

**BMG SILVER BULLIONFUND**

# **SEMI-ANNUAL REPORT**

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



# **BMG Silver BullionFund**

---

## **Semi-Annual Financial Statements**

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



**B M G**  
**MANAGEMENT**  
**SERVICES INC.**

A BMG Company

## **TABLE OF CONTENTS**

---

Statements of Financial Position	1
Statements of Comprehensive 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	107,141	70,003
Investments in silver bullion [Average cost \$10,631,740; December 2018 - \$4,711,763]	9,868,549	4,375,061
Due from Manager (Note 4)	32,267	53,587
<b>Total assets</b>	<b>10,007,957</b>	<b>4,498,651</b>
<b>LIABILITIES</b>		
Current liabilities		
Management fees payable	7,201	7,945
Accounts payable and accrued liabilities	38,190	36,502
<b>Total liabilities (excluding net assets attributable to holders of redeemable units)</b>	<b>45,391</b>	<b>44,447</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>9,962,566</b>	<b>4,454,204</b>
<b>Net assets attributable to holders of redeemable units per class (Note 3)</b>		
Class A	3,057,976	3,536,325
Class D	439,541	328,199
Class F	398,094	589,680
Class I	6,066,955	-
	<b>9,962,566</b>	<b>4,454,204</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 Silver BullionFund



Nick Barisheff  
Director



Marty Nicandro  
Director

## STATEMENTS OF COMPREHENSIVE LOSS

For the six-month period ended June 30

(Unaudited)

	2019	2018
	\$	\$
<b>INVESTMENT INCOME</b>		
Net unrealized gains (losses) on investments in silver bullion	(426,489)	97,637
Net realized losses on investments in silver bullion	(48,286)	(121,757)
Foreign exchange gains (losses)	(352)	465
Early redemption fees	26	40
Other	589	102
<b>Total investment loss</b>	<b>(474,512)</b>	<b>(23,513)</b>
<b>EXPENSES</b>		
Management fees (Note 4)	42,578	57,917
Security holder reporting costs	34,390	43,800
Bullion storage fees	5,703	4,143
Services tax	9,353	10,113
Other administrative expenses	3,631	4,531
Legal fees	5,068	5,068
Audit fees	6,335	6,335
Filing fees	15,385	15,385
Independent Review Committee fees	543	543
<b>Total expenses</b>	<b>122,986</b>	<b>147,835</b>
Expenses absorbed by Manager (Note 4)	(32,267)	(62,625)
<b>Total expenses after absorption</b>	<b>90,719</b>	<b>85,210</b>
<b>Decrease in net assets attributable to holders of redeemable units</b>	<b>(565,231)</b>	<b>(108,723)</b>
<b>Decrease in net assets attributable to holders of redeemable units per class (Note 3)</b>		
Class A	(256,663)	(93,906)
Class B3	-	(8,440)
Class D	(38,227)	(939)
Class F	(37,226)	(5,438)
Class I	(233,115)	-
	<b>(565,231)</b>	<b>(108,723)</b>

See accompanying notes.

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

For the six-month period ended June 30

(Unaudited)

	2019 \$	2018 \$
Net assets attributable to holders of redeemable units, beginning of period	4,454,204	5,946,959
Issue of redeemable units	6,864,022	941,062
Redemption of redeemable units	(790,429)	(1,649,474)
Decrease in net assets attributable to holders of redeemable units	(565,231)	(108,723)
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>9,962,566</b>	<b>5,129,824</b>

See accompanying notes.

## STATEMENTS OF CASH FLOWS

For the six-month period ended June 30

(Unaudited)

	2019 \$	2018 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Decrease in net assets attributable to holders of redeemable units	(565,231)	(108,723)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used in operating activities		
Purchase of investments in silver bullion	(6,504,000)	(399,001)
Proceeds from sales of investments in silver bullion	535,737	1,271,000
Net realized losses on investments in silver bullion	48,286	121,757
Net unrealized (gains) losses on investments in silver bullion	426,489	(97,637)
Net changes in non-cash operating balances:		
Increase in due from broker	-	(75,000)
(Increase) decrease in due from Manager	21,320	(20,416)
Decrease in management fees payable	(744)	(1,036)
Increase in accounts payable and accrued liabilities	1,688	3,901
<b>Net cash provided by (used in) operating activities</b>	<b>(6,036,455)</b>	<b>694,845</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of redeemable units	6,864,022	941,062
Increase in subscriptions receivable	-	(80,797)
Amounts paid on redemption of redeemable units	(790,429)	(1,649,474)
Increase in redemptions payable	-	92,992
<b>Net cash provided by (used in) financing activities</b>	<b>6,073,593</b>	<b>(696,217)</b>
<b>Net increase (decrease) in cash during the period</b>	<b>37,138</b>	<b>(1,372)</b>
<b>Cash, beginning of period</b>	<b>70,003</b>	<b>54,121</b>
<b>Cash, end of period</b>	<b>107,141</b>	<b>52,749</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 %
Silver Bullion	491,238.389	4,951.212	496,189.601	10,631,740	9,868,549	98.9
Cash				107,314	107,141	1.1
<b>Total Investment</b>				<b>10,739,054</b>	<b>9,975,690</b>	<b>100.0</b>

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

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

The BMG Fund's silver 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 Silver BullionFund (the "BMG Fund") was established under the laws of Ontario by a Master Declaration of Trust and Regulation each dated September 21, 2016, as amended. The BMG Fund commenced operation on September 26, 2016. 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 five classes of units.

These financial statements pertain to Class A, Class B3, Class D, Class F and Class I units. The classes were first started on the following dates:

Class A	September 26, 2016	Class F	September 26, 2016
Class B3	November 18, 2016	Class I	February 27, 2019
Class D	January 16, 2018		

All classes share the same attributes from a valuation perspective, except that they are subject to different management fee rates.

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

### 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 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.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

---

(Unaudited)

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

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

- Financial assets at amortized cost: Cash and due from Manager.
- Financial liabilities at amortized cost and designated as other financial liabilities: Accounts payable and accrued liabilities, and management fees payable.

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

Purchases and sales of investments in silver 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 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 silver bullion are recognized in the Statements of Comprehensive Loss. Costs of investments in silver 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 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.

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

## NOTES TO FINANCIAL STATEMENTS *(continued)*

(Unaudited)

### *(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 silver 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 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 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.

### **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).

## NOTES TO FINANCIAL STATEMENTS *(continued)*

---

(Unaudited)

### 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, subscriptions receivable, due from broker and due from Manager, have been classified as financial assets at amortized cost. The Company's investments in silver 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.

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

## NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

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 period ended June 30:

	Class A		Class B3	
	2019	2018	2019	2018
Balance - beginning of period	469,731	625,973	-	47,001
Issued	35,917	66,947	-	-
Redeemed	(66,456)	(120,903)	-	(47,001)
<b>Balance - end of period</b>	<b>439,192</b>	<b>570,017</b>	<b>-</b>	<b>-</b>
Average units outstanding	450,287	599,926	-	47,001

  

	Class D		Class F	
	2019	2018	2019	2018
Balance - beginning of period	33,883	-	76,429	80,065
Issued	31,989	25,524	-	21,376
Redeemed	(16,990)	(296)	(20,944)	(34,244)
<b>Balance - end of period</b>	<b>48,882</b>	<b>25,228</b>	<b>55,485</b>	<b>67,197</b>
Average units outstanding	51,082	18,660	65,616	62,867

  

	Class I	
	2019	2018
Balance - beginning of period	-	-
Issued	641,145	-
Redeemed	(100)	-
<b>Balance - end of period</b>	<b>641,045</b>	<b>-</b>
Average units outstanding	537,724	-

## NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

### 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	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	Decrease in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	3,536,325	260,492	(482,178)	(256,663)	3,057,976	6.96	(0.57)
Class D	328,199	302,530	(152,961)	(38,227)	439,541	8.99	(0.75)
Class F	589,680	-	(154,360)	(37,226)	398,094	7.17	(0.57)
Class I	-	6,301,000	(930)	(233,115)	6,066,955	9.46	(0.43)
<b>Total</b>	<b>4,454,204</b>	<b>6,864,022</b>	<b>(790,429)</b>	<b>(565,231)</b>	<b>9,962,566</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	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	Decrease in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	4,883,622	520,831	(951,617)	(93,906)	4,358,930	7.65	(0.16)
Class B3	429,985	-	(421,545)	(8,440)	-	-	(0.18)
Class D	-	251,173	(2,952)	(939)	247,282	9.80	(0.05)
Class F	633,352	169,058	(273,360)	(5,438)	523,612	7.79	(0.09)
<b>Total</b>	<b>5,946,959</b>	<b>941,062</b>	<b>(1,649,474)</b>	<b>(108,723)</b>	<b>5,129,824</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 D	1.50%
Class F	1.25%
Class I	0.00%

For the six months ended June 30, 2019, the BMG Fund incurred management fees of \$42,578 [2018: \$57,917].

For the six months ended June 30, 2019, the Manager absorbed the BMG Fund operating expenses of \$32,267 [2018: \$62,625]. The decision to reduce expenses is made at the discretion of the Manager, and may be changed at any time.

##### Holdings of Related Party

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

	2019	2018
Class D	-	7,817
Class F	-	5,000

## NOTES TO FINANCIAL STATEMENTS *(continued)*

---

(Unaudited)

### 5. Sales Commission

A sales commission may be charged by a registered dealer or representative at the time an investor buys Class A units or Class B units of the BMG Fund. The maximum amount of the sales commission for Classes A and B is 5.26% of the net amount invested. The sales commission is only negotiable for Classes A and B. No sales commission is currently charged for the Class F 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 \$15,601 during the first six months of 2019 [2018: \$23,940].

### 6. Income Tax Loss Carryforwards

As at December 31, 2018, the BMG Fund had no 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.

The BMG Fund has capital loss carryforwards of approximately \$83,000 [2018: \$83,000] available to offset future years' taxable capital gains.

### 7. Financial Risk Management

The BMG Fund's financial instruments consist primarily of cash, subscriptions receivable, due from broker, due from Manager, investments in silver bullion, management fees payable, redemptions payable, and accounts payable and accrued liabilities. The BMG Fund's cash and silver 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 silver bullion investments will fluctuate because of changes in market prices or transaction timing. The market price of silver 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 silver, the only future cash flows will be from dispositions of silver bullion. Dispositions of bullion will be necessary to pay redemptions when cash reserves are not adequate.

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 silver bullion, with all other variables held constant, would be an increase or decrease of \$493,427 [December 31, 2018: \$250,053].

The actual result will vary depending upon the quantity of silver 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 silver 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, silver 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)

(Unaudited)

### June 30, 2019

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 7,201	\$ 7,201
Accounts payable and accrued liabilities	-	38,190	38,190
Redeemable units	9,962,566	-	9,962,566

### December 31, 2018

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 7,945	\$ 7,945
Accounts payable and accrued liabilities	-	36,502	36,502
Redeemable units	4,454,204	-	4,454,204

### 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

Silver 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 silver 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, 99.1% [December 31, 2018: 98.3%] 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 \$98,732 [December 31, 2018: \$43,802].

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

#### June 30, 2019

Description	US \$	Canada \$	Total \$
Cash	6,367	100,774	107,141
Investments in silver bullion	9,868,549	-	9,868,549
Other Net Assets	(1,715)	(11,409)	(13,124)
<b>Net Assets</b>	<b>9,873,201</b>	<b>89,365</b>	<b>9,962,566</b>
<b>Percent</b>	<b>99.1%</b>	<b>0.9%</b>	<b>100.0%</b>

#### December 31, 2018

Description	US \$	Canada \$	Total \$
Cash	5,950	64,053	70,003
Investments in silver bullion	4,375,061	-	4,375,061
Other Net Assets	(803)	9,943	9,140
<b>Net Assets</b>	<b>4,380,208</b>	<b>73,996</b>	<b>4,454,204</b>
<b>Percent</b>	<b>98.3%</b>	<b>1.7%</b>	<b>100.0%</b>

## NOTES TO FINANCIAL STATEMENTS *(continued)*

---

(Unaudited)

### **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, due from broker, due from manager, accounts payable and accrued liabilities, management fees payable, redemptions 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 period ended June 30, 2019 and 2018. In addition, there were no investments or transactions classified in Level 3 for the period 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 .**

**HEAD OFFICE 280-60 RENFREW DRIVE, MARKHAM, ON L3R 0E1 CANADA  
1.888.474.1001 | 905.474.1001 | BMG-GROUP.COM | INFO@BMG-GROUP.COM**

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.