

BMG BullionFund

Annual Management Report of Fund Performance

For the year ended December 31, 2018



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 2018.

Risk

The risks associated with investing in the BMG Fund remain as stated in the simplified prospectus dated November 27, 2018. 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 not changed in 2018.

Results of Operations

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

In 2018, the net asset value (“NAV”) of the BMG Fund decreased 18.6%, from \$144.0 million at December 31, 2017 to \$117.1 million at December 31, 2018. The \$26.9 million decline was primarily driven by \$26.5 million in net redemptions, with \$3.5 million in expenses and \$6.3 million in unrealized loss on bullion investments, offset by \$9.6 million in realized gains on bullion investments during the year. As at December 31, 2018, the BMG Fund’s bullion holdings were 35,862 ounces of gold, 2,034,225 ounces of silver, and 10,407 ounces of platinum, compared to 47,742 ounces of gold, 2,582,173 ounces of silver, and 10,075 ounces of platinum at December 31, 2017.

For the year ended December 31, 2018, the NAV per unit of the BMG Fund’s Class A units decreased by 0.6% in Canadian dollars, and decreased by 8.8% in US dollars, while the NAV per unit of the BMG Fund’s Class F units increased by 0.5% in Canadian dollars, and decreased by 7.8% in US dollars. In 2018, BMG Fund declared distributions from capital gains, \$0.06 per unit for Class A and \$0.07 per unit for Class F.

Daily average net assets decreased by 24.7% from \$168.9 million in 2017 to \$127.1 million in 2018. The decrease was primarily driven by net redemptions. Total expenses decreased by 22.3% from 2017, because of the decline in average net assets.

MANAGEMENT REPORT OF FUND PERFORMANCE (*continued*)

During 2018, the gold price increased by 4.5% to reach a high of US\$1,354.95 per ounce in January. The price declined thereafter and closed at US\$1,278.30 on December 31. The prices of silver and platinum followed a similar pattern. The silver price reached a high of US\$17.52 per ounce in January, fell to a low of US\$13.97 per ounce in November, and closed at US\$15.47 on December 31. The platinum price reached a high of US\$1,020 per ounce in January, fell to a low of US\$772 per ounce in September, and closed at US\$795.90 on December 31.

Recent Developments

Following a weakening of precious metals prices mid-year, gold and silver rallied during December 2018 as safe-haven buying returned to the market due to volatility and a decline in equities globally. Some one-day swings in the equity markets are increasingly testing previous records or setting new ones, such as the worst Christmas Eve decline ever recorded by the Dow Jones Industrial Average (“DJIA”) and S&P 500. The next business day, the DJIA recorded the biggest points gain in its history. A number of significant, complex macroeconomic and geopolitical issues culminated to warrant elevated investor concerns about the economic outlook. Those concerns include a global growth slowdown amid trade tensions, the pace of normalization of monetary policy, rising protectionism, the upward trajectory of massive global indebtedness, and uncertainty over Brexit: will it be an orderly exit or a no-deal exit.

The IMF recently lowered the forecast for the 2019 global GDP growth rate to 3.5% from the 3.7% predicted only a few months ago in October 2018 and the 3.9% forecast a year ago. Growth in China is slowing down; it was 6.6% for 2018, the lowest since 1990, due to a growing trade dispute with the US and a maturing of its market. The US is also facing a slowdown from both the expected diminishing effect of its tax stimulus, and trade wars initiated with China and other trading partners with the introduction of tariffs. Japan’s economy shrank in both the first and third quarters of 2018, and it is expected to have negative growth in the fourth quarter as well. Eurozone GDP growth is also slowing down, with its largest economy, Germany, experiencing lower growth in 2018 of 1.5% compared to 2.2% in 2017. The IMF forecasts growth in 2019 to be even lower at 1.3%. France’s growth dropped to 1.5% in 2018 from 2.3% in 2017. Italy experienced a mild recession in the second half of 2018.

Ten years after the financial crisis and recession of 2008, global debt has risen from US\$178 trillion to US\$244 trillion, a 37% increase, as the economic recovery has been fueled by an expansionary monetary policy. In recent years, the US commenced the process of normalization and, in 2018, the Federal Reserve hiked rates four times and is currently shrinking its balance sheet, although it is indicating a policy of patience and a normalization of its balance sheet sooner and to a larger size than previously estimated. The European Central Bank ended its quantitative easing at the end of 2018 but remains accommodating, as it has not announced any plans to shrink its balance sheet. Japan’s central bank is still accommodative. Rising interest rates are a major concern for emerging markets with foreign currency denominated debt, as their ability to service, repay or refinance the debt becomes increasingly difficult. Advanced economies will also be faced with hard choices, as debt servicing consumes a larger portion of budgets for all levels of government, corporations and households. The flattening of the yield curve in the past year is both a reflection of concerns over the economic slowdown and monetary policy. In an economic slowdown, central banks are in a weaker position than a decade ago to use monetary policy tools with vastly inflated balance sheets, and interest rates are lower (or even negative) in certain jurisdictions.

Gold

The gold price ended the year at US\$1,278.30, a decrease of 1.4% from the prior year’s close. In Canadian dollars, it increased by 7.5% over the same period, as the Canadian dollar weakened against the US dollar.

The 2018 gold demand trends published by the World Gold Council indicate that overall demand increased by 4% in 2018, propelled by central bank buying, which increased again in 2018 as many countries diversified their reserve holdings, and purchases jumped by 74% over 2017 to 651.5 tonnes. Central banks have consistently been net purchasers of gold since 2010, and demand in 2018 was the highest in 50 years. Some non-traditional buyers such as India, Poland and Hungary entered the market with purchases of 45.5 tonnes, 25.7 tonnes and 28 tonnes respectively. However, Russia was again the largest buyer in 2018, with its latest reported holdings climbing by 274.3 tonnes as it continues its de-dollarization policy. Turkey added 51.5 tonnes, while Kazakhstan added 50.6 tonnes. Jewelry demand, which accounts for over 50% of overall demand, was flat compared to 2017. The price drop hampered investment demand, and gold-backed ETFs lagged by 137.5 tonnes compared to 2017.

MANAGEMENT REPORT OF FUND PERFORMANCE (*continued*)

Silver

The silver price ended the year at US\$15.47, a decrease of 8.3% from the prior year's close. In Canadian dollars, the price was flat over the same period.

The latest GFMS/Silver Institute Interim Silver Market Review estimates that there will be a surplus in the physical silver market as demand is declining in all key sectors, led by investment demand for coins and bars, a trend that started in 2016. Industrial demand, which accounts for an estimated 60% of the total silver demand, is expected to decline as well, although this decline is not uniform for all industrial applications, as some industrial sectors are experiencing growth while others are contracting. A robust uptick in investor demand is heavily dependent on sentiments of where the global financial markets are heading, and the level of volatility. Industrial demand, on the other hand, will depend on the outcome of trade tensions and the level of global growth.

The gold:silver ratio at the end of 2018 expanded to 83:1 compared to 77:1 at the end of 2017.

Platinum

The platinum price ended the year at US\$795.90, a decrease of 14.1% from the prior year's close. In Canadian dollars, it decreased by 6.2% over the same period.

In January 2018, when the platinum price reached a high of US\$1,020 for the year, there was optimism that it could potentially be a breakout year for platinum but, as the year progressed, that optimism dissipated, and the price trended downward. While gold and silver experienced a late-year uptick in December, platinum did not follow, as there seemed to be a lot of negative sentiment towards this precious metal.

The demand for platinum, as with silver, is heavily commercially driven, with approximately two-thirds coming from the automotive and industrial sectors. The World Platinum Investment Council is estimating another year of supply/demand surplus in 2018. The automotive sector demand, which has been weakening since the Volkswagen diesel scandal of 2015, has been trending lower, with an estimated 8% decline in 2018. While industrial demand has improved, it is not enough to offset the lower automotive demand. Jewelry and investment demand have also been declining since 2016, leading to an overall drop in demand of approximately 3.7%. An estimated decline in mining supply only partially offsets the lower demand. After many years of a supply deficit, the platinum market has been experiencing a surplus since 2016, which is reflected in the lack of price recovery so far.

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, 2018, the Manager held one Class A unit and 101 Class D units of the BMG Fund.

In consideration of management and administrative services, the BMG Fund pays the Manager a monthly management fee based on the NAV of the various classes of units of the BMG Fund, calculated daily. For the year ended December 31, 2018, the BMG Fund incurred management fees of \$2,522,641.

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.

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 2018 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	2018	2017	2016	2015	2014
Net assets - beginning of year ⁽¹⁾	\$ 8.79	\$ 8.99	\$ 8.64	\$ 8.78	\$ 9.16
Increase (decrease) from operations:					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.27)	(0.27)	(0.28)	(0.27)	(0.29)
Realized gains for the period	0.65	0.36	0.19	0.20	0.25
Unrealized gains (losses) for the period	(0.43)	(0.24)	0.51	(0.04)	(0.29)
Total increase (decrease) from operations⁽²⁾	(0.05)	(0.15)	0.42	(0.11)	(0.33)
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	(0.06)	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions	(0.06)	-	-	-	-
Net assets at December 31 of year shown	\$ 8.74	\$ 8.79	\$ 8.99	\$ 8.64	\$ 8.78
RATIOS AND SUPPLEMENTAL DATA:					
Total net asset value (000's) ⁽¹⁾	\$ 87,069	\$ 109,986	\$ 140,658	\$ 148,500	\$ 170,303
Number of units outstanding ⁽¹⁾	9,965,128	12,509,611	15,643,512	17,188,905	19,394,233
Management expense ratio (%) ⁽²⁾	3.08	2.96	2.92	3.00	3.06
Management expense ratio before waivers or absorption (%)	3.08	2.96	2.92	3.00	3.18
Trading expense ratio (%) ⁽³⁾	-	-	-	-	-
Portfolio turnover rate (%) ⁽⁴⁾	0.85	-	3.19	-	0.90
Net asset value per unit	\$ 8.74	\$ 8.79	\$ 8.99	\$ 8.64	\$ 8.78

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	2018	2017	2016	2015	2014*
Net assets - beginning of year ⁽¹⁾	\$ 8.67	\$ 8.79	\$ 8.37	\$ 8.43	\$ 10.00
Increase (decrease) from operations:					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.19)	(0.19)	(0.19)	(0.18)	(0.17)
Realized gains for the period	0.64	0.37	0.19	0.18	0.17
Unrealized losses for the period	(0.38)	(0.38)	(0.06)	(0.16)	(1.73)
Total increase (decrease) from operations⁽²⁾	0.07	(0.20)	(0.06)	(0.16)	(1.73)
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	(0.06)	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions	(0.06)	-	-	-	-
Net assets at December 31 of year shown	\$ 8.69	\$ 8.67	\$ 8.79	\$ 8.37	\$ 8.43
RATIOS AND SUPPLEMENTAL DATA:					
Total net asset value (000's) ⁽¹⁾	\$ 1,295	\$ 1,318	\$ 1,209	\$ 649	\$ 358
Number of units outstanding ⁽¹⁾	149,096	152,003	137,592	77,500	42,407
Management expense ratio (%) ⁽²⁾	2.25	2.12	2.04	2.07	2.22
Management expense ratio before waivers or absorption (%)	2.25	2.12	2.04	2.07	2.34
Trading expense ratio (%) ⁽³⁾	-	-	-	-	-
Portfolio turnover rate (%) ⁽⁴⁾	0.85	-	3.19	-	0.90
Net asset value per unit	\$ 8.69	\$ 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	2018	2017	2016	2015	2014
Net assets - beginning of year ⁽¹⁾	\$ 9.58	\$ 9.68	\$ 9.19	\$ 9.23	\$ 9.52
Increase (decrease) from operations:					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.18)	(0.18)	(0.18)	(0.17)	(0.20)
Realized gains for the period	0.71	0.40	0.20	0.20	0.26
Unrealized gains (losses) for the period	(0.41)	(0.32)	0.43	(0.52)	(0.35)
Total increase (decrease) from operations⁽²⁾	0.12	(0.10)	0.45	(0.49)	(0.29)
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	(0.06)	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions	(0.06)	-	-	-	-
Net assets at December 31 of year shown	\$ 9.63	\$ 9.58	\$ 9.68	\$ 9.19	\$ 9.23
RATIOS AND SUPPLEMENTAL DATA:					
Total net asset value (000's) ⁽¹⁾	\$ 962	\$ 954	\$ 1,000	\$ 856	\$ 462
Number of units outstanding ⁽¹⁾	99,899	99,674	103,334	93,156	50,000
Management expense ratio (%) ⁽²⁾	1.92	1.80	1.75	1.82	1.98
Management expense ratio before waivers or absorption (%)	1.92	1.80	1.75	1.82	2.09
Trading expense ratio (%) ⁽³⁾	-	-	-	-	-
Portfolio turnover rate (%) ⁽⁴⁾	0.85	-	3.19	-	0.90
Net asset value per unit	\$ 9.63	\$ 9.58	\$ 9.68	\$ 9.19	\$ 9.23

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	2018	2017	2016	2015*
Net assets - beginning of year ⁽¹⁾	\$ 9.56	\$ 9.64	\$ 9.13	\$ 10.00
Increase (decrease) from operations:				
Total revenue	-	-	-	-
Total expenses (excluding distributions)	(0.16)	(0.15)	(0.15)	(0.11)
Realized gains for the period	0.70	0.40	0.21	0.15
Unrealized gains (losses) for the period	(0.36)	(0.33)	0.17	(0.95)
Total increase (decrease) from operations⁽²⁾	0.18	(0.08)	0.23	(0.91)
Distributions:				
From net investment income (excluding dividends)	-	-	-	-
From dividends	-	-	-	-
From capital gains	(0.06)	-	-	-
Return of capital	-	-	-	-
Total annual distributions	(0.06)	-	-	-
Net assets at December 31 of year shown	\$ 9.63	\$ 9.56	\$ 9.64	\$ 9.13
RATIOS AND SUPPLEMENTAL DATA:				
Total net asset value (000's) ⁽¹⁾	\$ 1,603	\$ 1,265	\$ 1,276	\$ 1,295
Number of units outstanding ⁽¹⁾	166,391	132,398	132,398	141,903
Management expense ratio (%) ⁽²⁾	1.66	1.54	1.50	1.58
Management expense ratio before waivers or absorption (%)	1.66	1.54	1.50	1.58
Trading expense ratio (%) ⁽³⁾	-	-	-	-
Portfolio turnover rate (%) ⁽⁴⁾	0.85	-	3.19	-
Net asset value per unit	\$ 9.63	\$ 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	2018	2017	2016	2015	2014*
Net assets - beginning of year ⁽¹⁾	\$ 8.85	\$ 8.92	\$ 8.45	\$ 8.46	\$ 10.00
Increase (decrease) from operations:					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.14)	(0.14)	(0.14)	(0.13)	(0.12)
Realized gains for the period	0.66	0.37	0.19	0.18	0.18
Unrealized gains (losses) for the period	(0.43)	(0.29)	0.40	(0.98)	(1.35)
Total increase (decrease) from operations⁽²⁾	0.09	(0.06)	0.45	(0.93)	(1.29)
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	(0.06)	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions	(0.06)	-	-	-	-
Net assets at December 31 of year shown	\$ 8.93	\$ 8.85	\$ 8.92	\$ 8.45	\$ 8.46
RATIOS AND SUPPLEMENTAL DATA:					
Total net asset value (000's) ⁽¹⁾	\$ 4,618	\$ 4,653	\$ 4,832	\$ 4,812	\$ 483
Number of units outstanding ⁽¹⁾	517,230	525,509	541,453	569,627	57,063
Management expense ratio (%) ⁽²⁾	1.62	1.50	1.45	1.48	1.60
Management expense ratio before waivers or absorption (%)	1.62	1.50	1.45	1.48	1.68
Trading expense ratio (%) ⁽³⁾	-	-	-	-	-
Portfolio turnover rate (%) ⁽⁴⁾	0.85	-	3.19	-	0.90
Net asset value per unit	\$ 8.93	\$ 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 D UNIT	2018*
Net assets - beginning of period ⁽¹⁾	\$ 10.00
Increase (decrease) from operations:	
Total revenue	-
Total expenses (excluding distributions)	(0.21)
Realized gains for the period	0.65
Unrealized losses for the period	(0.05)
Total increase from operations⁽²⁾	0.39
Distributions:	
From net investment income (excluding dividends)	-
From dividends	-
From capital gains	(0.06)
Return of capital	-
Total distributions	(0.06)
Net assets - end of period	\$ 9.86
RATIOS AND SUPPLEMENTAL DATA:	
Total net asset value (000's) ⁽¹⁾	\$ 238
Number of units outstanding ⁽¹⁾	24,164
Management expense ratio (%) ⁽²⁾	2.33
Management expense ratio before waivers or absorption (%)	2.33
Trading expense ratio (%) ⁽³⁾	-
Portfolio turnover rate (%) ⁽⁴⁾	0.85
Net asset value per unit	\$ 9.86

*Data is from January 16, 2018, the date the Class D units were first offered, to December 31, 2018. 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	2018	2017	2016	2015	2014
Net assets - beginning of year ⁽¹⁾	\$ 10.16	\$ 10.28	\$ 9.77	\$ 9.82	\$ 10.13
Increase (decrease) from operations:					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.20)	(0.20)	(0.20)	(0.19)	(0.22)
Realized gains for the period	0.75	0.42	0.21	0.22	0.28
Unrealized gains (losses) for the period	(0.46)	(0.34)	0.25	(0.39)	(0.17)
Total increase (decrease) from operations⁽²⁾	0.09	(0.12)	0.26	(0.36)	(0.11)
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	(0.07)	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions	(0.07)	-	-	-	-
Net assets at December 31 of year shown	\$ 10.21	\$ 10.16	\$ 10.28	\$ 9.77	\$ 9.82
RATIOS AND SUPPLEMENTAL DATA:					
Total net asset value (000's) ⁽¹⁾	\$ 20,454	\$ 24,857	\$ 27,727	\$ 25,229	\$ 18,065
Number of units outstanding ⁽¹⁾	2,003,994	2,446,780	2,698,378	2,583,455	1,840,183
Management expense ratio (%) ⁽²⁾	1.99	1.87	1.82	1.88	2.02
Management expense ratio before waivers or absorption (%)	1.99	1.87	1.82	1.88	2.07
Trading expense ratio (%) ⁽³⁾	-	-	-	-	-
Portfolio turnover rate (%) ⁽⁴⁾	0.85	-	3.19	-	0.90
Net asset value per unit	\$ 10.21	\$ 10.16	\$ 10.28	\$ 9.77	\$ 9.82

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.

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.

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. The Manager provides, or arranges for the provision of, all management and administrative services for day-to-day operations, including providing fund and unitholder accounting, recordkeeping and other administrative services. A portion of the management fees paid by the BMG Fund is for trailer fees paid to dealers. The trailer fees are a percentage of the daily average NAV of the applicable class of units of the BMG Fund that are held by the dealers' clients. No trailer fees are paid with respect to Class C1, Class C2 and Class F units of the BMG Fund. The table below outlines the BMG Fund's annual management fees for the Class A, Class B2, Class B3, Class C1, Class C2, Class D 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 D	Class F
Management Fee	2.25%	1.49%	1.25%	1.00%	0.87%	1.50%	1.25%
Portfolio Administration Fee	55.6%	59.4%	60%	100%	100%	83.3%	100%
Trailer Fee <i>(maximum rate as a percentage of management fees)</i>	44.4%	41.6%	40%	0%	0%	16.7%	0%

Out of the management fees that the Manager received from the BMG Fund, the Manager paid trailer fees of \$956,581 during the year ended December 31, 2018.

Operating Expenses

For the year ended December 31, 2018, 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.

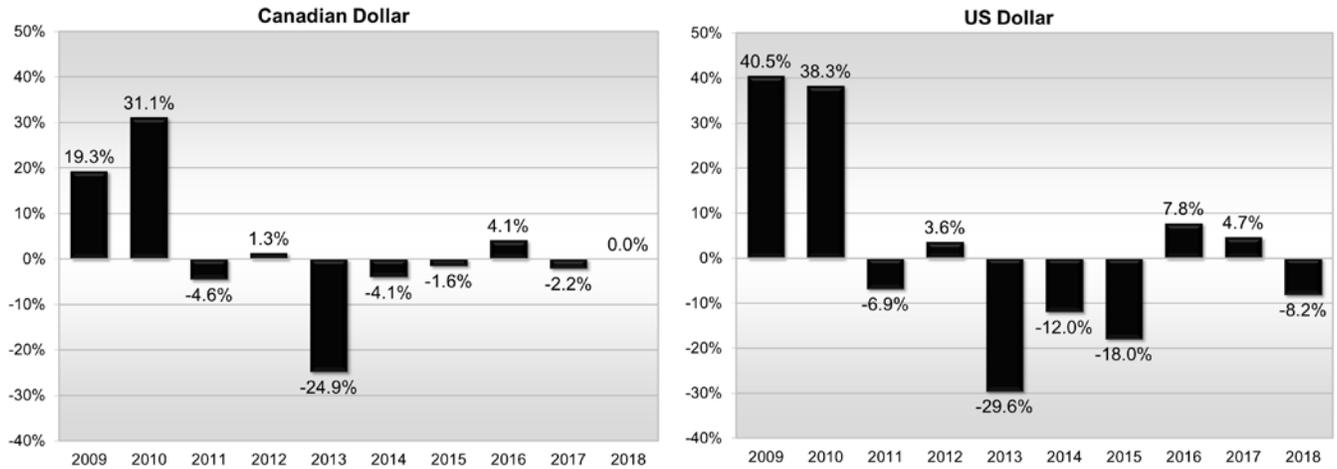
PAST PERFORMANCE

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.

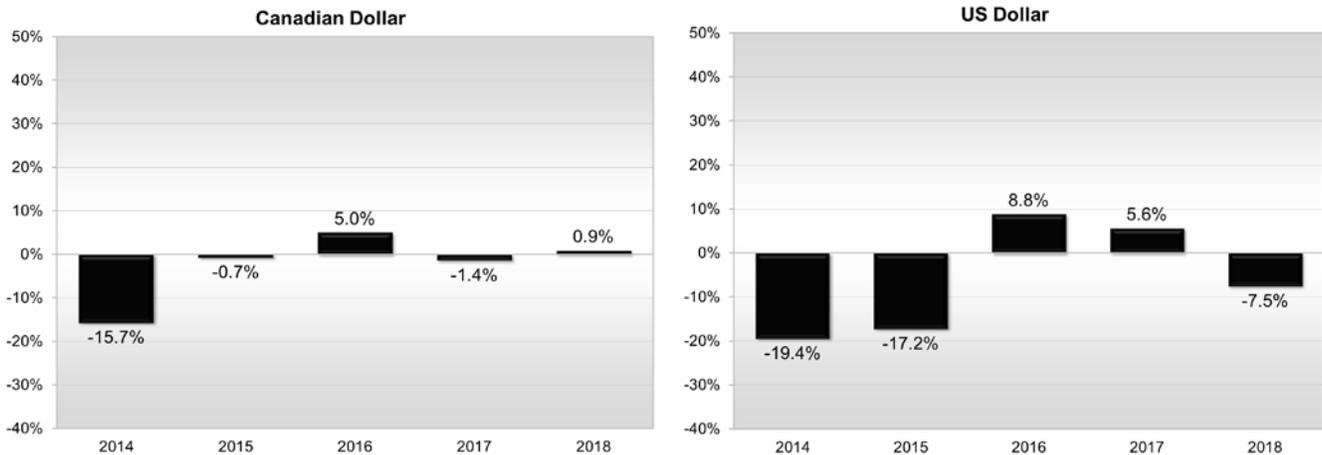
Year-by-Year Returns

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



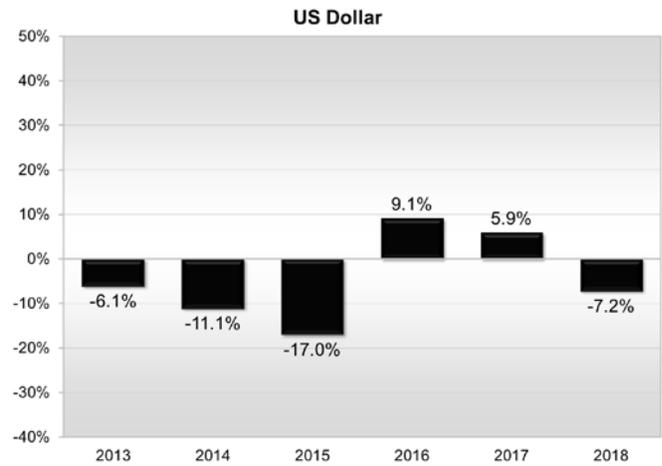
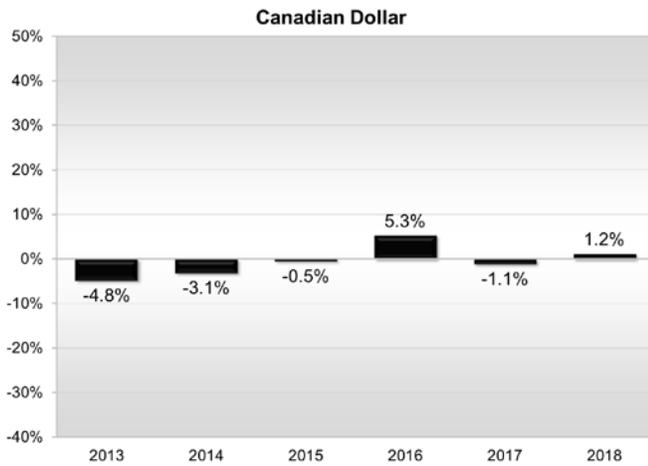
Class B2



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

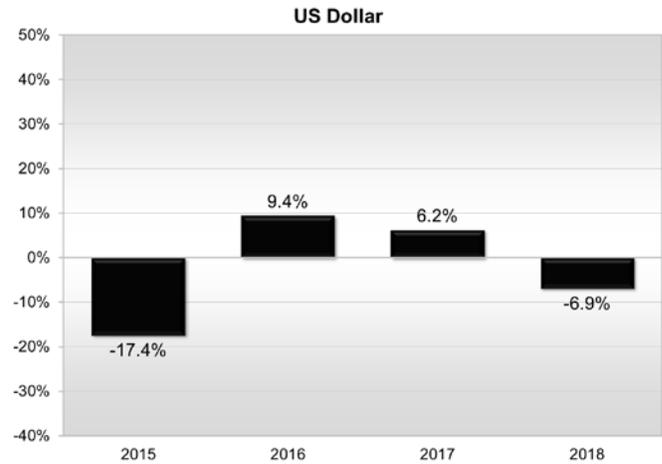
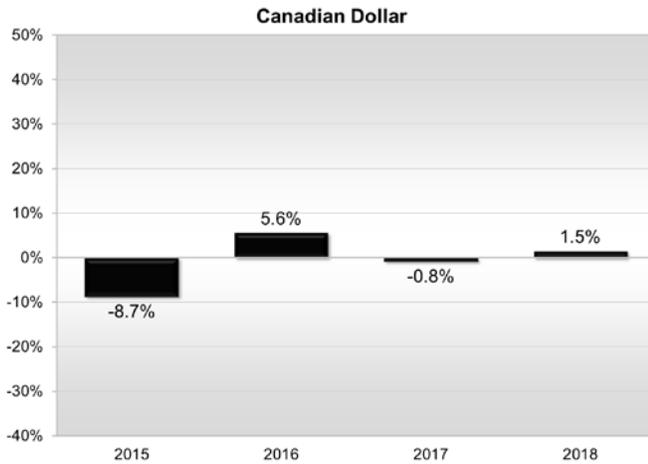
PAST PERFORMANCE (continued)

Class B3



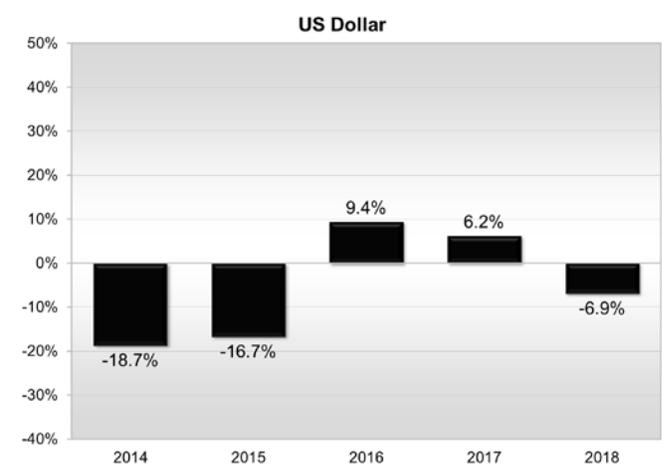
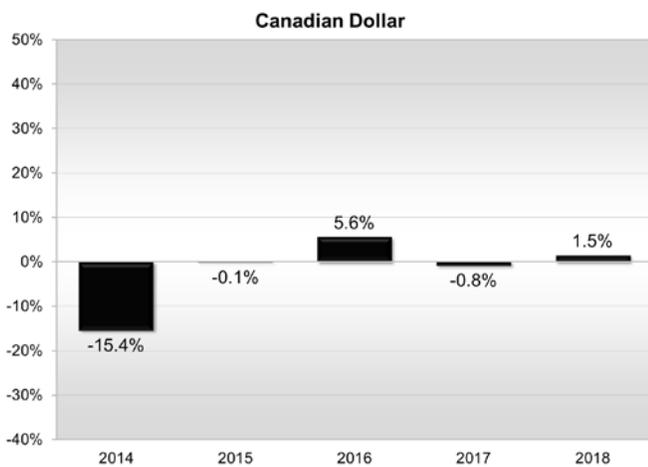
The return shown for 2013 is for the period from November 11, 2013, the date the Class B3 units were first offered.

Class C1



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

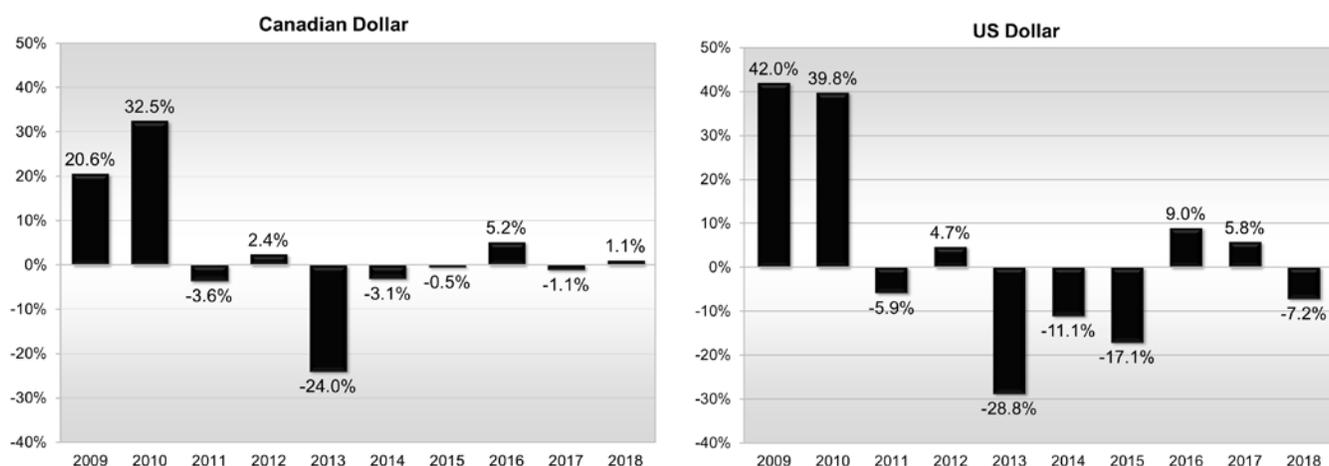
Class C2



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, 2018, 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 (March 2002)	10 Years	5 Years	3 Years	1 Year
The BMG Fund Class A CDN\$	2.3%	0.9%	-0.8%	0.6%	0.0%
Inflation (CPI, Statistics Canada)	1.8%	1.6%	1.7%	1.8%	2.0%
Bank of Canada, 3-month Treasury Bills	1.7%	0.8%	0.8%	0.9%	1.4%
The BMG Fund Class A US\$	3.2%	-0.1%	-5.7%	1.2%	-8.2%
Inflation (CPI, US Dept. of Labor)	2.0%	1.8%	1.5%	2.0%	1.9%
US, 3-month Treasury Bills	1.3%	0.4%	0.7%	1.1%	2.0%

Class B2

	Since Inception (February 2014)	3 Years	1 Year
The BMG Fund Class B2 CDN\$	-2.7%	1.5%	0.9%
Inflation (CPI, Statistics Canada)	1.5%	1.8%	2.0%
Bank of Canada, 3-month Treasury Bills	0.8%	0.9%	1.4%
The BMG Fund Class B2 US\$	-6.8%	2.0%	-7.5%
Inflation (CPI, US Dept. of Labor)	1.4%	2.0%	1.9%
US, 3-month Treasury Bills	0.7%	1.1%	2.0%

PAST PERFORMANCE (continued)*Class B3*

	Since Inception (November 2013)	5 years	3 Years	1 Year
The BMG Fund Class B3 CDN\$	-0.6%	0.3%	1.8%	1.2%
Inflation (CPI, Statistics Canada)	1.6%	1.7%	1.8%	2.0%
Bank of Canada, 3-month Treasury Bills	0.8%	0.8%	0.9%	1.4%
The BMG Fund Class B3 US\$	-5.6%	-4.6%	2.4%	-7.2%
Inflation (CPI, US Dept. of Labor)	1.5%	1.5%	2.0%	1.9%
US, 3-month Treasury Bills	0.6%	0.7%	1.1%	2.0%

Class C1

	Since Inception (March 2015)	3 Year	1 Year
The BMG Fund Class C1 CDN\$	-0.8%	2.0%	1.5%
Inflation (CPI, Statistics Canada)	1.5%	1.8%	2.0%
Bank of Canada, 3-month Treasury Bills	0.8%	0.9%	1.4%
The BMG Fund Class C1 US\$	-3.0%	2.6%	-6.9%
Inflation (CPI, US Dept. of Labor)	1.7%	2.0%	1.9%
US, 3-month Treasury Bills	0.9%	1.1%	2.0%

Class C2

	Since Inception (March 2014)	3 Years	1 Year
The BMG Fund Class C2 CDN\$	-2.2%	2.1%	1.5%
Inflation (CPI, Statistics Canada)	1.4%	1.8%	2.0%
Bank of Canada, 3-month Treasury Bills	0.8%	0.9%	1.4%
The BMG Fund Class C2 US\$	-6.3%	2.7%	-6.9%
Inflation (CPI, US Dept. of Labor)	1.3%	2.0%	1.9%
US, 3-month Treasury Bills	0.7%	1.1%	2.0%

PAST PERFORMANCE (continued)

Class F

	Since Inception (September 2004)	10 Years	5 Years	3 Years	1 Year
The BMG Fund Class F CDN\$	3.8%	2.0%	0.3%	1.7%	1.1%
Inflation (CPI, Statistics Canada)	1.7%	1.6%	1.7%	1.8%	2.0%
Bank of Canada, 3-month Treasury Bills	1.5%	0.8%	0.8%	0.9%	1.4%
The BMG Fund Class F US\$	3.5%	0.9%	-4.6%	2.3%	-7.2%
Inflation (CPI, US Dept. of Labor)	2.0%	1.8%	1.5%	2.0%	1.9%
US, 3-month Treasury Bills	1.3%	0.4%	0.7%	1.1%	2.0%

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2018

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	35,483.833	378.310	35,862.143	36,501,920	62,611,983	53.1
Platinum Bullion	10,210.485	196.074	10,406.559	15,326,125	11,312,749	9.6
Silver Bullion	2,014,272.192	19,952.319	2,034,224.511	33,851,965	42,967,183	36.5
Cash				966,662	966,978	0.8
Total Investment				86,646,672	117,858,893	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.



B M G M A N A G E M E N T S E R V I C E S I N C .

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