

**BMG GOLD BULLIONFUND**

# **SEMI-ANNUAL REPORT**

**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019**



# **BMG Gold BullionFund**

---

## **Semi-Annual Financial Statements**

For the six-month period ended June 30, 2019 (unaudited)



BMG  
MANAGEMENT  
SERVICES INC.  
A BMG Company

## **TABLE OF CONTENTS**

---

Statements of Financial Position	1
Statements of Comprehensive Income (Loss)	2
Statements of Changes in Net Assets Attributable to Holders of Redeemable Units	3
Statements of Cash Flows	3
Schedule of Investment Portfolio	4
Notes to Financial Statements	4

## STATEMENTS OF FINANCIAL POSITION

As at June 30, 2019 and December 31, 2018

(Unaudited)

	2019 \$	2018 \$
<b>ASSETS</b>		
Current assets		
Cash	621,583	661,162
Investments in gold bullion [Average cost \$78,049,151; December 2018 - \$68,268,907]	93,590,186	80,227,063
Subscriptions receivable	6,000	15,405
<b>Total assets</b>	<b>94,217,769</b>	<b>80,903,630</b>
<b>LIABILITIES</b>		
Current liabilities		
Management fees payable	133,419	144,204
Redemptions payable	53,423	173,899
Accounts payable and accrued liabilities	127,122	129,037
<b>Total liabilities (excluding net assets attributable to holders of redeemable units)</b>	<b>313,964</b>	<b>447,140</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>93,903,805</b>	<b>80,456,490</b>
<b>Net assets attributable to holders of redeemable units per class (Note 3)</b>		
Class A	55,373,818	58,235,006
Class B3	126,176	135,787
Class C2	333,491	319,092
Class C3	2,252,811	1,895,168
Class D	1,610,766	1,190,839
Class F	13,257,134	16,234,015
Class G09	1,408,942	1,282,661
Class I	18,372,796	10
Class S1	1,141,157	1,126,087
Class S2	26,714	37,825
	<b>93,903,805</b>	<b>80,456,490</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 Gold BullionFund



Nick Barisheff  
Director



Marty Nicandro  
Director

## STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the six-month periods ended June 30

(Unaudited)

	2019 \$	2018 \$
<b>INVESTMENT INCOME</b>		
Net unrealized gains (losses) on investments in gold bullion	3,582,879	(123,150)
Net realized gains on investments in gold bullion	1,131,136	877,832
Foreign exchange gains (losses)	(4,057)	5,056
Early redemption fees	516	1,882
Other	3,065	1,155
<b>Total investment income</b>	<b>4,713,539</b>	<b>762,775</b>
<b>EXPENSES</b>		
Management fees (Note 4)	737,369	926,220
Security holder reporting costs	147,515	157,470
Bullion storage fees	33,892	36,979
Services tax	104,693	128,882
Other administrative expenses	10,860	12,670
Legal fees	9,412	9,412
Audit fees	12,851	12,851
Filing fees	15,385	15,385
Independent Review Committee fees	9,412	8,326
<b>Total expenses</b>	<b>1,081,389</b>	<b>1,308,195</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>3,632,150</b>	<b>(545,420)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class (Note 3)</b>		
Class A	1,941,303	(74,753)
Class B3	5,284	18,243
Class C2	14,399	(13,919)
Class C3	89,008	(36,287)
Class D	70,069	(16,013)
Class F	543,639	(102,819)
Class G09	57,856	23,647
Class I	857,964	(352,665)
Class S1	51,362	8,680
Class S2	1,267	466
	<b>3,632,150</b>	<b>(545,420)</b>

See accompanying notes.

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

For the six-month periods ended June 30  
(Unaudited)

	2019 \$	2018 \$
Net assets attributable to holders of redeemable units, beginning of period	80,456,490	91,658,907
Issue of redeemable units	22,352,847	21,631,219
Redemption of redeemable units	(12,537,682)	(14,944,645)
Increase (decrease) in net assets attributable to holders of redeemable units	3,632,150	(545,420)
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>93,903,805</b>	<b>97,800,061</b>

See accompanying notes.

## STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30  
(Unaudited)

	2019 \$	2018 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	3,632,150	(545,420)
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities		
Purchase of investments in gold bullion	(18,050,813)	(15,144,002)
Proceeds from sales of investments in gold bullion	9,401,705	7,099,718
Net realized gains on investments in gold bullion	(1,131,136)	(877,832)
Net unrealized (gains) losses on investments in gold bullion	(3,582,879)	123,150
Net changes in non-cash operating balances:		
Decrease in management fees payable	(10,785)	(9,898)
Increase (decrease) in accounts payable and accrued liabilities	(1,915)	2,514
<b>Net cash used in operating activities</b>	<b>(9,743,673)</b>	<b>(9,351,770)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of redeemable units	22,352,847	21,631,219
(Increase) decrease in subscriptions receivable	9,405	(89,930)
Amounts paid on redemption of redeemable units	(12,537,682)	(14,944,645)
Increase (decrease) in redemptions payable	(120,476)	2,631,386
<b>Net cash provided by financing activities</b>	<b>9,704,094</b>	<b>9,228,030</b>
<b>Net increase (decrease) in cash during the period</b>	<b>(39,579)</b>	<b>(123,740)</b>
<b>Cash, beginning of period</b>	<b>661,162</b>	<b>733,152</b>
<b>Cash, end of period</b>	<b>621,583</b>	<b>609,412</b>

See accompanying notes.

## SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2019

(Unaudited)

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	50,257.696	573.266	50,830.962	78,049,151	93,590,186	99.3
Cash				623,406	621,583	0.7
<b>Total Investment</b>				<b>78,672,557</b>	<b>94,211,769</b>	<b>100.0</b>

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

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

The BMG Fund's gold 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

(Unaudited)

### 1. Formation of the Fund

BMG Gold Bullion Fund (the "BMG Fund") was established under the laws of Ontario by a Master Declaration of Trust and Regulation each dated September 4, 2009, as amended. The address of the BMG Fund's registered office is: 280-60 Renfrew Drive, Markham, ON, L3R 0E1. BMG Management Services Inc. (the "Manager") is the trustee and manager of the BMG Fund. The BMG Fund currently offers ten classes of units.

These financial statements pertain to Class A, Class B3, Class C2, Class C3, Class D, Class F, Class G09, Class I, Class S1 and Class S2 units. The classes were first offered on the following dates:

Class A	September 4, 2009	Class F	January 18, 2010
Class B3	March 27, 2015	Class G09	June 10, 2010
Class C2	March 27, 2018	Class I	April 4, 2018
Class C3	March 12, 2014	Class S1	November 9, 2010
Class D	January 16, 2018	Class S2	November 9, 2010

The BMG Fund invests only in gold bullion, with the objective of providing a secure, convenient and low-cost alternative for investors seeking to hold gold 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)*

---

(Unaudited)

### 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 interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The BMG Fund prepared these interim financial statements for the six-month period ended June 30, 2019 (and comparative results for the six-month period ended June 30, 2018) in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting*. These interim financial statements should be read in conjunction with the annual financial statements contained in the BMG Fund’s 2018 Annual Report.

The interim financial statements were authorized for issue by the Board of Directors on August 19, 2019.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments in gold 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 gold bullion at fair value through profit or loss.

The BMG Fund classifies financial assets and financial liabilities other than its investments in gold bullion and redeemable units 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 and management fees payable.

##### *(b) Recognition/derecognition*

Purchases and sales of investments in gold 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 net assets.

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

##### *(c) Subsequent measurement*

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



## NOTES TO FINANCIAL STATEMENTS *(continued)*

(Unaudited)

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

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

### *(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:

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

Fair value of investments in gold 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 Income (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.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

---

(Unaudited)

### 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.

### 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 gold 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 interim financial statements as a result of adopting IFRS 9 with an effective date of January 1, 2018.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

(Unaudited)

Effective January 1, 2019, the BMG Fund adopted IFRIC Interpretation 23, Uncertainty over Income Tax Treatments [“IFRIC 23”], which clarifies the accounting treatment used to reflect uncertainty in the recognition and measurement of income taxes. IFRIC 23 specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The BMG Fund has considered the impact of IFRIC 23 on the recognition and measurement of uncertainties over income tax treatments across the jurisdictions in which it operates and has determined that there is no cumulative effect to opening deficit or other appropriate components of equity upon adoption.

### 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 six-month periods ended June 30:

	Class A		Class B3	
	2019	2018	2019	2018
Balance - beginning of period	11,396,452	14,617,973	12,590	57,102
Issued	479,686	328,261	-	-
Redeemed	(1,429,778)	(1,579,830)	(1,380)	(44,511)
<b>Balance - end of period</b>	<b>10,446,360</b>	<b>13,366,404</b>	<b>11,210</b>	<b>12,591</b>
Average units outstanding	10,934,516	13,968,172	11,630	35,953
	Class C2		Class C3	
	2019	2018	2019	2018
Balance - beginning of period	31,966	-	177,523	76,175
Issued	-	28,925	27,174	85,841
Redeemed	-	-	(2,920)	-
<b>Balance - end of period</b>	<b>31,966</b>	<b>28,925</b>	<b>201,780</b>	<b>162,016</b>
Average units outstanding	31,966	27,294	185,912	123,177
	Class D		Class F	
	2019	2018	2019	2018
Balance - beginning of period	115,478	-	2,669,694	2,586,138
Issued	56,409	49,366	221,986	1,265,554
Redeemed	(21,929)	-	(801,545)	(947,509)
<b>Balance - end of period</b>	<b>149,958</b>	<b>49,366</b>	<b>2,090,135</b>	<b>2,904,183</b>
Average units outstanding	140,796	32,826	2,377,689	3,092,388

## NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

	Class G09		Class I	
	2019	2018	2019	2018
Balance - beginning of period	106,743	214,558	1	-
Issued	15,898	-	1,698,016	1,081,443
Redeemed	(10,289)	(65,768)	(1)	(9,164)
<b>Balance - end of period</b>	<b>112,352</b>	<b>148,790</b>	<b>1,698,016</b>	<b>1,072,279</b>
Average units outstanding	118,411	169,970	1,362,664	827,833

  

	Class S1		Class S2	
	2019	2018	2019	2018
Balance - beginning of period	106,950	112,050	3,700	4,800
Issued	-	-	-	-
Redeemed	(3,500)	(4,500)	(1,200)	(1,100)
<b>Balance - end of period</b>	<b>103,450</b>	<b>107,550</b>	<b>2,500</b>	<b>3,700</b>
Average units outstanding	105,348	110,213	3,521	4,466

### Total net assets attributable to holders of redeemable units per class and per unit For the six-month period ended June 30, 2019

	Net assets attributable to holders of redeemable units, beginning of period	Subscriptions	Redemptions	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period	Net assets attributable to holders of redeemable units per unit	Increase in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	58,235,006	2,421,283	(7,223,774)	1,941,303	55,373,818	5.30	0.18
Class B3	135,787	-	(14,895)	5,284	126,176	11.26	0.45
Class C2	319,092	-	-	14,399	333,491	10.43	0.45
Class C3	1,895,168	300,000	(31,365)	89,008	2,252,811	11.16	0.48
Class D	1,190,839	572,615	(222,757)	70,069	1,610,766	10.74	0.50
Class F	16,234,015	1,353,223	(4,873,743)	543,639	13,257,134	6.34	0.23
Class G09	1,282,661	190,894	(122,469)	57,856	1,408,942	12.54	0.49
Class I	10	17,514,832	(10)	857,964	18,372,796	10.82	0.63
Class S1	1,126,087	-	(36,291)	51,361	1,141,157	11.03	0.49
Class S2	37,825	-	(12,378)	1,267	26,714	10.69	0.36
<b>Total</b>	<b>80,456,490</b>	<b>22,352,847</b>	<b>(12,537,682)</b>	<b>3,632,150</b>	<b>93,903,805</b>	<b>N/A</b>	<b>N/A</b>

### For the six-month period ended June 30, 2018

	Net assets attributable to holders of redeemable units, beginning of period	Subscriptions	Redemptions	Increase (decrease) in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period	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	71,760,140	1,660,939	(7,968,708)	(74,753)	65,377,618	4.89	(0.01)
Class B3	585,169	-	(474,164)	18,243	129,248	10.27	0.51
Class C2	-	288,190	-	(13,919)	274,271	9.48	(0.51)
Class C3	768,441	909,681	-	(36,287)	1,641,835	10.13	(0.29)
Class D	-	501,300	-	(16,013)	485,287	9.83	(0.49)
Class F	14,940,933	7,558,047	(5,585,017)	(102,819)	16,811,144	5.79	(0.03)
Class G09	2,446,865	-	(769,621)	23,647	1,700,891	11.43	0.14
Class I	-	10,713,062	(89,593)	(352,665)	10,270,804	9.58	(0.43)
Class S1	1,110,934	-	(46,578)	8,680	1,073,036	9.98	0.08
Class S2	46,425	-	(10,964)	466	35,927	9.71	0.10
<b>Total</b>	<b>91,658,907</b>	<b>21,631,219</b>	<b>(14,944,645)</b>	<b>(545,420)</b>	<b>97,800,061</b>	<b>N/A</b>	<b>N/A</b>

## NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

### 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 F	1.25%
Class B3	1.25%	Class G09	1.25%
Class C2	0.87%	Class I	0.00%
Class C3	0.75%	Class S1	0.45%
Class D	1.50%	Class S2	0.95%

For the six months ended June 30, 2019, the BMG Fund incurred management fees of \$737,369 [2018: \$926,220].

#### Holdings of Related Party

The Manager held units in the following Class as at June 30:

	2019	2018
Class D	-	11,938

### 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 G units or Class S units of the BMG Fund. The maximum amount of the sales commission for Classes A, B, and G is 5.26% of the net amount invested, and for Class S it is 5.82% of the net amount invested. The sales commission is only negotiable for Classes A, B 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 \$266,487 during the first six months of 2019 [2018: \$347,777].

### 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, investments in gold bullion, subscriptions receivable, management fees payable, redemptions payable, and accounts payable and accrued liabilities. The BMG Fund's cash and gold 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 gold bullion investments will fluctuate because of changes in market prices or transaction timing. The market price of gold 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 in one type of investment. Since the BMG Fund does not lease gold, the only future cash flows will be from dispositions of gold bullion. Dispositions of bullion will be necessary to pay redemptions when cash reserves are not adequate.

## NOTES TO FINANCIAL STATEMENTS (continued)

### (Unaudited)

As at June 30, 2019, the effect on the BMG Fund's net assets if there were a 5% increase or decrease in the price of gold bullion, with all other variables held constant, would be an increase or decrease of \$4,679,509 [December 31, 2018: \$4,011,353].

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

### Credit Risk

As at June 30, 2019, 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 gold 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, gold 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.

#### June 30, 2019

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 133,419	\$ 133,419
Redemptions payable	-	53,423	53,423
Accounts payable and accrued liabilities	-	127,122	127,122
Redeemable units	93,903,805	-	93,903,805

#### December 31, 2018

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 144,204	\$ 144,204
Redemptions payable	-	173,899	173,899
Accounts payable and accrued liabilities	-	129,037	129,037
Redeemable units	80,456,490	-	80,456,490

### Interest Rate Risk

The majority of the BMG Fund's financial assets and liabilities were non-interest-bearing as at June 30, 2019 and December 31, 2018. Accordingly, the BMG Fund is not directly exposed to significant risk due to fluctuations in the prevailing levels of market interest rates.

### Currency Risk

Gold 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 gold bullion when surplus cash is available. Normally the cash balance is less than 5% of the assets of the BMG Fund.

As at June 30, 2019, 99.7% [December 31, 2018: 99.7%] 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 \$936,612 [December 31, 2018: \$803,004].

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.

## NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

### Foreign Currency Exposure

June 30, 2019

Description	US \$	Canada \$	Total \$
Cash	78,577	543,006	621,583
Investments in gold bullion	93,590,186	-	93,590,186
Other Net Assets	(7,517)	(300,447)	(307,964)
<b>Net Assets</b>	<b>93,661,246</b>	<b>242,559</b>	<b>93,903,805</b>
Percent	99.7%	0.3%	100.0%

December 31, 2018

Description	US \$	Canada \$	Total \$
Cash	79,794	581,368	661,162
Investments in gold bullion	80,227,063	-	80,227,063
Other Net Assets	(6,426)	(425,309)	(431,735)
<b>Net Assets</b>	<b>80,300,431</b>	<b>156,059</b>	<b>80,456,490</b>
Percent	99.7%	0.3%	100.0%

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

There were no transfers between levels for the six months ended June 30, 2019 and 2018. In addition, there were no investments or transactions classified in Level 3 for the six months ended June 30, 2019 and 2018.



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

H E A D O F F I C E 2 8 0 - 6 0 R E N F R E W D R I V E , M A R K H A M , O N L 3 R 0 E 1 C A N A D A

1 . 8 8 8 . 4 7 4 . 1 0 0 1 | 9 0 5 . 4 7 4 . 1 0 0 1 | B M G - G R O U P . C O M | I N F O @ B M G - G R O U P . C O M

The BMG Group of Companies includes the parent company, BMG Group Inc., and its wholly owned subsidiaries, BMG Management Services Inc., BMG Marketing Services Inc., BMG DSC Inc. and Bullion Custodial Services Inc. (collectively, "BMG").

The forward-looking information, opinions, estimates and projections contained herein are solely those of BMG Management Services Inc. ("BMS"), a BMG company, and are subject to change without notice. BMS makes every effort to ensure that the information has been derived from sources believed to be reliable and accurate. However, BMS assumes no responsibility for any losses or damages, whether direct or indirect, that arise out of the use of this information. BMS is the investment manager of BMG BullionFund™, BMG Gold BullionFund™ and BMG Silver BullionFund™ (collectively, "BMG Funds"). The information should not be regarded by recipients as a substitute for the exercise of their own judgment. Commissions, trailing commissions, management fees and expenses may all be associated with an investment in BMG Funds™. Please read the prospectus before investing. BMG BullionFund™, BMG Gold BullionFund™ and BMG Silver BullionFund™ are not guaranteed, their units fluctuate in value and past performance may not be repeated.