

**BMG BULLIONFUND**

# **ANNUAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2016**



**BMG**

# **BMG BullionFund**

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## **Annual Financial Statements**

For the years ended December 31, 2016 and 2015



**BULLION  
MANAGEMENT  
SERVICES INC.**

A BMG Company

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## MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

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The accompanying financial statements of BMG BullionFund (“BMG Fund”) have been prepared by Bullion Management Services Inc., in its capacity as manager (the “Manager”) of the BMG Fund, and have been approved by the Board of Directors of Bullion Management Services Inc. The Board of Directors is responsible for the information and representations contained in these financial statements and in the Management Report of Fund Performance.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards, and include certain amounts that are based on estimates and judgments made by the Manager. The significant accounting policies that the Manager believes are appropriate for the BMG Fund are described in Note 2 to the financial statements.

The Audit Committee of the Board of Directors is responsible for reviewing the financial statements and the Management Report of Fund Performance, and for recommending them to the Board of Directors of the Manager for approval, in addition to meeting with management and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues.

BDO Canada LLP is the external auditor of the BMG Fund, and is appointed by the trustee of the BMG Fund. The auditor of the BMG Fund has audited the financial statements in accordance with Canadian Generally Accepted Auditing Standards to enable it to express to the unitholders its opinion on the financial statements. The auditor’s report is set out herein.



Nick Barisheff  
President & CEO  
Director



Hema Anganu  
Chief Financial Officer  
Director



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## INDEPENDENT AUDITOR'S REPORT

### To the Unitholders of the BMG BullionFund

We have audited the accompanying financial statements of BMG BullionFund, which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the BMG BullionFund as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
February 24, 2017

## STATEMENTS OF FINANCIAL POSITION

As at December 31

	2016 \$	2015 \$
<b>ASSETS</b>		
Current assets		
Cash	1,060,501	971,760
Investments in bullion [Average cost \$135,236,947; December 2015 - \$149,235,591]	177,344,115	181,944,238
Due from broker	-	302,912
Subscriptions receivable	87,298	43,845
<b>Total assets</b>	<b>178,491,914</b>	<b>183,262,755</b>
<b>LIABILITIES</b>		
Current liabilities		
Management fees payable	333,600	346,414
Redemptions payable	357,027	345,493
Accounts payable and accrued liabilities	133,722	154,356
<b>Total liabilities (excluding net assets attributable to holders of redeemable units)</b>	<b>824,349</b>	<b>846,263</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>177,667,565</b>	<b>182,416,492</b>
<b>Net assets attributable to holders of redeemable units per class (Note 3)</b>		
Class A	140,658,216	148,499,609
Class B2	1,209,439	648,868
Class B3	1,000,237	856,156
Class C1	1,275,935	1,295,071
Class C2	4,831,503	4,811,589
Class E15	965,011	1,076,115
Class F	27,727,224	25,229,084
	<b>177,667,565</b>	<b>182,416,492</b>

*Net asset value attributable to holders of redeemable units per class is disclosed in Note 3.*

*See accompanying notes.*

On behalf of the Board of Directors of Bullion Management Services Inc.,  
Trustee and Manager of BMG BullionFund



Nick Barisheff  
Director



Hema Anganu  
Director

## STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31

	2016 \$	2015 \$
<b>INVESTMENT INCOME</b>		
Net unrealized gains (losses) on investments in bullion	9,398,521	(357,410)
Net realized gains on investments in bullion	3,838,406	4,557,966
Foreign exchange gains	3,833	2,449
Early redemption fees	13,260	3,101
Other	7,831	1,877
<b>Total investment income</b>	<b>13,261,851</b>	<b>4,207,983</b>
<b>EXPENSES</b>		
Management fees (Note 4)	4,030,710	4,242,668
Security holder reporting costs	522,360	582,564
Bullion storage fees	200,460	278,757
Services tax	436,205	492,622
Other administrative expenses	35,647	51,383
Legal fees	16,221	21,131
Audit fees	28,250	28,310
Filing fees	26,369	33,005
Independent Review Committee fees	12,627	18,000
<b>Total expenses</b>	<b>5,308,849</b>	<b>5,748,440</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>7,953,002</b>	<b>(1,540,457)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class (Note 3)</b>		
Class A	6,861,626	(2,091,984)
Class B2	(6,274)	(8,527)
Class B3	43,245	(41,028)
Class C1	36,216	(251,708)
Class C2	260,058	(427,050)
Class E09	-	10,525
Class E10	-	24,661
Class E11	-	249,348
Class E12	-	172,545
Class E15	59,488	21,082
Class F	698,643	(897,638)
Class G01	-	601,521
Class G05	-	36,727
Class G09	-	809,145
Class G10	-	90,363
Class G11	-	161,397
Class G15	-	164
	<b>7,953,002</b>	<b>(1,540,457)</b>

See accompanying notes.

## STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the years ended December 31

	2016 \$	2015 \$
Net assets attributable to holders of redeemable units, beginning of year	182,416,492	214,268,054
Issue of redeemable units	27,302,667	14,350,536
Redemption of redeemable units	(40,004,596)	(44,661,641)
Increase (decrease) in net assets attributable to holders of redeemable units	7,953,002	(1,540,457)
<b>Net assets attributable to holders of redeemable units, end of year</b>	<b>177,667,565</b>	<b>182,416,492</b>

See accompanying notes.

## STATEMENTS OF CASH FLOWS

For the years ended December 31

	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	7,953,002	(1,540,457)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities		
Purchase of investments in bullion	(6,234,203)	-
Proceeds from sales of investments in bullion	24,071,253	35,917,215
Net realized gains on investments in bullion	(3,838,406)	(4,557,966)
Net unrealized (gains) losses on investments in bullion	(9,398,521)	357,410
Net changes in non-cash operating balances:		
(Increase)/decrease in due from broker	302,912	(302,912)
Decrease in due from manager	-	187,917
Decrease in management fees payable	(12,814)	(65,039)
Decrease in accounts payable and accrued liabilities	(20,634)	(138,075)
<b>Net cash provided by operating activities</b>	<b>12,822,589</b>	<b>29,858,093</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of redeemable units	27,302,667	14,350,536
(Increase)/decrease in subscriptions receivable	(43,453)	231,392
Amounts paid on redemption of redeemable units	(40,004,596)	(44,661,641)
Increase in redemptions payable	11,534	206,559
<b>Net cash used in financing activities</b>	<b>(12,733,848)</b>	<b>(29,873,154)</b>
<b>Net increase/(decrease) in cash during the year</b>	<b>88,741</b>	<b>(15,061)</b>
<b>Cash, beginning of the year</b>	<b>971,760</b>	<b>986,821</b>
<b>Cash, end of year</b>	<b>1,060,501</b>	<b>971,760</b>

See accompanying notes.



## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	57,918.911	291.052	58,209.963	59,008,752	90,482,785	50.72
Platinum Bullion	17,404.837	312.735	17,717.572	26,318,714	21,422,695	12.00
Silver Bullion	2,983,848.462	20,848.698	3,004,697.160	49,909,481	65,438,635	36.68
Cash				1,060,869	1,060,501	0.60
<b>Total Investment</b>				<b>136,297,816</b>	<b>178,404,616</b>	<b>100.00</b>

The BMG Fund's assets are held pursuant to a custodial agreement with a major Canadian chartered bank (or subsidiary thereof) on an allocated, segregated basis.

The allocated bullion is recorded by refinery, exact weight in ounces and identification number.

The BMG Fund's bullion is free and clear of any lien or claim that the major Canadian chartered bank (or subsidiary thereof) may have, except where the claim arises from any unpaid costs.

## NOTES TO FINANCIAL STATEMENTS

### 1. Formation of the Fund

BMG BullionFund (the "BMG Fund") was established under the laws of Ontario by a Master Declaration of Trust and a Regulation, each dated January 15, 2002, as amended. The address of the BMG Fund's registered office is: 280-60 Renfrew Drive, Markham, ON, L3R 0E1. Bullion Management Services Inc. (the "Manager") is the trustee and manager of the BMG Fund. The BMG Fund currently offers seven classes of units. These financial statements pertain to Class A, Class B2, Class B3, Class C1, Class C2, Class E15 and Class F.

The classes were first offered on the following dates:

Class A	March 5, 2002	Class C2	March 12, 2014
Class B2	February 24, 2014	Class E15	February 20, 2008
Class B3	November 11, 2013	Class F	September 15, 2004
Class C1	March 27, 2015		

Up to March 27, 2015, the BMG Fund also issued units for Class E09, Class E10, Class E11, Class E12, Class G01, Class G05, Class G09, Class G10, Class G11 and Class G15 (see Note 3, Reclassification of Certain Classes).

The BMG Fund is also authorized to issue Class G, Class I, Class S1 and Class S2 units, none of which are currently issued. All classes share the same attributes from a valuation perspective, except that they are subject to different management fee rates.

The BMG Fund invests in equal dollar proportions of unencumbered gold, silver and platinum bullion, with the objective of providing a secure, convenient, low-cost, medium-risk alternative for investors seeking to hold bullion for capital preservation, long-term appreciation, portfolio diversification and portfolio hedging purposes. The BMG Fund's fixed investment strategy avoids the need for a portfolio manager.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

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### 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements were authorized for issue by the Board of Directors on February 24, 2017.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, and are presented in Canadian dollars, which is the BMG Fund’s functional and presentation currency.

#### Financial Instruments

##### *(a) Classification*

The BMG Fund classifies its investments in bullion at fair value through profit or loss.

This category has two subcategories: financial assets or financial liabilities held for trading; and financial assets or financial liabilities designated at fair value through profit or loss at inception.

##### *i) Financial assets and liabilities held for trading*

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together, and for which there is evidence of a recent actual pattern of short-term profit taking.

##### *ii) Financial assets and liabilities designated at fair value through profit or loss at inception*

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the BMG Fund’s documented investment strategy.

The BMG Fund classifies financial assets and financial liabilities other than its investments in bullion into the following categories:

- Financial assets at amortized cost and designated as loans and receivables: Cash, due from broker and subscriptions receivable.
- Financial liabilities at amortized cost and designated as other financial liabilities: Accounts payable and accrued liabilities, redemptions payable and management fees payable.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

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### *(b) Recognition/derecognition*

Purchases and sales of investments in bullion are recognized on the trade date, the date on which the BMG Fund commits to purchase or sell the investment. For financial assets acquired, cost is the fair value of the consideration given, while for financial liabilities, cost is the fair value of the consideration received. Transaction costs for such instruments are recognized directly in the Statements of Comprehensive Income (Loss) as incurred. Financial assets classified as loans and receivables are recognized on the day that they are transferred to the BMG Fund at fair value, plus transaction costs that are directly attributable to their acquisition or issue.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired, or the BMG Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities, other than those at fair value through profit or loss, are recognized initially at fair value plus transaction costs that are directly attributable to their acquisition or issue. Financial liabilities arising from the redeemable units issued by the BMG Fund are presented at the redemption amount representing the investors' right to a residual interest in the BMG Fund's assets. Financial liabilities are not recognized unless one of the parties has performed its obligation.

Realized gains and losses on investments in bullion are recognized in the Statements of Comprehensive Income (Loss). Costs of investments in bullion are determined on an average-cost basis.

### *(c) Subsequent measurement*

Subsequent to initial recognition, the BMG Fund measures all financial instruments classified at fair value through profit or loss at fair value, with changes in the fair value recognized in the Statements of Comprehensive Income (Loss). Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments traded in active markets is based on their quoted market prices at the close of trading on the reporting date. The fair value of financial instruments that are not traded in an active market is determined using a valuation technique, or sourced from a reputable broker/counterparty.

### *(d) Fair value measurement*

Fair value is the price that would be received on the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the BMG Fund has access at that date.

The value of gold, silver and platinum bullion are priced based on available spot prices. The difference between the bullion spot prices and the average cost of the respective investments in bullion is shown as "Net unrealized gains/(losses) on investments in bullion."

The market values of investments denominated in foreign currencies are translated into Canadian dollars at the rates of exchange applicable on the relevant valuation date.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

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### *(e) Classification of fair value measurement*

IFRS 13 requires the BMG Fund to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

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Level 1	Unadjusted quoted prices in active markets
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. prices) or indirectly (i.e. derived from prices)
Level 3	Unobservable inputs

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Fair value of investments in bullion is classified at Level 1 within the fair value hierarchy.

### **Income and Expense Recognition**

The BMG Fund follows the daily accrual method of recording investment income and expenses. Expenses specifically related to each class of units of the BMG Fund are charged directly to that class of units. Income, expenses and realized and unrealized gains (losses) are allocated to each class of the BMG Fund based on that class's pro-rated share of the total net assets of the BMG Fund.

### **Foreign Currency Translation**

The BMG Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates that transactions occur. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing on the measurement date. Foreign exchange gains and losses are presented in the Statements of Comprehensive Income (Loss).

### **Offsetting Financial Instruments**

Financial assets and liabilities are offset, and the net amount reported in the Statements of Financial Position, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

### **Impairment of Financial Assets**

The BMG Fund assesses on each reporting date whether a financial asset or group of financial assets measured at amortized cost is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's amortized cost and the present value of estimated future cash flows discounted using the asset's original effective interest rate. Impairment losses on assets measured at amortized cost are reversed in subsequent periods if the amount of the loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized.

### **Calculation of Per-Unit Net Asset Value ("NAV") Attributable to Holders of Redeemable Units**

The NAV of each class of units of the BMG Fund is calculated in Canadian dollars at 4:00 p.m. (EST) on each day that the Toronto Stock Exchange is open for trading.

The NAV per unit of each class of the BMG Fund that is used for subscriptions and redemptions is the same as the net assets attributable to holders of redeemable units per unit of that class that is used in these financial statements.

A separate NAV is calculated for each class of units of the BMG Fund by taking that class's proportionate share of the BMG Fund's assets less that class's proportionate share of the BMG Fund's common liabilities, and deducting from this amount all liabilities that relate solely to that specific class. The NAV per unit for each class is determined by dividing the NAV of each class by the number of units of that class outstanding at the relevant valuation date.

### **Income Taxes**

The BMG Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the BMG Fund's net income for tax purposes and sufficient capital gains realized in any period are required to be distributed to unitholders such that no tax is payable by the BMG Fund. As a result, the BMG Fund does not record income taxes. Since the BMG Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. Refer to Note 6 for unused losses.

## NOTES TO FINANCIAL STATEMENTS (continued)

### Increase (Decrease) in Per-Unit Net Assets Attributable to Holders of Redeemable Units

Any increase (decrease) in per-unit net assets attributable to holders of redeemable units represents the change in net assets attributable to holders of redeemable units of each class divided by the weighted average number of units of that class of the BMG Fund outstanding during the period (see Note 3).

### Critical Estimates and Judgments

In the application of the BMG Fund's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience, and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Board of Directors considers the currency of the primary economic environment in which the BMG Fund operates to be the Canadian dollar, as this is the currency that, in their opinion, most faithfully represents the economic effects of underlying transactions, events and conditions. Furthermore, the Canadian dollar is the currency in which the BMG Fund measures its performance, and also issues and redeems its redeemable units.

### New Standards, Interpretations and Amendments Not Yet Adopted

A number of new standards, amendments to standards, and interpretations have been issued but are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the BMG Fund, with the possible exception of IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 was issued by the International Accounting Standards Board ("IASB") on October 28, 2010, and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach, and is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The BMG Fund is currently evaluating the impact of IFRS 9 on its financial statements.

### 3. Redeemable Units

Each unit of each class of the BMG Fund represents an interest in the assets of that class of the BMG Fund. All units of a class of the BMG Fund generally have the same rights and privileges. Each unit of each class of the BMG Fund is entitled to one vote at any meeting of unitholders of the BMG Fund. Each unit of each class of the BMG Fund is also entitled, subject to any management fee distributions, to participate equally in any distributions by the BMG Fund. Fractional units of a class of the BMG Fund are proportionately entitled to all the same rights as other units of that class of the BMG Fund, except that they are non-voting. All units of each class of the BMG Fund are fully paid when issued, and are generally not transferable. Units of each class of the BMG Fund are redeemable at the option of the unitholder owning such units. The number of units of the BMG Fund that may be issued is unlimited. The units of each class of the BMG Fund are issued and redeemed at the NAV per unit of that class of the BMG Fund. There are no differences between the NAV per unit of each class of the BMG Fund and the Net Assets Attributable to Holders of Redeemable Units per Unit of each class of the BMG Fund.

#### Unitholder transactions during the year ended December 31:

	Class A		Class B2	
	2016	2015	2016	2015
Balance - beginning of year	17,188,905	19,394,233	77,500	42,407
Issued	1,147,937	928,404	62,312	35,118
Redeemed	(2,693,330)	(3,776,668)	(2,220)	(25)
Reclassified in/(out)	-	642,936	-	-
Balance - end of year	15,643,512	17,188,905	137,592	77,500
Average units outstanding	16,464,918	18,425,667	102,453	53,265

**NOTES TO FINANCIAL STATEMENTS (continued)**

	Class B3		Class C1	
	2016	2015	2016	2015
Balance - beginning of year	93,156	50,000	141,903	-
Issued	12,821	-	114,718	-
Redeemed	(2,643)	(450)	(124,223)	(182,842)
Reclassified in/(out)	-	43,606	-	324,745
<b>Balance - end of year</b>	<b>103,334</b>	<b>93,156</b>	<b>132,398</b>	<b>141,903</b>
Average units outstanding	95,930	83,166	156,360	276,812

  

	Class C2		Class E09	
	2016	2015	2016	2015
Balance - beginning of year	569,627	57,063	-	11,601
Issued	92,398	21,801	-	-
Redeemed	(120,572)	(44,161)	-	-
Reclassified in/(out)	-	534,924	-	(11,601)
<b>Balance - end of year</b>	<b>541,453</b>	<b>569,627</b>	<b>-</b>	<b>-</b>
Average units outstanding	581,732	459,376	-	11,601

  

	Class E10		Class E11	
	2016	2015	2016	2015
Balance - beginning of year	-	27,014	-	267,120
Issued	-	-	-	-
Redeemed	-	(313)	-	-
Reclassified in/(out)	-	(26,701)	-	(267,120)
<b>Balance - end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Average units outstanding	-	26,737	-	267,120

  

	Class E12		Class E15	
	2016	2015	2016	2015
Balance - beginning of year	-	247,373	102,822	136,821
Issued	-	-	9,103	-
Redeemed	-	(1,000)	(25,007)	(33,999)
Reclassified in/(out)	-	(246,373)	-	-
<b>Balance - end of year</b>	<b>-</b>	<b>-</b>	<b>86,918</b>	<b>102,822</b>
Average units outstanding	-	247,021	86,884	119,932

  

	Class F		Class G01	
	2016	2015	2016	2015
Balance - beginning of year	2,583,455	1,840,183	-	719,021
Issued	1,134,787	499,869	-	636
Redeemed	(1,019,864)	(674,540)	-	(85,031)
Reclassified in/(out)	-	917,943	-	(634,626)
<b>Balance - end of year</b>	<b>2,698,378</b>	<b>2,583,455</b>	<b>-</b>	<b>-</b>
Average units outstanding	2,665,725	2,471,834	-	681,617

  

	Class G05		Class G09	
	2016	2015	2016	2015
Balance - beginning of year	-	40,983	-	896,512
Issued	-	-	-	22,392
Redeemed	-	-	-	(6,141)
Reclassified in/(out)	-	(40,983)	-	(912,763)
<b>Balance - end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Average units outstanding	-	40,983	-	905,217

**NOTES TO FINANCIAL STATEMENTS (continued)**

	Class G10		Class G11	
	2016	2015	2016	2015
Balance - beginning of year	-	99,897	-	175,000
Issued	-	-	-	-
Redeemed	-	-	-	-
Reclassified in/(out)	-	(99,897)	-	(175,000)
<b>Balance - end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Average units outstanding	-	99,897	-	175,000

  

	Class G15	
	2016	2015
Balance - beginning of year	-	1,000
Issued	-	-
Redeemed	-	(1,000)
Reclassified in/(out)	-	-
<b>Balance - end of year</b>	<b>-</b>	<b>-</b>
Average units outstanding	-	1,000

**Total Net Assets Attributable to Holders of Redeemable Units per Class and per Unit**  
**For the year ended December 31, 2016**

	Net assets attributable to holders of redeemable units, beginning of year	Subscriptions	Redemptions	Increase/ (decrease) in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year	Net assets attributable to holders of redeemable units per unit	Increase/ (decrease) in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	148,499,609	11,181,630	(25,884,649)	6,861,626	140,658,216	8.99	0.42
Class B2	648,868	586,372	(19,527)	(6,274)	1,209,439	8.79	(0.06)
Class B3	856,156	129,808	(28,972)	43,245	1,000,237	9.68	0.45
Class C1	1,295,071	1,240,815	(1,296,167)	36,216	1,275,935	9.64	0.23
Class C2	4,811,589	912,336	(1,152,480)	260,058	4,831,503	8.92	0.45
Class E15	1,076,115	115,188	(285,780)	59,488	965,011	11.10	0.68
Class F	25,229,084	13,136,518	(11,337,021)	698,643	27,727,224	10.28	0.26
<b>Total</b>	<b>182,416,492</b>	<b>27,302,667</b>	<b>(40,004,596)</b>	<b>7,953,002</b>	<b>177,667,565</b>	<b>N/A</b>	<b>N/A</b>

## NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2015

	Net assets attributable to holders of redeemable units, beginning of year	Subscriptions	Redemptions	Reclassified in/(out)	Increase/ (decrease) in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year	Net assets attributable to holders of redeemable units per unit	Increase/ (decrease) in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$	\$
Class A	170,302,667	8,506,165	(34,369,056)	6,151,817	(2,091,984)	148,499,609	8.64	(0.11)
Class B2	357,616	300,000	(221)	-	(8,527)	648,868	8.37	(0.16)
Class B3	461,695	-	(4,385)	439,874	(41,028)	856,156	9.19	(0.49)
Class C1	-	-	(1,700,669)	3,247,448	(251,708)	1,295,071	9.13	(0.91)
Class C2	482,689	191,763	(383,380)	4,947,567	(427,050)	4,811,589	8.45	(0.93)
Class E09	113,925	-	-	(124,450)	10,525	-	-	0.91
Class E10	267,286	-	(3,250)	(288,697)	24,661	-	-	0.92
Class E11	2,683,017	-	-	(2,932,365)	249,348	-	-	0.93
Class E12	1,850,732	-	(8,075)	(2,015,202)	172,545	-	-	0.70
Class E15	1,427,974	-	(372,941)	-	21,082	1,076,115	10.47	0.18
Class F	18,065,378	5,110,408	(6,892,703)	9,843,639	(897,638)	25,229,084	9.77	(0.36)
Class G01	6,395,917	6,327	(851,948)	(6,151,817)	601,521	-	-	0.88
Class G05	403,147	-	-	(439,874)	36,727	-	-	0.90
Class G09	8,738,285	235,873	(64,114)	(9,719,189)	809,145	-	-	0.89
Class G10	973,866	-	-	(1,064,229)	90,363	-	-	0.90
Class G11	1,733,125	-	-	(1,894,522)	161,397	-	-	0.92
Class G15	10,735	-	(10,899)	-	164	-	-	0.16
<b>Total</b>	<b>214,268,054</b>	<b>14,350,536</b>	<b>(44,661,641)</b>	<b>-</b>	<b>(1,540,457)</b>	<b>182,416,492</b>	<b>N/A</b>	<b>N/A</b>

### Reclassification of Certain Classes

On March 27, 2015, all of the outstanding units of certain classes of the BMG Fund on that date were reclassified into certain other classes of the BMG Fund as noted below:

Classes reclassified	Total units of the classes reclassified	Value of the units reclassified	Classes reclassified into	New units issued of the classes reclassified into	Value of new units issued
Class E09	11,601	\$ 124,450	Class F	11,605	\$ 124,450
Class E10	26,701	\$ 288,697	Class C1	28,870	\$ 288,697
Class E11	267,120	\$ 2,932,365	Class C2	317,042	\$ 2,932,365
Class E12	246,373	\$ 2,015,202	Class C2	217,882	\$ 2,015,202
Class G01	634,626	\$ 6,151,817	Class A	642,936	\$ 6,151,817
Class G05	40,983	\$ 439,874	Class B3	43,606	\$ 439,874
Class G09	912,763	\$ 9,719,189	Class F	906,338	\$ 9,719,189
Class G10	99,897	\$ 1,064,229	Class C1	106,423	\$ 1,064,229
Class G11	175,000	\$ 1,894,522	Class C1	189,452	\$ 1,894,522
<b>Total</b>	<b>2,415,064</b>	<b>\$ 24,630,345</b>	<b>Total</b>	<b>2,464,154</b>	<b>\$ 24,630,345</b>



## NOTES TO FINANCIAL STATEMENTS (continued)

### 4. Related-Party Transactions

#### Management Fees

The Manager is responsible for the day-to-day activities of the BMG Fund, providing or arranging for all required administrative services, and arranging for the distribution of units of the BMG Fund. For these services, the BMG Fund pays the Manager an annual management fee as defined by the rates set out below. The fees are payable monthly in arrears based on the average daily net assets of the BMG Fund.

Class A	2.25%	Class C2	0.87%
Class B2	1.49%	Class E15	0.50%
Class B3	1.25%	Class F	1.25%
Class C1	1.00%		

For the year ended December 31, 2016, the BMG Fund incurred management fees of \$4,030,710 [2015: \$4,242,668].

#### Holdings of Related Party

The Manager held units in the following Class as at December 31:

	2016	2015
Class A	1	1

### 5. Sales Commission

A sales commission may be charged by a registered dealer or representative at the time an investor buys Class A units, Class B units, Class E units, Class G units or Class S units of the BMG Fund. The maximum amount of the sales commission for Classes A, B, E and G is 5.26% of the net amount invested. The sales commission is only negotiable for Classes A, B, E and G. No sales commission is currently charged for the other classes of units of the BMG Fund.

The Manager paid trailer fees to dealers of \$1,571,731 in 2015 [2015: \$1,668,884].

### 6. Income Tax Loss Carryforwards

The BMG Fund has non-capital loss carryforwards of approximately \$39,727,000 [2015: \$36,589,000] available to offset future years' taxable income.

Non-capital losses expire in the taxation year ending December 31:

Year	\$	Year	\$
2026	888,000	2032	6,218,000
2027	3,432,000	2033	3,212,000
2028	5,027,000	2034	3,288,000
2029	2,727,000	2035	3,147,000
2030	3,094,000	2036	3,138,000
2031	5,556,000		

## NOTES TO FINANCIAL STATEMENTS (continued)

### 7. Financial Risk Management

The BMG Fund's financial instruments consist primarily of cash, due from broker, subscriptions receivable, investments in bullion, management fees payable, redemptions payable and accounts payable and accrued liabilities. The BMG Fund's cash and bullion holdings are exposed to various types of risk, including market risk, credit risk, liquidity risk, interest rate risk and currency risk. These risks and related risk-management practices employed by the BMG Fund are described below.

#### Market Risk

Market risk is the risk that the fair value or future cash flows of investments in bullion will fluctuate because of changes in market prices or transaction timing. The market price of gold, silver and platinum is affected by a variety of factors, including demand, supply, international events and economic events. The BMG Fund employs a purchase-and-hold investment strategy, with purchases allocated one-third to each of gold, silver and platinum bullion. Since the BMG Fund does not lease bullion, the only future cash flows will be from dispositions of bullion. Dispositions of bullion will be necessary to pay redemptions when cash reserves are not adequate.

As at December 31, 2016, the effect on the BMG Fund's net assets if there were a 5% increase, or decrease, in the price of gold, silver and platinum bullion, with all other variables held constant, would be an increase, or decrease, of \$8,867,206 [December 31, 2015: \$9,097,212] or 5% [December 31, 2015: 5%].

The actual results will vary depending upon the quantity of bullion held and other factors, and the difference may be material.

#### Credit Risk

As at December 31, 2016, the BMG Fund had no investments in debt instruments and/or derivatives. The BMG Fund limits its exposure to credit loss by placing its cash in high-credit-quality issuers. Dispositions of bullion, if any, are with a major Canadian chartered bank (or subsidiary thereof) that is a recognized dealer in bullion. The BMG Fund may have credit exposure to the Canadian chartered bank (or subsidiary thereof) to the extent of any unsettled trades.

#### Liquidity Risk

The BMG Fund is exposed to daily cash redemptions of redeemable units. The BMG Fund aims to retain sufficient cash positions to maintain liquidity. In addition, bullion is readily realizable and liquid. Therefore, the BMG Fund's liquidity risk is minimal. All liabilities are payable within a year. Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity will be representative of the actual cash outflows, as holders of these instruments typically retain them for longer periods. The tables below analyze the BMG Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the table are contractual undiscounted cash flows.

#### December 31, 2016

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 333,600	\$ 333,600
Redemptions payable	-	357,027	357,027
Accounts payable and accrued liabilities	-	133,722	133,722
Redeemable units	177,667,565	-	177,667,565

#### December 31, 2015

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 346,414	\$ 346,414
Redemptions payable	-	345,493	345,493
Accounts payable and accrued liabilities	-	154,356	154,356
Redeemable units	182,416,492	-	182,416,492

## NOTES TO FINANCIAL STATEMENTS (continued)

### Interest Rate Risk

The majority of the BMG Fund's financial assets and liabilities were non-interest-bearing as at December 31, 2016 and 2015. Accordingly, the BMG Fund is not directly exposed to significant risk due to fluctuations in the prevailing levels of market interest rates.

### Currency Risk

Bullion is generally quoted and traded in U.S. dollars and, as a result, the BMG Fund is subject to foreign currency risk. The BMG Fund does not hedge its foreign currency exposure.

The BMG Fund holds cash in Canadian and U.S. dollars to pay redemptions and operating costs. The Manager monitors the cash balance of the BMG Fund on a daily basis, and only purchases bullion when surplus cash is available. Normally the cash balance is less than 5% of the assets of the BMG Fund.

As at December 31, 2016, 99.9% [December 31, 2015: 99.7%] of the BMG Fund's net assets were exposed to U.S. dollars. If the exchange rate with the Canadian dollar increased or decreased by 1%, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$1,774,762 [December 31, 2015: \$1,818,948].

Actual results may differ from this sensitivity analysis and the difference could be material, because the price of bullion tends to be negatively correlated with the U.S. dollar.

### Foreign Currency Exposure

#### December 31, 2016

Description	US \$	Canada \$	Total \$
Cash	84,442	976,059	1,060,501
Investments in bullion	177,344,115	-	177,344,115
Other Net Assets	47,655	(784,706)	(737,051)
<b>Net Assets</b>	<b>177,476,212</b>	<b>191,353</b>	<b>177,667,565</b>
<b>Percent</b>	<b>99.9%</b>	<b>0.1%</b>	<b>100%</b>

#### December 31, 2015

Description	US \$	Canada \$	Total \$
Cash	135,221	836,539	971,760
Investments in bullion	181,944,238	-	181,944,238
Other Net Assets	(184,658)	(314,848)	(499,506)
<b>Net Assets</b>	<b>181,894,801</b>	<b>521,691</b>	<b>182,416,492</b>
<b>Percent</b>	<b>99.7%</b>	<b>0.3%</b>	<b>100.0%</b>

## **NOTES TO FINANCIAL STATEMENTS (continued)**

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### **8. Capital Management**

Redeemable units issued and outstanding are considered to be the capital of the BMG Fund. The BMG Fund does not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of the BMG Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice must be received no later than 4:00 p.m. EST on the valuation day upon which the units are to be redeemed. Additionally, the notice must be irrevocable and the signature thereon must be guaranteed by a Canadian chartered bank, a trust company or an investment dealer acceptable to the Manager. The units are redeemable for cash equal to a pro rata share of the BMG Fund's net asset value.

### **9. Fair Value Measurement**

All fair value measurements above are recurring. The carrying values of cash, due from broker, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable, management fees payable and the BMG Fund's obligation for net assets attributable to holders of redeemable units approximate their fair values because of their short-term nature. Fair values are classified as Level 1 when the related investment is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are classified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

There were no transfers between levels for the years ended December 31, 2016 and 2015. In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2016 and 2015.



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