

# BMG BullionFund

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## Semi-Annual Management Report of Fund Performance

For the six-month period ended June 30, 2016



BULLION  
MANAGEMENT  
SERVICES INC.  
A BMG Company

### Caution regarding forward-looking statements

Certain portions of this Semi-Annual Management Report of Fund Performance, including, but not limited to, “Recent Developments”, may contain forward-looking statements about the BMG 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 Semi-Annual Management Report of Fund Performance.

*This Semi-Annual Management Report of Fund Performance contains financial highlights, but does not contain either the semi-annual or annual financial statements, of the BMG Fund. You may request a copy of the BMG Fund’s semi-annual or annual financial statements 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](http://www.bmgbullion.com) or SEDAR at [www.sedar.com](http://www.sedar.com).*

## MANAGEMENT REPORT OF FUND PERFORMANCE

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### Investment Objective and Strategies

BMG BullionFund (the “BMG Fund”) invests in equal dollar proportions of unencumbered, fully allocated gold, silver and platinum bullion 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, silver and platinum 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).

By investing an equal portion of the BMG Fund's subscription proceeds in gold, silver and platinum bullion, the BMG Fund should be able to effectively reduce its volatility while improving long-term returns. This can be accomplished because the value of gold is based primarily on its monetary qualities, whereas the value of silver and platinum is based primarily on their usefulness as commodities. During normal economic times, the commodity demand for silver and platinum should be higher than for gold, and the value of silver and platinum should typically outperform the value of gold. In contrast, if monetary demand increases, then the value of gold should typically increase faster than that of silver or platinum, although over time both silver and platinum should follow the price of gold. As a result, by investing in all three metals, the BMG Fund should be able to reduce volatility while improving long-term returns.

The economic factors that determine the price of gold, silver and platinum are also, 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 not speculative, and 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, silver or platinum bullion. The BMG Fund will not invest in foreign securities, and does not hedge its holdings. The BMG Fund’s objectives and strategies did not change in the first six months of 2016.

### 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 precious metals, as well as fluctuations in the relationship between the Canadian and US 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 the first six months of 2016.

### Results of Operations

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

During the first six months of 2016, the net asset value (“NAV”) of the BMG Fund increased 11.7%, from \$182.4 million at December 31, 2015 to \$203.8 million at June 30, 2016. The increase was primarily driven by \$31.3 million in net change in realized and unrealized gains on bullion investment, offset by \$7.2 million in net redemptions and \$2.7 million in operating expenses during the period. As at June 30, 2016, the BMG Fund’s bullion holdings were 59,817 ounces of gold, 3,123,377 ounces of silver, and 19,935 ounces of platinum, compared to 61,937 ounces of gold, 3,287,738 ounces of silver, and 22,650 ounces of platinum at December 31, 2015.

For the six months ended June 30, 2016, the NAV per unit of the BMG Fund’s Class A units increased by 15.8% in Canadian dollars, and 23.9% in US dollars, while the NAV per unit of the BMG Fund’s Class F units increased by 16.4% in Canadian dollars, and 24.6% in US dollars. The Canadian dollar appreciated 7.0% against the US dollar in the first six months of 2016.

## MANAGEMENT REPORT OF FUND PERFORMANCE (*continued*)

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Daily average net assets decreased by 12.3%, from \$220.6 million during the first six months of 2015 to \$193.4 million for the same period in 2016. The decrease is primarily driven by net redemptions. Total expenses declined by 14.5%, in line with the decrease in daily average net assets.

Gold's 2015 year-end price was US\$1,062.25. In 2016, the LBMA Gold Price PM increased by 24.7% to reach a high of US\$1,324.55 per ounce in June, and closed at \$1,320.75 on June 30. The prices of silver and platinum followed a similar pattern. The LBMA Silver Price reached a high of US\$18.36 per ounce on June 30. The LBMA Platinum Price PM reached a high of US\$1,081 per ounce in May, and closed at US\$999.00 on June 30.

### **Recent Developments**

During the first half of 2016, bullion prices – gold, silver and, to a lesser extent, platinum – staged a strong recovery. Investors are looking to reduce risk in their portfolios, and diversify or rebuild their positions in bullion as the increasingly high level of global geopolitical and economic uncertainty remains.

As June 2016 came to a close, global financial markets experienced tremendous turbulence after the U.K. voted on June 23 to leave the European Union (“Brexit”), a move that caught the global financial markets off guard. Global stock markets wiped out an estimated US\$2 trillion in value in the days following the vote, with most, if not all, of the losses having since been recovered. In light of the Brexit development, the International Monetary Fund has again revised downward the global economic growth forecast for 2016 and 2017 to 3.1% and 3.4% respectively. The outlook has worsened for advanced economies, while it remains mostly unchanged for emerging and developing markets.

At the start of the year, financial markets dropped following the U.S. Federal Reserve rate decision in December 2015, and the expectation of further rate increases. In its June 2016 statement, the Federal Reserve left interest rates unchanged, and tempered its forecast for both short- and longer-term interest rate hikes, citing slower jobs growth and a lower inflation rate among the reasons. The U.K. Brexit vote was also a factor in the June rate decision. Although the median of the Federal Reserve forecasts suggests that policymakers are expecting two rate hikes in 2016, it seems increasingly unlikely that this will occur. Stock markets have since recovered, and certain indices are setting new highs. Whether this will continue is debatable, given overall global economic conditions.

There has been a trend towards a negative interest rate policy over the past year in many jurisdictions, including Japan and several European economies. The amount of bonds yielding negative interest rates has increased from almost none two years ago to an estimated US\$10 trillion at June 30, 2016.

The U.S. presidential elections in November 2016, and the ongoing fractious debates that have been stirred up during the primary process, are contributing to financial markets' volatility, especially the prospect of a Republican win.

More frequent incidents of terrorism, as experienced by the U.S., France, Turkey and Iraq, have only fuelled concerns over security around the world. These incidents, along with economic and geopolitical issues, have only added to the overall uneasiness in financial markets.

### **Gold**

Gold started the year at US\$1,062.25, and closed on June 30, 2016 at US\$1,320.75, a 24.3% increase. In Canadian dollars, the gold price experienced a 16.2% increase over the same period, due to a strengthening of the currency against the U.S. dollar.

After what appears to be a bottoming of the gold price in December 2015, investors are turning to gold for its monetary value, relatively low correlation to stocks and bonds, and the benefits of liquidity, as well as for its value as a safe-haven asset. The World Gold Council reports that gold demand grew by 21% in the first quarter of 2016, compared to the same period in 2015 – the best-ever start to the year. Broad-based investment demand fueled the gains, as ETF demand growth more than reversed the cumulative outflows from 2014 and 2015. This resulted in overall demand growth, even though jewelry demand fell and central bank purchases slowed. Along with the surging gold price, the key jewelry markets in India and China each faced local market-specific conditions that hindered consumer purchases. India's government introduced a 1% tax on manufactured jewelry and an increase in customs duties, leading to strike action by jewelers. In China, the introduction of a new national standard for hallmarking of gold jewelry led to a supply crunch as jewelers adjusted their inventory to meet the new standards.

## MANAGEMENT REPORT OF FUND PERFORMANCE (*continued*)

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The economic slowdown in China and capital constraints further exacerbated jewelry sales in that market.

### **Silver**

Silver started the year at US\$13.82, and closed on June 30, 2016 at US\$18.36, a 32.9% increase. In Canadian dollars, the silver price experienced a 24.2% increase over the same period.

The gold:silver ratio contracted from a level of 77 at December 31, 2015 to 71 at June 30, 2016, as the price of silver advanced at a higher pace than gold during this period. If this ratio continues to contract and reverts to its long-term average of approximately 56, the price of silver could move much higher than existing levels.

The *2016 World Silver Survey*, published by The Silver Institute, shows that silver continues to have a physical supply deficit, even though mine production has been growing yearly due to shrinking supplies from scrap, robust demand for coins and bars and, to a lesser extent, jewelry. This combination of factors further supports a strengthening of the silver price.

### **Platinum**

Platinum started the year at US\$872 and closed on June 30, 2016 at US\$999, a 14.6% increase. In Canadian dollars, the platinum price experienced a 7.1% increase over the same period.

At December 31, 2015, the discount of the platinum price to the gold price was 17.9%. Although the platinum price is recovering, the gold price is rising at a faster pace and by June 30, 2016 the discount gap had widened to 24.4%.

The platinum industry remains troubled, even though production has recovered from the prolonged 2014 strike in South Africa. The industry had a supply deficit in 2015 despite the rebound in production, as supply from recycling declined due to lower prices, and demand remained strong. Financial pressures resulting from falling prices and the strike action have led to some rationalization of mines. There is further depletion of aboveground stocks as major producers release inventory to bolster cash flow. The industry is forecast to have another year of supply deficit in 2016, prolonging the period of inventory reduction.

### **Related-Party Transactions**

#### *Manager and Trustee*

Bullion Management Services Inc. is the manager, trustee, registrar and transfer agent for the BMG Fund (the “Manager”). 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 June 30, 2016, the Manager held one Class A unit of the BMG Fund.

In consideration of the 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 six months ended June 30, 2016, the BMG Fund incurred management fees of \$1,966,825.

#### *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.

#### *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](http://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 past six months ended June 30, 2016, and 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	2016	2015	2014	2013	2012	2011
<b>Net assets - beginning of period<sup>(1)</sup></b>	<b>\$ 8.64</b>	<b>\$ 8.78</b>	<b>\$ 9.16</b>	<b>\$ 12.19</b>	<b>\$ 12.03</b>	<b>\$ 12.62</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	-	-	-	-	-	-
Total expenses (excluding distributions)	(0.14)	(0.27)	(0.29)	(0.32)	(0.38)	(0.41)
Realized gains for the period	0.07	0.20	0.25	0.33	0.24	0.30
Unrealized gains (losses) for the period	1.44	(0.04)	(0.29)	(3.08)	0.24	(0.53)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>1.37</b>	<b>(0.11)</b>	<b>(0.33)</b>	<b>(3.07)</b>	<b>0.10</b>	<b>(0.64)</b>
<b>Distributions:</b>						
From net investment income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total distributions<sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets - end of period</b>	<b>\$ 10.01</b>	<b>\$ 8.64</b>	<b>\$ 8.78</b>	<b>\$ 9.16</b>	<b>\$ 12.19</b>	<b>\$ 12.03</b>
<b>RATIOS AND SUPPLEMENTAL DATA:</b>						
Total net asset value (000's) <sup>(1)</sup>	\$ 164,041	\$ 148,500	\$ 170,303	\$ 198,337	\$ 293,476	\$ 276,877
Number of units outstanding <sup>(1)</sup>	16,394,181	17,188,905	19,394,233	21,660,979	24,078,744	23,010,538
Management expense ratio (%) <sup>(2)</sup>	3.00	3.00	3.06	3.05	3.03	3.02
Management expense ratio before waivers or absorption (%)	3.00	3.00	3.18	3.05	3.03	3.02
Trading expense ratio (%) <sup>(3)</sup>	-	-	-	-	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	-	-	0.90	2.66	4.01	5.62
Net asset value per unit	\$ 10.01	\$ 8.64	\$ 8.78	\$ 9.16	\$ 12.19	\$ 12.03

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

THE FUND'S NET ASSETS PER CLASS B2 UNIT	2016	2015	2014*
<b>Net assets - beginning of period<sup>(1)</sup></b>	<b>\$ 8.37</b>	<b>\$ 8.43</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>			
Total revenue	-	-	-
Total expenses (excluding distributions)	(0.10)	(0.18)	(0.17)
Realized gains for the period	0.07	0.18	0.17
Unrealized gains (losses) for the period	1.47	(0.16)	(1.73)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>1.44</b>	<b>(0.16)</b>	<b>(1.73)</b>
<b>Distributions:</b>			
From net investment income (excluding dividends)	-	-	-
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	-	-
<b>Total distributions<sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets - end of period</b>	<b>\$ 9.74</b>	<b>\$ 8.37</b>	<b>\$ 8.43</b>
<b>RATIOS AND SUPPLEMENTAL DATA:</b>			
Total net asset value (000's) <sup>(1)</sup>	\$ 964	\$ 649	\$ 358
Number of units outstanding <sup>(1)</sup>	98,916	77,500	42,407
Management expense ratio (%) <sup>(2)</sup>	2.16	2.07	2.22
Management expense ratio before waivers or absorption (%)	2.16	2.07	2.34
Trading expense ratio (%) <sup>(3)</sup>	-	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	-	-	0.90
Net asset value per unit	\$ 9.74	\$ 8.37	\$ 8.43

\*Data is from February 24, 2014, the date the Class B2 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.

## FINANCIAL HIGHLIGHTS (continued)

THE FUND'S NET ASSETS PER CLASS B3 UNIT	2016	2015	2014	2013*
Net assets - beginning of period <sup>(1)</sup>	\$ 9.19	\$ 9.23	\$ 9.52	\$ 10.00
<b>Increase (decrease) from operations:</b>				
Total revenue	-	-	-	-
Total expenses (excluding distributions)	(0.09)	(0.17)	(0.20)	(0.02)
Realized gains for the period	0.07	0.20	0.26	0.05
Unrealized gains (losses) for the period	1.54	(0.52)	(0.35)	(0.51)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>1.52</b>	<b>(0.49)</b>	<b>(0.29)</b>	<b>(0.48)</b>
<b>Distributions:</b>				
From net investment income (excluding dividends)	-	-	-	-
From dividends	-	-	-	-
From capital gains	-	-	-	-
Return of capital	-	-	-	-
<b>Total distributions<sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets – end of period</b>	<b>\$ 10.71</b>	<b>\$ 9.19</b>	<b>\$ 9.23</b>	<b>\$ 9.52</b>
<b>RATIOS AND SUPPLEMENTAL DATA:</b>				
Total net asset value (000's) <sup>(1)</sup>	\$ 1,021	\$ 856	\$ 462	\$ 476
Number of units outstanding <sup>(1)</sup>	95,357	93,156	50,000	50,000
Management expense ratio (%) <sup>(2)</sup>	1.84	1.82	1.98	1.69
Management expense ratio before waivers or absorption (%)	1.84	1.82	2.09	1.69
Trading expense ratio (%) <sup>(3)</sup>	-	-	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	-	-	0.90	2.66
Net asset value per unit	\$ 10.71	\$ 9.19	\$ 9.23	\$ 9.52

\*Data is from November 11, 2013, the date the Class B3 units were first offered, to December 31, 2013. For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

THE FUND'S NET ASSETS PER CLASS C1 UNIT	2016	2015*
Net assets - beginning of period <sup>(1)</sup>	\$ 9.13	\$ 10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	-	-
Total expenses (excluding distributions)	(0.08)	(0.11)
Realized gains for the period	0.07	0.15
Unrealized gains (losses) for the period	1.51	(0.95)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>1.50</b>	<b>(0.91)</b>
<b>Distributions:</b>		
From net investment income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
<b>Total distributions<sup>(3)</sup></b>	<b>-</b>	<b>-</b>
<b>Net assets – end of period</b>	<b>\$ 10.65</b>	<b>\$ 9.13</b>
<b>RATIOS AND SUPPLEMENTAL DATA:</b>		
Total net asset value (000's) <sup>(1)</sup>	\$ 1,608	\$ 1,295
Number of units outstanding <sup>(1)</sup>	150,962	141,903
Management expense ratio (%) <sup>(2)</sup>	1.58	1.58
Management expense ratio before waivers or absorption (%)	1.58	1.58
Trading expense ratio (%) <sup>(3)</sup>	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	-	-
Net asset value per unit	\$ 10.65	\$ 9.13

\*Data is from March 27, 2015, the date the Class C1 units were first offered, to June 30, 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 C2 UNIT	2016	2015	2014*
Net assets - beginning of period <sup>(1)</sup>	\$ 8.45	\$ 8.46	\$ 10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	-	-	-
Total expenses (excluding distributions)	(0.07)	(0.13)	(0.12)
Realized gains for the period	0.07	0.18	0.18
Unrealized gains (losses) for the period	1.41	(0.98)	(1.35)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>1.41</b>	<b>(0.93)</b>	<b>(1.29)</b>
<b>Distributions:</b>			
From net investment income (excluding dividends)	-	-	-
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	-	-
<b>Total distributions<sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets – end of period</b>	<b>\$ 9.86</b>	<b>\$ 8.45</b>	<b>\$ 8.46</b>
<b>RATIOS AND SUPPLEMENTAL DATA:</b>			
Total net asset value (000's) <sup>(1)</sup>	\$ 5,737	\$ 4,812	\$ 483
Number of units outstanding <sup>(1)</sup>	581,927	569,627	57,063
Management expense ratio (%) <sup>(2)</sup>	1.54	1.48	1.60
Management expense ratio before waivers or absorption (%)	1.54	1.48	1.68
Trading expense ratio (%) <sup>(3)</sup>	-	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	-	-	0.90
Net asset value per unit	\$ 9.86	\$ 8.45	\$ 8.46

\*Data is from March 12, 2014, the date the Class C2 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	2016	2015	2014	2013	2012	2011
Net assets - beginning of period <sup>(1)</sup>	\$ 9.77	\$ 9.82	\$ 10.13	\$ 13.34	\$ 13.03	\$ 13.51
<b>Increase (decrease) from operations:</b>						
Total revenue	-	-	-	-	-	-
Total expenses (excluding distributions)	(0.10)	(0.19)	(0.22)	(0.23)	(0.27)	(0.28)
Realized gains for the period	0.08	0.22	0.28	0.36	0.26	0.32
Unrealized gains (losses) for the period	1.64	(0.39)	(0.17)	(3.48)	0.40	(1.88)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>1.62</b>	<b>(0.36)</b>	<b>(0.11)</b>	<b>(3.35)</b>	<b>0.39</b>	<b>(1.84)</b>
<b>Distributions:</b>						
From net investment income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total distributions<sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets – end of period</b>	<b>\$ 11.37</b>	<b>\$ 9.77</b>	<b>\$ 9.82</b>	<b>\$ 10.13</b>	<b>\$ 13.34</b>	<b>\$ 13.03</b>
<b>RATIOS AND SUPPLEMENTAL DATA:</b>						
Total net asset value (000's) <sup>(1)</sup>	\$ 29,430	\$ 25,229	\$ 18,065	\$ 22,643	\$ 35,919	\$ 38,241
Number of units outstanding <sup>(1)</sup>	2,587,988	2,583,455	1,840,183	2,235,041	2,692,893	2,935,910
Management expense ratio (%) <sup>(2)</sup>	1.91	1.88	2.02	1.95	1.94	1.93
Management expense ratio before waivers or absorption (%)	1.91	1.88	2.07	1.95	1.94	1.93
Trading expense ratio (%) <sup>(3)</sup>	-	-	-	-	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	-	-	0.90	2.66	4.01	5.62
Net asset value per unit	\$ 11.37	\$ 9.77	\$ 9.82	\$ 10.13	\$ 13.34	\$ 13.03

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

## FINANCIAL HIGHLIGHTS *(continued)*

### 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 bullion investments are traded. A portfolio turnover rate of 100% is equivalent to the BMG Fund buying and selling all its 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. 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. 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 C1, Class C2 and Class F units of the BMG Fund. The table below outlines the BMG Fund's annual management fees for the Class A, Class B2, Class B3, Class C1, Class C2, and Class F units of the BMG Fund, and how those fees are split between trailer fees and portfolio administration.

	Class A	Class B2	Class B3	Class C1	Class C2	Class F
Management Fee	2.25%	1.49%	1.25%	1.00%	0.87%	1.25%
Portfolio Administration Fee	55.6%	59.4%	60%	100%	100%	100%
Trailer Fee <i>(maximum rate as a percentage of management fees)</i>	44.4%	41.6%	40%	0%	0%	0%

Out of the management fees that the Manager received from the BMG Fund, the Manager paid trailer fees of \$771,758 during the six months ended June 30, 2016.

#### *Operating Expenses*

For the six months ended June 30, 2016, the Manager did not absorb BMG Fund operating expenses because the management expenses ratios were below the expenses cap. The decision to reduce operating expenses is made at the discretion of the Manager, and may be changed at any time.

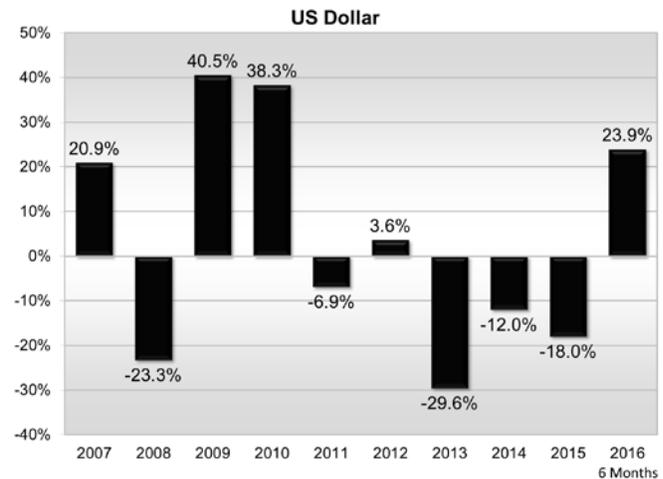
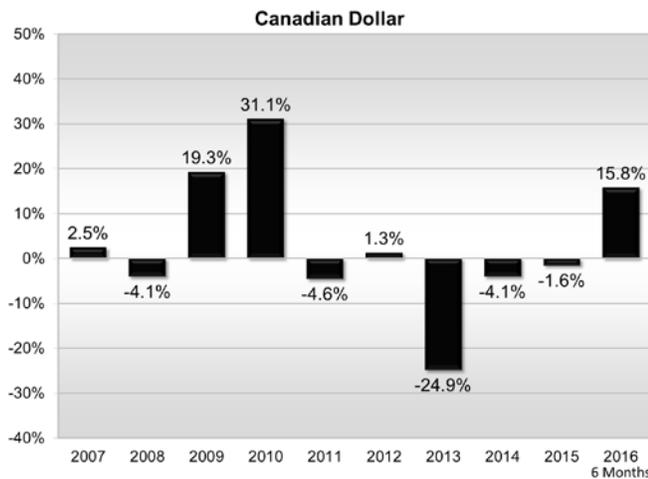
## PAST PERFORMANCE

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.

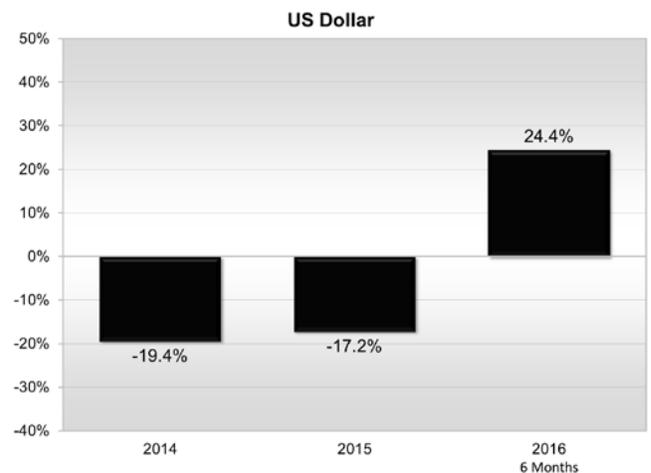
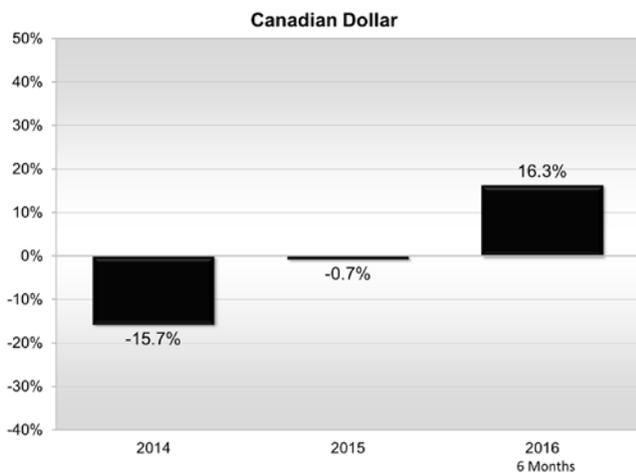
### Year-by-Year Returns

The following bar charts show the BMG Fund's performance for each class of units of the BMG Fund in Canadian and US dollars, as applicable, in each of the years shown and for the six months ended June 30, 2016. They illustrate how the BMG Fund's performance has changed year over 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 period.

#### Class A



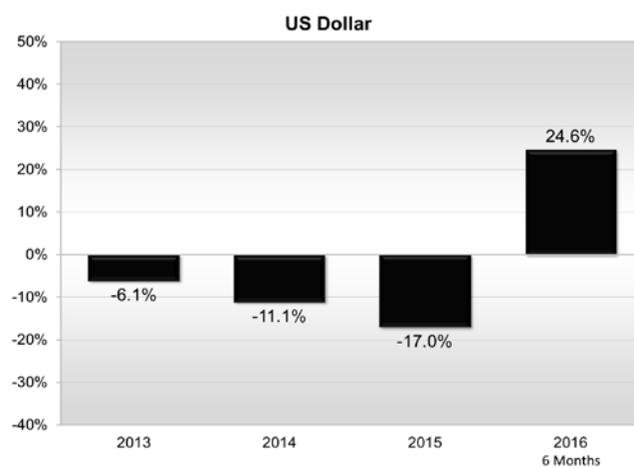
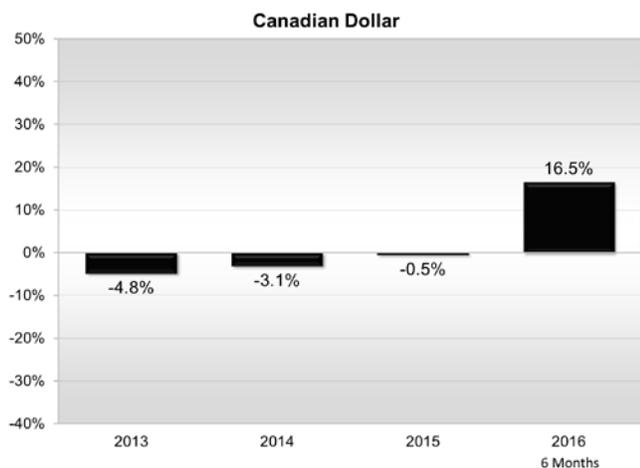
#### Class B2



The return shown for 2014 is for the period from February 24, 2014, the date the Class B2 units were first offered.

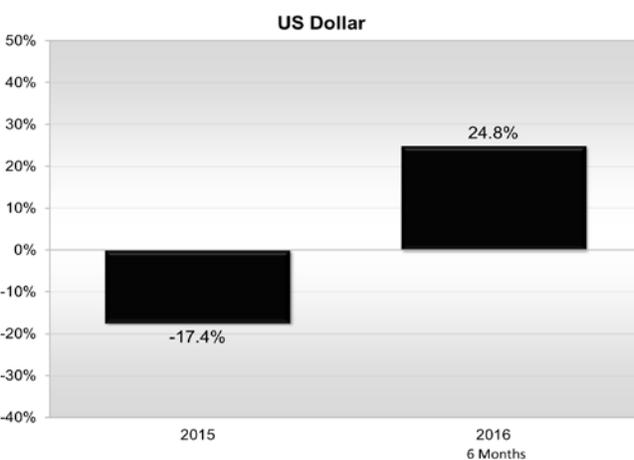
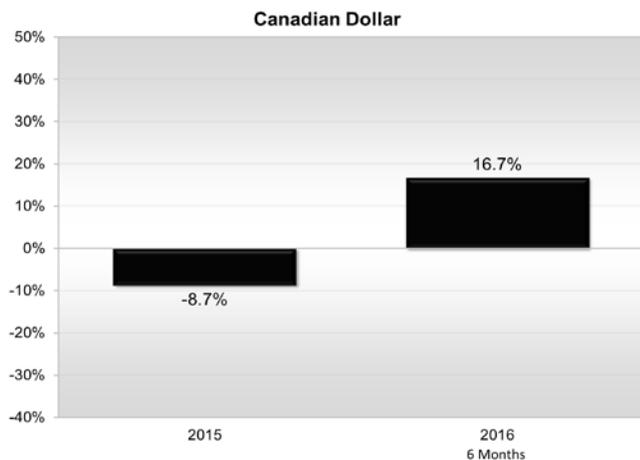
## PAST PERFORMANCE (continued)

### Class B3



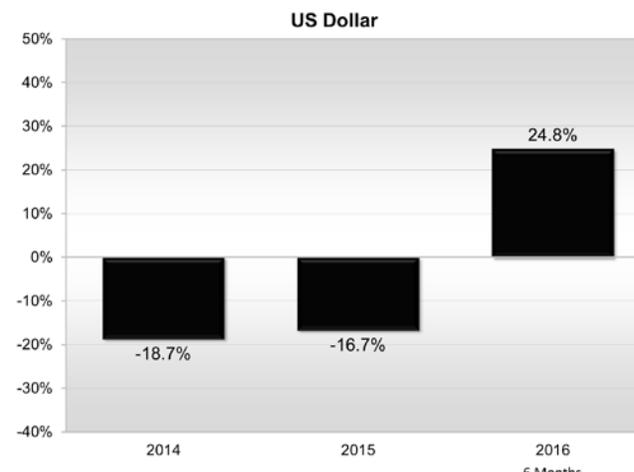
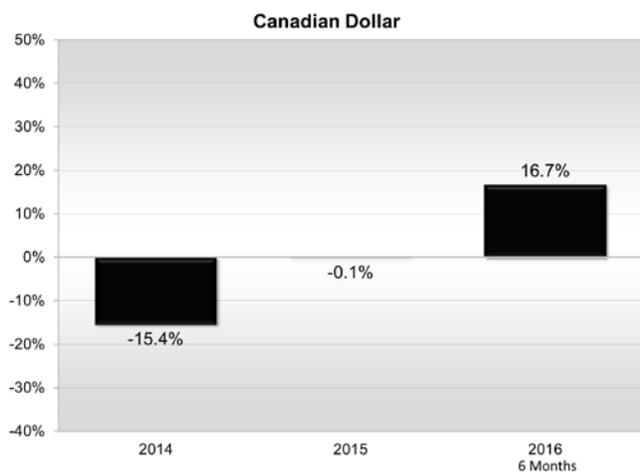
The return shown for 2013 is for the period from November 11, 2013, the date the Class B3 units were first offered.

### Class C1



The return shown for 2015 is for the period from March 27, 2015, the date the Class C1 units were first offered.

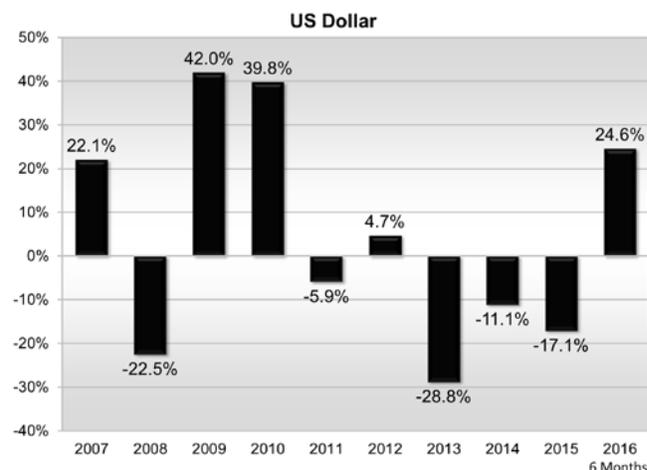
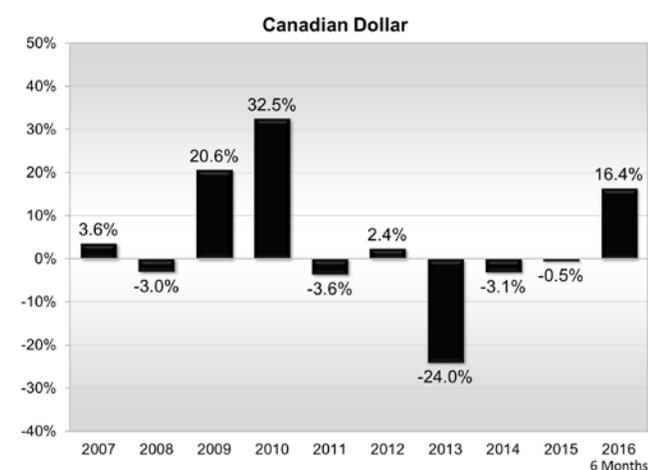
### Class C2



The return shown for 2014 is for the period from March 12, 2014, the date the Class C2 units were first offered.

## PAST PERFORMANCE (continued)

Class F



## SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2016

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	59,560.828	256.527	59,817.355	59,743,238	102,602,353	50.3
Platinum Bullion	19,782.502	152.658	19,935.160	29,570,508	25,864,377	12.7
Silver Bullion	3,105,489.522	17,887.417	3,123,376.939	51,089,915	74,474,286	36.5
Cash				921,672	922,337	0.5
<b>Total Investment</b>				<b>141,325,333</b>	<b>203,863,353</b>	<b>100.0</b>

Since the BMG Fund does not rebalance its portfolio holdings, the 33.3% allocation target may differ due to the difference in performance of each metal.

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](http://www.bmgbullion.com).



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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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