

BMG Silver BullionFund

Semi-Annual Management Report of Fund Performance

For the six-month period ended June 30, 2017



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 Silver 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 or SEDAR at www.sedar.com.

MANAGEMENT REPORT OF FUND PERFORMANCE

Investment Objective and Strategies

BMG Silver BullionFund (the “BMG Fund”) invests in unencumbered, fully allocated physical silver 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 silver 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 silver 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 silver 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 silver bullion. The BMG Fund’s objectives and strategies did not change in the first six months of 2017.

Risk

The risks associated with investing in the BMG Fund remain as stated in the simplified prospectus dated September 26, 2016. The principal risk associated with investing in the BMG Fund is the fluctuating price of silver, 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 the first six months of 2017.

Results of Operations

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

During the first six months of 2017, the net asset value (“NAV”) of the BMG Fund increased 130% from \$2.4 million at December 31, 2016 to \$5.6 million at June 30, 2017. The increase was primarily driven by \$3.6 million in net subscriptions, offset by \$0.3 million realized and unrealized losses on silver bullion investments. As at June 30, 2017, the BMG Fund’s silver holdings were 258,973 ounces, compared to 110,546 ounces at December 31, 2016.

For the six months ended June 30, 2017, the NAV per unit of the BMG Fund’s Class A units declined by 4.1% in Canadian dollars, and by 0.9% in U.S. dollars, while the NAV per unit of the BMG Fund’s Class F units declined by 3.6% in Canadian dollars, and by 0.4% in U.S. dollars. The lower performance in Canadian dollars is due to the Canadian dollar appreciation of 3.3% against the US dollar in the first six months of 2017.

Silver started the year at US\$16.24 per ounce, reached a high of US\$18.56 in April, and closed on June 30, 2017 at US\$16.47, a 1.4% increase from the prior year end. In Canadian dollars, the silver price experienced a 1.8% decrease over the same period.

MANAGEMENT REPORT OF FUND PERFORMANCE (*continued*)

Recent Developments

The price of silver bullion remained under pressure at the close of June 2017. American fiscal and monetary policies are having a major effect on the precious metals market. Although the U.S. Federal Reserve rate increased by a quarter percent in both March and June, with the possibility of one more increase in 2017, there is scepticism regarding the pace of future rate increases in light of low inflation and uncertainty over the U.S. administration's ability to deliver on some key policies, such as health care and tax reform. These uncertainties have led to recent weakening of the U.S. dollar as optimism regarding the U.S. economy wanes and its growth forecast for 2017 is reduced. A weakening U.S. dollar could be favourable for bullion which is priced in U.S. dollars as the price of bullion tends to be negatively correlated to the U.S. dollar. With asset bubbles in several asset classes such as equity and real estate amid a slow growth global economy with high debt levels and negative or low interest rates, the outlook for precious metals remains positive. Precious metals are underrepresented in most portfolios, and portfolio diversification is critical to improving overall returns and reducing portfolio volatility.

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 June 30, 2017, the Manager held 10,000 Class A units and 5,000 Class F 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 six months ended June 30, 2017, the BMG Fund incurred management fees of \$50,520.

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 2016 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 past six months ended June 30, 2017, 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	2017	2016*
Net assets - beginning of period ⁽¹⁾	\$ 8.37	\$ 10.00
Decrease from operations:		
Total revenue	-	-
Total expenses (excluding distributions)	(0.13)	(0.07)
Realized losses for the period	(0.01)	-
Unrealized losses for the period	(0.60)	(1.38)
Total decrease from operations⁽²⁾	(0.74)	(1.45)
Distributions:		
From net investment income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total annual distributions⁽³⁾	-	-
Net assets at December 31 of period shown	\$ 8.03	\$ 8.37
RATIOS AND SUPPLEMENTAL DATA:		
Total net asset value (000's) ⁽¹⁾	\$ 4,605	\$ 1,750
Number of units outstanding ⁽¹⁾	573,511	209,162
Management expense ratio (%) ⁽²⁾	3.06	3.06
Management expense ratio before waivers or absorption (%)	5.65	15.27
Trading expense ratio (%) ⁽³⁾	-	-
Portfolio turnover rate (%) ⁽⁴⁾	2.25	-
Net asset value per unit	\$ 8.03	\$ 8.37

*Data is from September 26, 2016, the date the Class A units were first offered, to December 31, 2016. 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	2017	2016*
Net assets - beginning of period ⁽¹⁾	\$ 9.71	\$ 10.00
Decrease from operations:		
Total revenue	-	-
Total expenses (excluding distributions)	(0.10)	(0.02)
Realized losses for the period	(0.01)	-
Unrealized losses for the period	(0.23)	(0.27)
Total decrease from operations⁽²⁾	(0.34)	(0.29)
Distributions:		
From net investment income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total annual distributions⁽³⁾	-	-
Net assets at December 31 of period shown	\$ 9.37	\$ 9.71
RATIOS AND SUPPLEMENTAL DATA:		
Total net asset value (000's) ⁽¹⁾	\$ 440	\$ 456
Number of units outstanding ⁽¹⁾	47,001	47,001
Management expense ratio (%) ⁽²⁾	1.98	1.98
Management expense ratio before waivers or absorption (%)	4.92	8.62
Trading expense ratio (%) ⁽³⁾	-	-
Portfolio turnover rate (%) ⁽⁴⁾	2.25	-
Net asset value per unit	\$ 9.37	\$ 9.71

*Data is from November 18, 2016, the date the Class B3 units were first offered, to December 31, 2016. 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 F UNIT	2017	2016*
Net assets - beginning of period ⁽¹⁾	\$ 8.40	\$ 10.00
Decrease from operations:		
Total revenue	-	-
Total expenses (excluding distributions)	(0.09)	(0.05)
Realized losses for the period	(0.01)	-
Unrealized losses for the period	(0.59)	(1.64)
Total decrease from operations⁽²⁾	(0.69)	(1.69)
Distributions:		
From net investment income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total annual distributions⁽³⁾	-	-
Net assets at December 31 of period shown	\$ 8.10	\$ 8.40
RATIOS AND SUPPLEMENTAL DATA:		
Total net asset value (000's) ⁽¹⁾	\$ 548	\$ 223
Number of units outstanding ⁽¹⁾	67,627	26,521
Management expense ratio (%) ⁽²⁾	2.02	2.02
Management expense ratio before waivers or absorption (%)	4.79	21.15
Trading expense ratio (%) ⁽³⁾	2.25	-
Portfolio turnover rate (%) ⁽⁴⁾	-	-
Net asset value per unit	\$ 8.10	\$ 8.40

*Data is from September 26, 2016, the date the Class F units were first offered, to December 31, 2016. 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. 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 silver bullion investments are traded. A portfolio turnover rate of 100% is equivalent to the BMG Fund buying and selling all its silver 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.

FINANCIAL HIGHLIGHTS *(continued)*

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 F units of the BMG Fund. The table below outlines the BMG Fund's annual management fees for Class A, Class B3 and Class F units, and how those fees are split between trailer fees and portfolio administration.

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

Out of the management fees that the Manager received from the BMG Fund, the Manager paid trailer fees of \$21,040 during the six months ended June 30, 2017.

Operating Expenses

For the six months ended June 30, 2017, the Manager absorbed BMG Fund operating expenses of \$65,020. The decision to reduce operating expenses is made at the discretion of the Manager, and may be changed at any time.

PAST PERFORMANCE

Performance information is not available, as the Fund has been in existence for less than 12 months.

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2017

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Silver Bullion	258,644.220	328.448	258,972.668	6,042,357	5,539,324	99.3
Cash				42,531	41,507	0.7
Total Investment				6,084,888	5,580,831	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.



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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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