BMG BullionFund

Annual Management Report of Fund Performance

For the year ended December 31, 2017

BMG
MANAGEMENT
SERVICES INC.
A BMG Company

Caution regarding forward-looking statements

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

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

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

This Annual Management Report of Fund Performance contains financial highlights, but does not contain the annual financial statements of the BMG Fund. If you did not receive a copy of the BMG Fund’s annual or interim financial statements, you may request a copy of such financial 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.bmg-group.com or SEDAR at www.sedar.com.

MANAGEMENT REPORT OF FUND PERFORMANCE

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 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 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 2017.

Risk

The risks associated with investing in the BMG Fund remain as stated in the simplified prospectus dated November 23, 2017. 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. The BMG Fund's risk rating was changed in 2017 from medium to high as a result of compliance with the Canadian Securities Administrators' updated Risk Classification Methodology mandated effective September 1, 2017.

Results of Operations

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

In 2017, the net asset value ("NAV") of the BMG Fund decreased 19.0%, from $177.7 million at December 31, 2016 to $144.0 million at December 31, 2017. The $33.7 million decline was primarily driven by $31.2 million in net redemptions, with $4.6 million in expenses and $4.6 million in unrealized loss on bullion investments, offset by $6.6 million in realized gains on bullion investments during the year. As at December 31, 2017, the BMG Fund's bullion holdings were 47,742 ounces of gold, 2,582,173 ounces of silver, and 10,075 ounces of platinum, compared to 58,210 ounces of gold, 3,004,697 ounces of silver, and 17,718 ounces of platinum at December 31, 2016.

For the year ended December 31, 2017, the NAV per unit of the BMG Fund's Class A units decreased by 2.2% in Canadian dollars, and increased by 4.7% in US dollars, while the NAV per unit of the BMG Fund's Class F units decreased by 1.1% in Canadian dollars, and increased by 5.8% in US dollars.

Daily average net assets decreased by 14.7% from $198.0 million in 2016 to $168.9 million in 2017. The decrease was primarily driven by net redemptions. Total expenses decreased by 14.0% from 2016, because of the decline in assets.

During 2017, the gold price increased by 16.1% to reach a high of US$1,346.25 per ounce in September. The price declined thereafter and closed at US$1,269.50 on December 31. The prices of silver and platinum followed a similar pattern. The silver price reached a high of US$18.56 per ounce in April, fell to a low of US$15.22 per ounce in July, and closed at US$16.87 on December 31. The platinum price reached a high of US$1,033 per ounce in February, fell to a low of US$877 per ounce in December, and closed at US$925 on December 31.

Recent Developments

The International Monetary Fund is currently estimating the global growth rate for 2017 at 3.7%, improving to 3.9% in 2018. This improved outlook is driven by the massive US tax overhaul, which occurred at the end of 2017, and a pickup in growth in Europe and Asia. It has been a decade since the recession of 2007-2008, a decade marked by expansionary monetary policy resulting in historically ultra-low interest rates and bloated central bank balance sheets that ballooned through quantitative easing. The US Federal Reserve commenced the process of unwinding its balance sheet in October 2017 with an announced US$50 billion per month of tapering. At the same time, central banks are increasing interest rates. Of the G7 countries, central banks in the US, the UK and Canada raised interest rates during 2017.

As a result, the global financial system is experiencing a condition not seen since 1929: A simultaneous triple bubble in stocks, bonds and real estate sitting on a historically unprecedented pile of US$270 trillion of government debt, subprime auto debt, student loan debt, margin debt and consumer debt, in addition to a mountain of over US$542 trillion of derivatives. Reduction of central bank balance sheets, rising interest rates and potentially inflation, along with asset bubbles, mean all the right conditions are in place for a financial market correction. This will be a correction where central bankers are left in a precarious position with few policy tools to orchestrate a soft landing amid the buildup of debt.

Additionally, geopolitical issues, such as the renegotiation of NAFTA, protectionist trade policies in the US and heightened tension between the US and North Korea, remain in focus.

Gold, silver and platinum mining supply has begun to fall as miners, faced with lower metals prices over the last several years, increasing production costs and tougher regulations, have been closing mines and reducing capital and exploration budgets. This is expected to lead to reserve and supply shortages in the coming years, as the timeline for a mine to become operational from the start of exploration is quite lengthy. As a result, the primary adjusting factor for increased demand is an adjustment in price.

Each of the above factors will have a significant impact on the prices of precious metals during 2018 and beyond.

Gold

The price of gold ended the year at US$1,296.50, an increase of 11.9% from the prior year’s close. In Canadian dollars, it increased by 4.5% over the same period, as the Canadian dollar strengthened against the US dollar.

What could potentially be one of the most important influences on the price of gold in 2018 and beyond is the announcement, made in 2017, that China will establish a gold-backed petro yuan. This will allow oil producers to sell oil to China in yuan, and then exchange yuan into gold via the Shanghai Gold Exchange. This will be in direct competition to the US petrodollar, as China is the world’s biggest oil importer. Russia, Iran and Venezuela have already agreed to participate, and the world could gradually see over five million barrels per day traded not in US dollars, but in Chinese yuan. Pricing oil in yuan could have a huge impact on the exchange value of the yuan, the US dollar and, correspondingly, the price of gold, if all of China’s oil imports are settled with the gold-backed petro yuan.

Another significant change is the growing importance of the Shanghai Gold Exchange, as contracts on the new exchange will be physically settled and traded between bullion banks, refiners, producers and trading houses. The Shanghai Gold Exchange is a physical spot-price exchange that requires the seller to actually own the physical gold that they are selling. Physical delivery is the norm, not the exception. The naked shorting of futures contracts, prevalent on the COMEX, is not allowed.

In November 2017, China, India, Russia, Brazil and South Africa, the major producers and users of gold, agreed to establish their own gold trading system using their own currencies, thereby by-passing the US dollar. Implementation will begin in 2018.

Global central bank holdings of gold increased again in 2017 by about 384 tonnes. Russia and Turkey accounted for the majority of the increase. Russia's latest reported holdings climbed in 2017 by 213.3 tonnes, or 13%, to 1,828.6 tonnes. After two years of reductions, Turkey added 148.7 tonnes, or 39%, to its central bank reserves, increasing them to 525.8 tonnes. Chinese central bank holdings remain officially unchanged at 1,842 tonnes. However, China's true holdings are unknown, as it acquires gold through its sovereign wealth fund, which does not report its holdings.

Silver

The price of silver ended the year at US$16.87, an increase of 3.8% from the prior year's close. In Canadian dollars, it decreased by 2.9% over the same period.

The November 2017 GFMS/Silver Institute Interim Silver Market Review estimates that silver supply will be flat in 2017, but the trend of falling mine supply, which started in 2016, will continue over the long term. After four years of supply deficits, 2017 is expected to have a small surplus, primarily due to a 37% drop in investment demand for coins and bars, led by North America. As with gold and platinum, an uptick in investor demand is dependent on macroeconomic factors.

Compared to gold, silver prices have been depressed for several years. The gold:silver ratio at the end of 2017 was 77:1 compared to 55:1 only five years ago at the end of 2012.

Platinum

The price of platinum ended the year at US$925.00, an increase of 2.6% from the prior year's close. In Canadian dollars, it decreased by 3.9% over the same period.

The World Platinum Investment Council (the "WPIC") has projected a balance between supply and demand for 2017 compared to a supply deficit in 2016. Supply is expected to remain relatively flat, declining marginally by 1% from the prior year. Lower prices and higher production costs, resulting from full or partial mine closures, continue to dampen supply. The primary demand sectors—automotive and jewelry—are projected to be relatively flat year-over-year, declining marginally by 1%, while industrial and investment demand are projected to decline by 9% and 50% respectively, resulting in a 6% overall reduction in total demand. In addition, jewelry demand has tapered off in the Chinese market, and even though demand in India is increasing, it is not expected to be enough to offset the decline in China. In 2018, the WPIC is projecting a supply deficit as a result of continued decline in mining supply and an improvement in demand led by industrial demand returning to a normal level. Demand in the key automotive sector is expected to continue its gradual decline, albeit marginally, as diesel vehicles are losing market share in Europe and China in favour of gasoline-powered vehicles.

Since over 60% of platinum demand is for industrial purposes, and the remainder is for jewelry and investment based on its precious metal qualities, macroeconomic factors that may lead investors to safe-haven assets will affect platinum as well, especially given its current discount to gold. The platinum price compared to the gold price swung from a premium of US$156.50 at year-end 2013 to a discount of US$369.50 at year-end 2017.

Related-Party Transactions

Manager and Trustee

BMG Management Services Inc. (the "Manager") is the manager, trustee, registrar and transfer agent for the BMG Fund. The Manager provides, or arranges for the provision of, all management and administrative services for day-to-day operations, including providing fund and unitholder accounting, recordkeeping and other administrative services. At December 31, 2017, the Manager held one Class A unit of the BMG Fund.

In consideration of management and administrative services, the BMG Fund pays the Manager a monthly management fee based on the NAV of the various classes of units of the BMG Fund, calculated daily. For the year ended December 31, 2017, the BMG Fund incurred management fees of $3,399,244.

Distributor

BMG 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.

MANAGEMENT REPORT OF FUND PERFORMANCE (*continued*)

Independent Review Committee

The Manager has created an independent review committee (the "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 2017 is available at www.bmg-group.com.

FINANCIAL HIGHLIGHTS

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

THE FUND'S NET ASSETS PER CLASS A UNIT	2017	2016	2015	2014	2013
Net assets - beginning of year[(1)]	**$ 8.99**	**$ 8.64**	**$ 8.78**	**$ 9.16**	**$ 12.19**
Increase (decrease) from operations:					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.27)	(0.28)	(0.27)	(0.29)	(0.32)
Realized gains for the period	0.36	0.19	0.20	0.25	0.33
Unrealized gains (losses) for the period	(0.24)	0.51	(0.04)	(0.29)	(3.08)
Total increase (decrease) from operations[(2)]	**(0.15)**	**0.42**	**(0.11)**	**(0.33)**	**(3.07)**
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 year shown	**$ 8.79**	**$ 8.99**	**$ 8.64**	**$ 8.78**	**$ 9.16**
RATIOS AND SUPPLEMENTAL DATA:					
Total net asset value (000's)[(1)]	$ 109,986	$ 140,658	$ 148,500	$ 170,303	$ 198,337
Number of units outstanding[(1)]	12,509,611	15,643,512	17,188,905	19,394,233	21,660,979
Management expense ratio (%)[(2)]	2.96	2.92	3.00	3.06	3.05
Management expense ratio before waivers or absorption (%)	2.96	2.92	3.00	3.18	3.05
Trading expense ratio (%)[(3)]	-	-	-	-	-
Portfolio turnover rate (%)[(4)]	-	3.19	-	0.90	2.66
Net asset value per unit	$ 8.79	$ 8.99	$ 8.64	$ 8.78	$ 9.16

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	2017	2016	2015	2014*
Net assets - beginning of year[(1)]	**$ 8.79**	**$ 8.37**	**$ 8.43**	**$ 10.00**
Increase (decrease) from operations:				
Total revenue	-	-	-	-
Total expenses (excluding distributions)	(0.19)	(0.19)	(0.18)	(0.17)
Realized gains for the period	0.37	0.19	0.18	0.17
Unrealized losses for the period	(0.38)	(0.06)	(0.16)	(1.73)
Total decrease from operations[(2)]	**(0.20)**	**(0.06)**	**(0.16)**	**(1.73)**
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 year shown	**$ 8.67**	**$ 8.79**	**$ 8.37**	**$ 8.43**
RATIOS AND SUPPLEMENTAL DATA:				
Total net asset value (000's)[(1)]	$ 1,318	$ 1,209	$ 649	$ 358
Number of units outstanding[(1)]	152,003	137,592	77,500	42,407
Management expense ratio (%)[(2)]	2.12	2.04	2.07	2.22
Management expense ratio before waivers or absorption (%)	2.12	2.04	2.07	2.34
Trading expense ratio (%)[(3)]	-	-	-	-
Portfolio turnover rate (%)[(4)]	-	3.19	-	0.90
Net asset value per unit	$ 8.67	$ 8.79	$ 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	2017	2016	2015	2014	2013*
Net assets - beginning of year[(1)]	**$ 9.68**	**$ 9.19**	**$ 9.23**	**$ 9.52**	**$ 10.00**
Increase (decrease) from operations:					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.18)	(0.18)	(0.17)	(0.20)	(0.02)
Realized gains for the period	0.40	0.20	0.20	0.26	0.05
Unrealized gains (losses) for the period	(0.32)	0.43	(0.52)	(0.35)	(0.51)
Total increase (decrease) from operations[(2)]	**(0.10)**	**0.45**	**(0.49)**	**(0.29)**	**(0.48)**
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 year shown	**$ 9.58**	**$ 9.68**	**$ 9.19**	**$ 9.23**	**$ 9.52**
RATIOS AND SUPPLEMENTAL DATA:					
Total net asset value (000's)[(1)]	$ 954	$ 1,000	$ 856	$ 462	$ 476
Number of units outstanding[(1)]	99,674	103,334	93,156	50,000	50,000
Management expense ratio (%)[(2)]	1.80	1.75	1.82	1.98	1.69
Management expense ratio before waivers or absorption (%)	1.80	1.75	1.82	2.09	1.69
Trading expense ratio (%)[(3)]	-	-	-	-	-
Portfolio turnover rate (%)[(4)]	-	3.19	-	0.90	2.66
Net asset value per unit	$ 9.58	$ 9.68	$ 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	2017	2016	2015*
Net assets - beginning of year[(1)]	**$ 9.64**	**$ 9.13**	**$ 10.00**
Increase (decrease) from operations:			
Total revenue	-	-	-
Total expenses (excluding distributions)	(0.15)	(0.15)	(0.11)
Realized gains for the period	0.40	0.21	0.15
Unrealized gains (losses) for the period	(0.33)	0.17	(0.95)
Total increase (decrease) from operations[(2)]	**(0.08)**	**0.23**	**(0.91)**
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 year shown	**$ 9.56**	**$ 9.64**	**$ 9.13**
RATIOS AND SUPPLEMENTAL DATA:			
Total net asset value (000's)[(1)]	$ 1,265	$ 1,276	$ 1,295
Number of units outstanding[(1)]	132,398	132,398	141,903
Management expense ratio (%)[(2)]	1.54	1.50	1.58
Management expense ratio before waivers or absorption (%)	1.54	1.50	1.58
Trading expense ratio (%)[(3)]	-	-	-
Portfolio turnover rate (%)[(4)]	-	3.19	-
Net asset value per unit	$ 9.56	$ 9.64	$ 9.13

**Data is from March 27, 2015, the date the Class C1 units were first offered, to December 31, 2015. For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.*

FINANCIAL HIGHLIGHTS *(continued)*

THE FUND’S NET ASSETS PER CLASS C2 UNIT	2017	2016	2015	2014*
Net assets - beginning of year[1]	**$ 8.92**	**$ 8.45**	**$ 8.46**	**$ 10.00**
Increase (decrease) from operations:				
Total revenue	-	-	-	-
Total expenses (excluding distributions)	(0.14)	(0.14)	(0.13)	(0.12)
Realized gains for the period	0.37	0.19	0.18	0.18
Unrealized gains (losses) for the period	(0.29)	0.40	(0.98)	(1.35)
Total increase (decrease) from operations[2]	**(0.06)**	**0.45**	**(0.93)**	**(1.29)**
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 year shown	**$ 8.85**	**$ 8.92**	**$ 8.45**	**$ 8.46**
RATIOS AND SUPPLEMENTAL DATA:				
Total net asset value (000's)[1]	$ 4,653	$ 4,832	$ 4,812	$ 483
Number of units outstanding[1]	525,509	541,453	569,627	57,063
Management expense ratio (%)[2]	1.50	1.45	1.48	1.60
Management expense ratio before waivers or absorption (%)	1.50	1.45	1.48	1.68
Trading expense ratio (%)[3]	-	-	-	-
Portfolio turnover rate (%)[4]	-	3.19	-	0.90
Net asset value per unit	$ 8.85	$ 8.92	$ 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	2017	2016	2015	2014	2013
Net assets - beginning of year[1]	**$ 10.28**	**$ 9.77**	**$ 9.82**	**$ 10.13**	**$ 13.34**
Increase (decrease) from operations:					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.20)	(0.20)	(0.19)	(0.22)	(0.23)
Realized gains for the period	0.42	0.21	0.22	0.28	0.36
Unrealized gains (losses) for the period	(0.34)	0.25	(0.39)	(0.17)	(3.48)
Total increase (decrease) from operations[2]	**(0.12)**	**0.26**	**(0.36)**	**(0.11)**	**(3.35)**
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 year shown	**$ 10.16**	**$ 10.28**	**$ 9.77**	**$ 9.82**	**$ 10.13**
RATIOS AND SUPPLEMENTAL DATA:					
Total net asset value (000's)[1]	$ 24,857	$ 27,727	$ 25,229	$ 18,065	$ 22,643
Number of units outstanding[1]	2,446,780	2,698,378	2,583,455	1,840,183	2,235,041
Management expense ratio (%)[2]	1.87	1.82	1.88	2.02	1.95
Management expense ratio before waivers or absorption (%)	1.87	1.82	1.88	2.07	1.95
Trading expense ratio (%)[3]	-	-	-	-	-
Portfolio turnover rate (%)[4]	-	3.19	-	0.90	2.66
Net asset value per unit	$ 10.16	$ 10.28	$ 9.77	$ 9.82	$ 10.13

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. 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. 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 (*maximum rate as a percentage of management fees*)	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 $1,314,312 during the year ended December 31, 2017.

Operating Expenses
For the year ended December 31, 2017, the Manager did not absorb BMG Fund operating expenses, because the management expense ratios were below the expense cap. The decision to reduce operating expenses is made at the discretion of the Manager, and may be changed at any time.

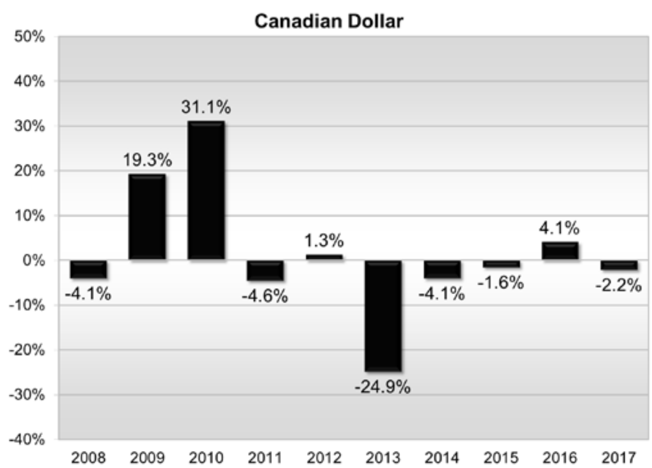
PAST PERFORMANCE

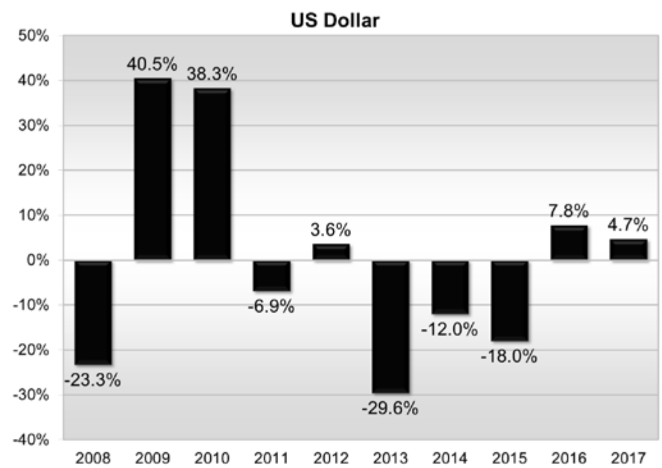
The following information does not take into account sales or redemption charges that would have reduced returns. Past performance does not necessarily indicate how the BMG Fund will perform in the future.

Year-by-Year Returns

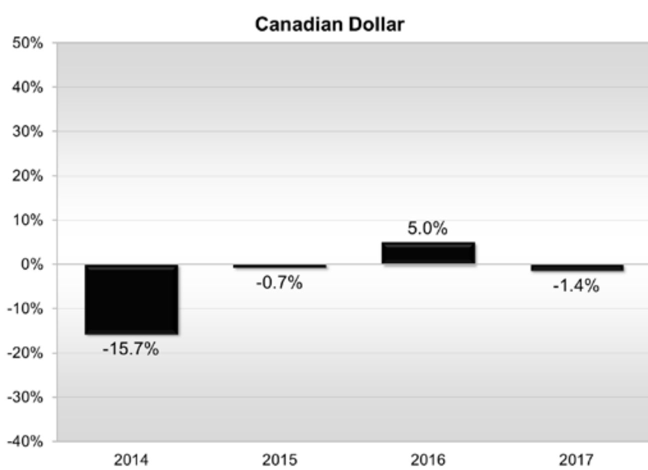
The following bar charts show the BMG Fund's performance for each class of units of the BMG Fund in Canadian and US dollars, as applicable, in each of the years shown. They illustrate how the BMG Fund’s performance has changed from year to year. In percentage terms, the charts show how much an investment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

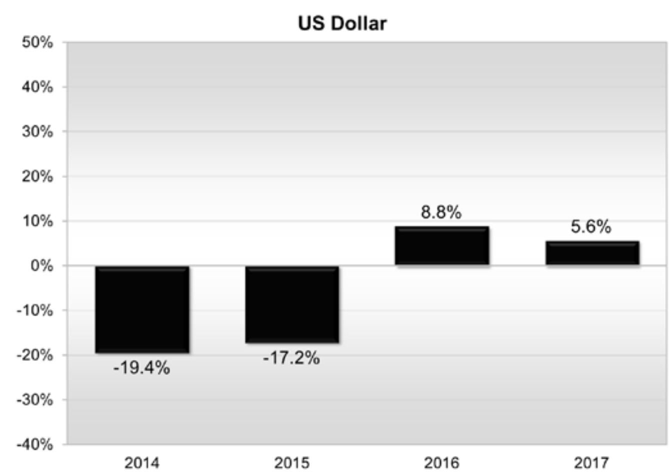
Class A





Class B2

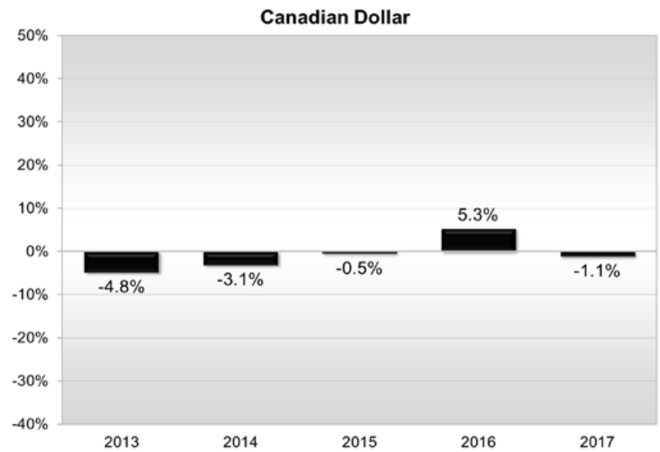


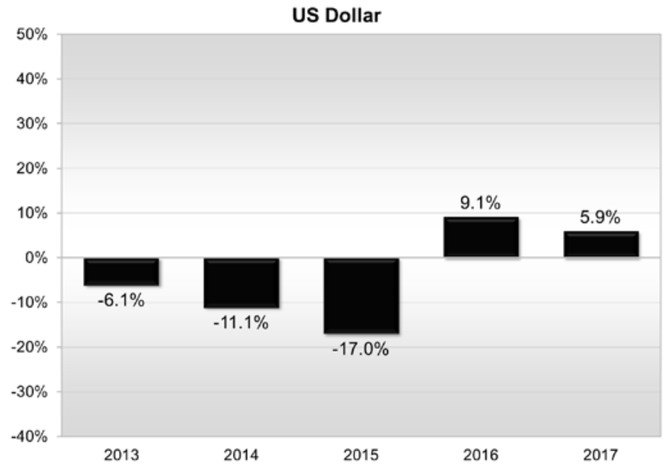


The return shown for 2014 is for the period from February 24, 2014, the date the Class B2 units were first offered.

PAST PERFORMANCE *(continued)*

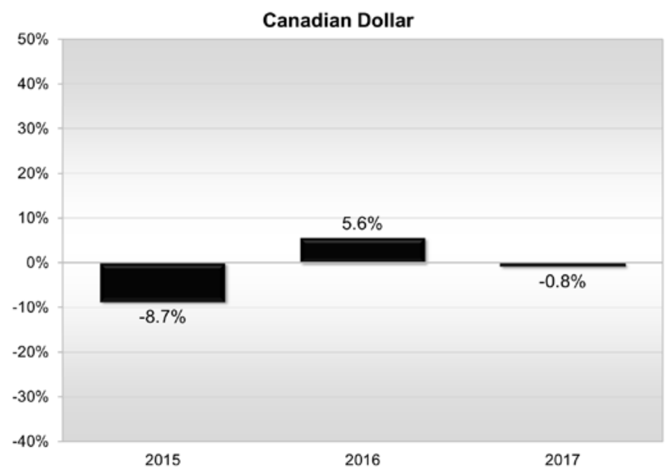
Class B3

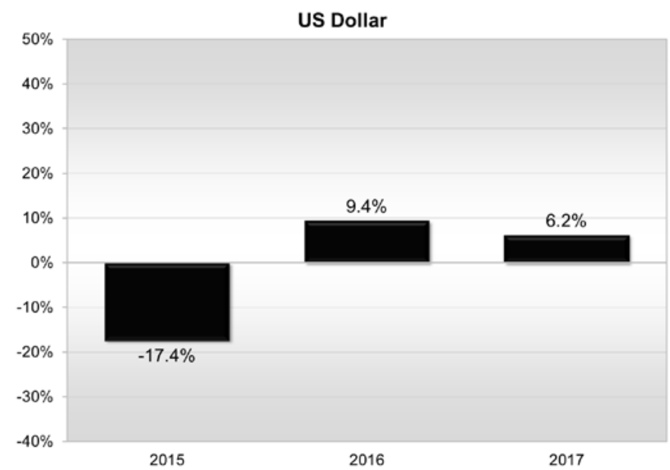




The return shown for 2013 is for the period from November 11, 2013, the date the Class B3 units were first offered.

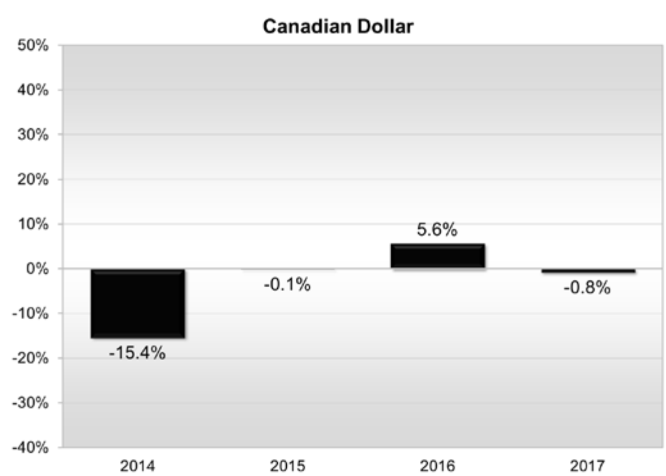
Class C1

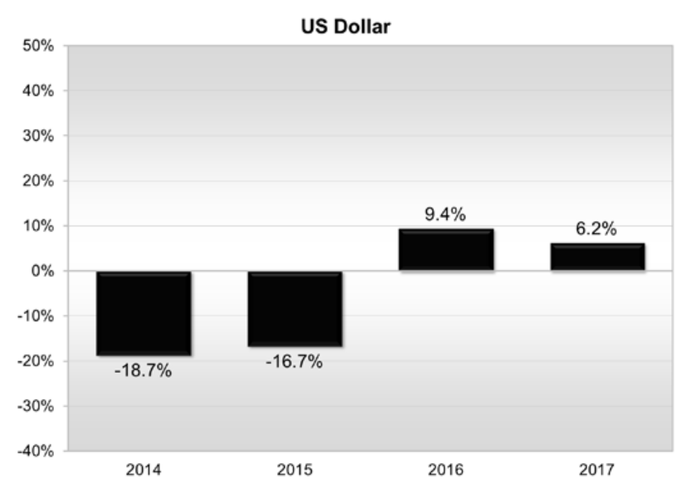




The return shown for 2015 is for the period from March 27, 2015, the date the Class C1 units were first offered.

Class C2

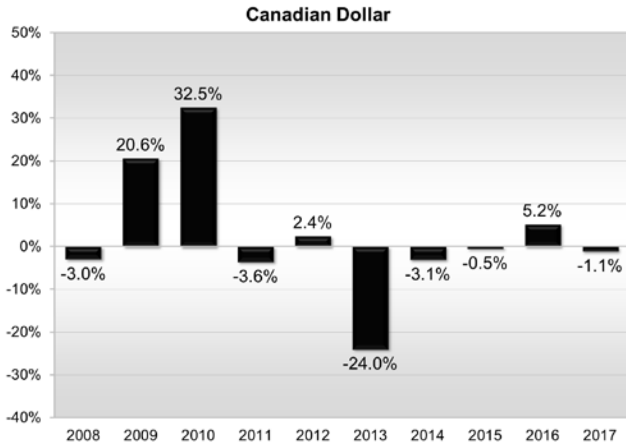


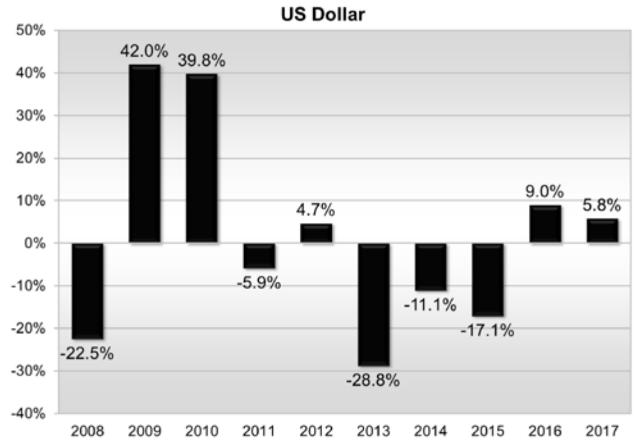


The return shown for 2014 is for the period from March 12, 2014, the date the Class C2 units were first offered.

PAST PERFORMANCE *(continued)*

Class F





Annual Compound Returns

The following table shows the annual compound total returns for each class of units of the BMG Fund in Canadian and US dollars since inception, or for the ten, five, three and one year periods ended on December 31, 2017, as applicable. Annual returns in Canadian dollars are compared to inflation as measured by the Canadian Consumer Price Index ("CPI") as calculated by Statistics Canada, as well as to Bank of Canada's 3-month Treasury Bills. Annual returns in US dollars are compared to inflation as measured by the US CPI as calculated by the US Department of Labor, as well as to US 3-month Treasury Bills.

Class A

	Since Inception (January 2002)	10 Years	5 Years	3 Years	1 Year
The BMG Fund Class A CDN$	2.4%	0.4%	-6.3%	0.0%	-2.2%
Inflation (CPI, Statistics Canada)	1.9%	1.6%	1.5%	1.7%	1.9%
Bank of Canada, 3-month Treasury Bills	1.7%	0.9%	0.7%	0.6%	0.7%
The BMG Fund Class A US$	4.0%	-1.9%	-10.5%	-2.5%	4.7%
Inflation (CPI, US Dept. of Labor)	2.1%	1.6%	1.4%	1.6%	2.1%
US, 3-month Treasury Bills	1.2%	0.3%	0.3%	0.4%	1.0%

Class B2

	Since Inception (February 2014)	3 Years	1 Year
The BMG Fund Class B2 CDN$	-3.6%	0.9%	-1.4%
Inflation (CPI, Statistics Canada)	1.4%	1.7%	1.9%
Bank of Canada, 3-month Treasury Bills	0.7%	0.6%	0.7%
The BMG Fund Class B2 US$	-6.7%	-1.7%	5.6%
Inflation (CPI, US Dept. of Labor)	1.3%	1.6%	2.1%
US, 3-month Treasury Bills	0.3%	0.4%	1.0%

PAST PERFORMANCE *(continued)*

Class B3

	Since Inception (November 2013)	3 Years	1 Year
The BMG Fund Class B3 CDN$	-1.0%	1.2%	-1.1%
Inflation (CPI, Statistics Canada)	1.5%	1.7%	1.9%
Bank of Canada, 3-month Treasury Bills	0.7%	0.6%	0.7%
The BMG Fund Class B3 US$	-5.2%	-1.4%	5.9%
Inflation (CPI, US Dept. of Labor)	1.4%	1.6%	2.1%
US, 3-month Treasury Bills	0.3%	0.4%	1.0%

Class C1

	Since Inception (March 2015)	1 Year
The BMG Fund Class C1 CDN$	-1.6%	-0.8%
Inflation (CPI, Statistics Canada)	1.3%	1.9%
Bank of Canada, 3-month Treasury Bills	0.6%	0.7%
The BMG Fund Class C1 US$	-1.5%	6.2%
Inflation (CPI, US Dept. of Labor)	1.6%	2.1%
US, 3-month Treasury Bills	0.5%	1.0%

Class C2

	Since Inception (March 2014)	3 Years	1 Year
The BMG Fund Class C2 CDN$	-3.1%	1.5%	-0.8%
Inflation (CPI, Statistics Canada)	1.3%	1.7%	1.9%
Bank of Canada, 3-month Treasury Bills	0.6%	0.6%	0.7%
The BMG Fund Class C2 US$	-6.1%	-1.1%	6.2%
Inflation (CPI, US Dept. of Labor)	1.1%	1.6%	2.1%
US, 3-month Treasury Bills	0.4%	0.4%	1.0%

PAST PERFORMANCE *(continued)*

Class F

	Since Inception (September 2004)	10 Years	5 Years	3 Years	1 Year
The BMG Fund Class F CDN$	4.0%	1.5%	-5.3%	1.2%	-1.1%
Inflation (CPI, Statistics Canada)	1.7%	1.6%	1.5%	1.7%	1.9%
Bank of Canada, 3-month Treasury Bills	1.6%	0.9%	0.7%	0.6%	0.7%
The BMG Fund Class F US$	4.3%	-0.9%	-9.6%	-1.5%	5.8%
Inflation (CPI, US Dept. of Labor)	2.0%	1.6%	1.4%	1.6%	2.1%
US, 3-month Treasury Bills	1.2%	0.3%	0.3%	0.4%	1.0%

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2017

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost $	Fair Value $	Total %
Gold Bullion	46,661.129	1,080.856	47,741.985	48,397,132	77,554,155	53.7
Platinum Bullion	10,012.540	62.354	10,074.894	14,966,056	11,676,937	8.1
Silver Bullion	2,577,737.142	4,436.167	2,582,173.309	42,891,155	54,563,666	37.8
Cash				700,848	698,827	0.4
Total Investment				**106,955,191**	**144,493,585**	**100.0**

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.bmg-group.com.

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