

BMG BULLIONFUND

# ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018



# **BMG BullionFund**

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## Annual Financial Statements

For the years ended December 31, 2018 and 2017



BMG  
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 (the “BMG Fund”) have been prepared by BMG Management Services Inc., in its capacity as manager (the “Manager”) of the BMG Fund, and have been approved by the Board of Directors of BMG 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

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To the Unitholders of BMG BullionFund

### Opinion

We have audited the financial statements of BMG BullionFund (the "Fund"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BMG BullionFund as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the:

- The information, other than the financial statements and our auditor's report thereon, included in the Fund's Annual Report; and
- The information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report and the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance 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.



In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

March 27, 2019  
Toronto, Ontario

## STATEMENTS OF FINANCIAL POSITION

As at December 31

	2018 \$	2017 \$
<b>ASSETS</b>		
Current assets		
Cash	966,978	698,827
Investments in bullion [Average cost \$85,680,010; December 2017 - \$106,254,343]	116,891,915	143,794,758
Subscriptions receivable	118,745	36,930
<b>Total assets</b>	<b>117,977,638</b>	<b>144,530,515</b>
<b>LIABILITIES</b>		
Current liabilities		
Management fees payable	204,108	266,760
Redemptions payable	433,907	128,331
Distributions payable	18,397	-
Accounts payable and accrued liabilities	173,776	154,679
<b>Total liabilities (excluding net assets attributable to holders of redeemable units)</b>	<b>830,188</b>	<b>549,770</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>117,147,450</b>	<b>143,980,745</b>
<b>Net assets attributable to holders of redeemable units per class (Note 3)</b>		
Class A	87,069,366	109,986,267
Class B2	1,295,190	1,317,577
Class B3	961,809	954,418
Class C1	1,603,123	1,265,459
Class C2	4,618,109	4,652,872
Class D	238,253	-
Class E15	907,286	947,258
Class F	20,454,314	24,856,894
	<b>117,147,450</b>	<b>143,980,745</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 BMG Management Services Inc.,  
Trustee and Manager of BMG BullionFund



Nick Barisheff  
Director



Hema Anganu  
Director

## STATEMENTS OF COMPREHENSIVE LOSS

For the years ended December 31

	2018 \$	2017 \$
<b>INVESTMENT INCOME</b>		
Net unrealized losses on investments in bullion	(6,328,510)	(4,566,753)
Net realized gains on investments in bullion	9,585,496	6,633,633
Net foreign exchange gains (losses)	19,731	(3,756)
<b>Total investment income</b>	<b>3,276,717</b>	<b>2,063,124</b>
<b>EXPENSES</b>		
Management fees (Note 4)	2,522,641	3,399,244
Security holder reporting costs	477,561	485,020
Bullion storage fees	130,947	171,917
Services tax	294,128	374,311
Other administrative expenses	16,734	27,517
Legal fees	26,586	26,262
Audit fees	38,325	38,909
Filing fees	28,234	29,470
Independent Review Committee fees	9,180	9,333
<b>Total expenses</b>	<b>3,544,336</b>	<b>4,561,983</b>
<b>Decrease in net assets attributable to holders of redeemable units</b>	<b>(267,619)</b>	<b>(2,498,859)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class (Note 3)</b>		
Class A	(578,143)	(2,080,899)
Class B2	10,578	(29,422)
Class B3	12,055	(10,626)
Class C1	27,061	(10,476)
Class C2	47,124	(31,003)
Class D	5,262	-
Class E15	15,486	(3,147)
Class F	192,958	(333,286)
	<b>(267,619)</b>	<b>(2,498,859)</b>

See accompanying notes.

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

For the years ended December 31

	2018 \$	2017 \$
Net assets attributable to holders of redeemable units, beginning of year	143,980,745	177,667,565
Issue of redeemable units	6,928,722	9,841,279
Reinvestments of distributions to redeemable units	748,078	-
Redemption of redeemable units	(33,476,001)	(41,029,240)
Distributions from capital gains	(766,475)	-
Decrease in net assets attributable to holders of redeemable units	(267,619)	(2,498,859)
<b>Net assets attributable to holders of redeemable units, end of year</b>	<b>117,147,450</b>	<b>143,980,745</b>

See accompanying notes.

## STATEMENTS OF CASH FLOWS

For the years ended December 31

	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets attributable to holders of redeemable units	(267,619)	(2,498,859)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities		
Purchase of investments in bullion	(1,080,207)	-
Proceeds from sales of investments in bullion	31,240,036	35,616,237
Net realized gains on investments in bullion	(9,585,496)	(6,633,633)
Net unrealized losses on investments in bullion	6,328,510	4,566,753
Net changes in non-cash operating balances:		
Decrease in management fees payable	(62,652)	(66,840)
Increase distributions payable	18,397	-
Increase in accounts payable and accrued liabilities	19,097	20,957
<b>Net cash provided by operating activities</b>	<b>26,610,066</b>	<b>31,004,615</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of redeemable units	6,928,722	9,841,279
(Increase) decrease in subscriptions receivable	(81,815)	50,368
Amounts paid on redemption of redeemable units	(33,476,001)	(41,029,240)
Increase (decrease) in redemptions payable	305,576	(228,696)
Distributions from capital gains net of reinvestments	(18,397)	-
<b>Net cash used in financing activities</b>	<b>(26,341,915)</b>	<b>(31,366,289)</b>
<b>Net increase (decrease) in cash during the year</b>	<b>268,151</b>	<b>(361,674)</b>
<b>Cash, beginning of the year</b>	<b>698,827</b>	<b>1,060,501</b>
<b>Cash, end of year</b>	<b>966,978</b>	<b>698,827</b>

See accompanying notes.

## SCHEDULE 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
<b>Total Investment</b>				<b>86,646,672</b>	<b>117,858,893</b>	<b>100.0</b>

The BMG Fund's investments in bullion 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 eight classes of units. These financial statements pertain to Class A, Class B2, Class B3, Class C1, Class C2, Class D, 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 D	January 16, 2018
Class B3	November 11, 2013	Class E15	February 20, 2008
Class C1	March 27, 2015	Class F	September 15, 2004

The BMG Fund is also authorized to issue Class G and Class I 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 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 March 21, 2019.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments in bullion 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.

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

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

##### *(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. Transaction costs for such instruments are recognized directly in the Statements of Comprehensive Income (Loss) as incurred. Financial assets classified at amortized cost 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.

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, if any, is determined using a valuation technique, or sourced from a reputable broker/counterparty.

## NOTES TO FINANCIAL STATEMENTS (continued)

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### *(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 is priced based on available spot prices. The difference between the bullion spot prices and the average cost of the respective investments in bullion held at the Statements of Financial Position date is shown as “Net unrealized losses on investments in bullion.”

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

### *(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, such as management fees, 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 monetary 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 Loss.

### **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 income tax losses.

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

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### **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**

Effective January 1, 2018, the BMG Fund adopted IFRS 9, Financial Instruments ("IFRS 9"). The new standard requires financial assets to be classified into one of three categories: carried at amortized cost, carried at fair value with changes recognized in profit or loss or carried at fair value with changes through other comprehensive income. The classification is based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

The classification and measurement of financial liabilities remains generally unchanged, with the exception of financial liabilities recorded at fair value through profit or loss, where fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

Upon adoption of the new standard, the classification of loans and receivables no longer exists and all financial assets classified as loans and receivables, including cash and subscription receivables, have been classified as financial assets at amortized cost. The Company's investments in bullion continue to be classified as fair value through profit or loss. The Company's financial liabilities also continue to be classified as financial liabilities at amortized cost.

Under the transitional provisions, management has opted to retain prior figures as reported under the previous standards, recognizing the cumulative effect, if any, of applying IFRS 9 as an adjustment to the opening balance of net assets attributable to holders of redeemable units as at the date of initial application.

The impact of applying IFRS 9, including the adoption of the 'expected loss' impairment model, was determined to be insignificant. Accordingly, no adjustments were considered necessary to these financial statements as a result of adopting IFRS 9 with an effective date of January 1, 2018.

## NOTES TO FINANCIAL STATEMENTS (continued)

### 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	
	2018	2017	2018	2017
Balance - beginning of year	12,509,611	15,643,512	152,003	137,592
Issued	406,093	475,108	1,366	16,954
Reinvested from distributions	63,840	-	975	-
Redeemed	(3,014,416)	(3,609,009)	(5,248)	(2,543)
Balance - end of year	9,965,128	12,509,611	149,096	152,003
Average units outstanding	11,137,860	14,312,604	149,942	150,631

	Class B3		Class C1	
	2018	2017	2018	2017
Balance - beginning of year	99,674	103,334	132,398	132,398
Issued	1,147	2,098	43,303	-
Reinvested from distributions	653	-	1,088	-
Redeemed	(1,575)	(5,758)	(10,398)	-
Balance - end of year	99,899	99,674	166,391	132,398
Average units outstanding	99,175	103,660	151,472	132,398

	Class C2		Class D	
	2018	2017	2018	2017
Balance - beginning of year	525,509	541,453	-	-
Issued	23,411	1,018	33,195	-
Reinvested from distributions	3,383	-	158	-
Redeemed	(35,073)	(16,962)	(9,189)	-
Balance - end of year	517,230	525,509	24,164	-
Average units outstanding	538,437	531,139	13,659	-

	Class E15		Class F	
	2018	2017	2018	2017
Balance - beginning of year	85,630	86,918	2,446,780	2,698,378
Issued	-	-	245,931	497,027
Reinvested from distributions	530	-	12,475	-
Redeemed	(5,166)	(1,288)	(701,192)	(748,625)
Balance - end of year	80,994	85,630	2,003,994	2,446,780
Average units outstanding	83,585	86,407	2,199,550	2,671,901

## NOTES TO FINANCIAL STATEMENTS (continued)

### Total Net Assets Attributable to Holders of Redeemable Units per Class and per Unit

For the year ended December 31, 2018

	Net assets attributable to holders of redeemable units, beginning of year	Subscriptions	Reinvestments of distributions to redeemable units	Redemptions	Distributions from capital gains	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	109,986,267	3,503,176	557,792	(25,830,045)	(569,681)	(578,143)	87,069,366	8.74	(0.05)
Class B2	1,317,577	12,068	8,473	(45,033)	(8,473)	10,578	1,295,190	8.69	0.07
Class B3	954,418	11,000	6,292	(15,664)	(6,292)	12,055	961,809	9.63	0.12
Class C1	1,265,459	405,398	10,486	(94,795)	(10,486)	27,061	1,603,123	9.63	0.18
Class C2	4,652,872	214,329	30,208	(296,216)	(30,208)	47,124	4,618,109	8.93	0.09
Class D	-	316,137	1,559	(83,146)	(1,559)	5,262	238,253	9.86	0.39
Class E15	947,258	-	5,934	(55,458)	(5,934)	15,486	907,286	11.20	0.19
Class F	24,856,894	2,466,614	127,334	(7,055,644)	(133,842)	192,958	20,454,314	10.21	0.09
<b>Total</b>	<b>143,980,745</b>	<b>6,928,722</b>	<b>748,078</b>	<b>(33,476,001)</b>	<b>(766,475)</b>	<b>(267,619)</b>	<b>117,147,450</b>	<b>N/A</b>	<b>N/A</b>

For the year ended December 31, 2017

	Net assets attributable to holders of redeemable units, beginning of year	Subscriptions	Redemptions	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	Decrease in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	140,658,216	4,374,143	(32,965,193)	(2,080,899)	109,986,267	8.79	(0.15)
Class B2	1,209,439	160,077	(22,517)	(29,422)	1,317,577	8.67	(0.20)
Class B3	1,000,237	21,796	(56,989)	(10,626)	954,418	9.58	(0.10)
Class C1	1,275,935	-	-	(10,476)	1,265,459	9.56	(0.08)
Class C2	4,831,503	9,800	(157,428)	(31,003)	4,652,872	8.85	(0.06)
Class E15	965,011	-	(14,606)	(3,147)	947,258	11.06	(0.04)
Class F	27,727,224	5,275,463	(7,812,507)	(333,286)	24,856,894	10.16	(0.12)
<b>Total</b>	<b>177,667,565</b>	<b>9,841,279</b>	<b>(41,029,240)</b>	<b>(2,498,859)</b>	<b>143,980,745</b>	<b>N/A</b>	<b>N/A</b>

#### 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 D	1.50%
Class B3	1.25%	Class E15	0.50%
Class C1	1.00%	Class F	1.25%

For the year ended December 31, 2018, the BMG Fund incurred management fees of \$2,522,641 [2017: \$3,399,244].

##### Holdings of Related Party

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

	2018	2017
Class A	1	1
Class D	101	-

## NOTES TO FINANCIAL STATEMENTS (continued)

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### 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. A discount dealer may charge a fee at the time an investor buys class D units.

The Manager paid trailer fees to dealers of \$956,581 in 2018 [2017: \$1,314,312].

### 6. Income Tax Loss Carryforwards

As at December 31, 2018, the BMG Fund had no capital or non-capital losses available to offset future years' taxable income.

For tax purposes, the BMG Fund generally treats gains from the disposition of bullion as capital gains, rather than income, as it intends to be a long-term passive holder of bullion, and it generally disposes of its holdings in bullion only for the purposes of meeting redemptions or to fund the payment of expenses incurred by the BMG Fund. The Canada Revenue Agency has, however, expressed the opinion, that gains or losses of mutual fund trusts resulting from transactions in commodities should generally be treated for tax purposes as ordinary income rather than as capital gains, although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances. The Canada Revenue Agency may assert that its position applies to BMG Fund's transactions in respect of bullion.

### 7. Financial Risk Management

The BMG Fund's financial instruments consist primarily of cash, 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, 2018, 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 \$5,844,596 [December 31, 2017: \$7,189,738] or 5% [December 31, 2017: 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, 2018, 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.

## NOTES TO FINANCIAL STATEMENTS (continued)

### December 31, 2018

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 204,108	\$ 204,108
Redemptions payable	-	433,907	433,907
Distributions payable	-	18,397	18,397
Accounts payable and accrued liabilities	-	173,776	173,776
Redeemable units	117,147,450	-	117,147,450

### December 31, 2017

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 266,760	\$ 266,760
Redemptions payable	-	128,331	128,331
Accounts payable and accrued liabilities	-	154,679	154,679
Redeemable units	143,980,745	-	143,980,745

### Interest Rate Risk

The majority of the BMG Fund's financial assets and liabilities were non-interest-bearing as at December 31, 2018 and 2017. 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 US 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 US 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, 2018, 99.8% [December 31, 2017: 99.9%] of the BMG Fund's net assets were exposed to US 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 \$1,169,300 [December 31, 2017: \$1,438,640].

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 US dollar.

### Foreign Currency Exposure

#### December 31, 2018

Description	US \$	Canada \$	Total \$
Cash	48,622	918,356	966,978
Investments in bullion	116,891,915	-	116,891,915
Other Net Assets	(10,580)	(700,863)	(711,443)
<b>Net Assets</b>	<b>116,929,957</b>	<b>217,493</b>	<b>117,147,450</b>
<b>Percent</b>	<b>99.8%</b>	<b>0.2%</b>	<b>100%</b>

## NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

Description	US \$	Canada \$	Total \$
Cash	84,361	614,466	698,827
Investments in bullion	143,794,758	-	143,794,758
Other Net Assets	(15,084)	(497,756)	(512,840)
<b>Net Assets</b>	<b>143,864,035</b>	<b>116,710</b>	<b>143,980,745</b>
<b>Percent</b>	<b>99.9%</b>	<b>0.1%</b>	<b>100%</b>

### 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, subscriptions receivable, accounts payable and accrued liabilities, distributions payable, 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 their fair value requires the use of significant unobservable inputs, in which case they are classified as Level 3.

There were no transfers between levels for the years ended December 31, 2018 and 2017. In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2018 and 2017.



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