 5 Years | 3 Years | 1 Year |
|---|---|---|---|---|
| The BMG Fund Class A CDN$ | -0.8% | -2.2% | -6.8% | 3.0% |
| Inflation (CPI, Statistics Canada) | 1.6% | 1.5% | 1.4% | 1.6% |
| Bank of Canada, 3-month Treasury Bills | 0.8% | 0.9% | 0.8% | 0.5% |
| The BMG Fund Class A US$ | -4.5% | -8.5% | -16.6% | -14.2% |
| Inflation (CPI, US Dept. of Labor) | 1.4% | 1.5% | 1.0% | 0.6% |
| U.S., 3-month Treasury Bills | 0.1% | 0.1% | 0.0% | 0.1% |

*Class C3*

| | Since Inception (March 2014) | 1 Year |
|---|---|---|
| The BMG Fund Class C3 CDN$ | -3.1% | 4.7% |
| Inflation (CPI, Statistics Canada) | 0.8% | 1.6% |
| Bank of Canada, 3-month Treasury Bills | 0.7% | 0.5% |
| The BMG Fund Class C3 US$ | -14.3% | -12.7% |
| Inflation (CPI, US Dept. of Labor) | 0.0% | 0.6% |
| U.S., 3-month Treasury Bills | 0.0% | 0.1% |

*Class F*

| | Since Inception (January 2010) | 5 Years | 3 Years | 1 Year |
|---|---|---|---|---|
| The BMG Fund Class F CDN$ | 1.5% | -1.1% | -5.8% | 4.1% |
| Inflation (CPI, Statistics Canada) | 1.6% | 1.5% | 1.4% | 1.6% |
| Bank of Canada, 3-month Treasury Bills | 0.8% | 0.9% | 0.8% | 0.5% |
| The BMG Fund Class F US$ | -3.5% | -7.5% | -15.7% | -13.2% |
| Inflation (CPI, US Dept. of Labor) | 1.5% | 1.5% | 1.0% | 0.6% |
| U.S., 3-month Treasury Bills | 0.1% | 0.1% | 0.0% | 0.1% |

## PAST PERFORMANCE *(continued)*

*Class S1 and S2*

| | Since Inception (November 2010) | 5 Years | 3 Years | 1 Year |
|---|---|---|---|---|
| The BMG Fund Class S1 CDN$ | -0.5% | -0.3% | -5.1% | 5.1% |
| The BMG Fund Class S2 CDN$ | -1.3% | -1.0% | -5.9% | 4.5% |
| Inflation (CPI, Statistics Canada) | 1.4% | 1.5% | 1.4% | 1.6% |
| Bank of Canada, 3-month Treasury Bills | 0.7% | 0.9% | 0.8% | 0.5% |

## SUMMARY OF INVESTMENT PORTFOLIO

**As at December 31, 2015**

| | Allocated ounces | Unallocated ounces | Total Fine ounces | Average Cost $ | Fair Value $ | Total % |
|---|---|---|---|---|---|---|
| Gold Bullion | 69,689.540 | 636.136 | 70,325.676 | 99,196,130 | 103,770,645 | 99.5 |
| Cash | | | | 529,004 | 531,163 | 0.5 |
| **Total Investment** | | | | **99,725,134** | **104,301,808** | **100.0** |

Due to ongoing portfolio transactions, the Summary of Investment Portfolio may have changed by the time you purchase units of the BMG Fund. A quarterly update is available. To obtain a copy, please contact our Client Services team at 1.888.474.1001, or visit www.bmgbullion.com.

The BMG Group of Companies includes the parent company, Bullion Management Group Inc., and its wholly owned subsidiaries, Bullion Management Services Inc., Bullion Marketing Services Inc., BMG DSC Inc. and Bullion Custodial Services Inc. (collectively "BMG").

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