

# BMG FUNDS

## ANNUAL INFORMATION FORM

DATED, November 27, 2020

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### **BMG BullionFund**

*(Offering Class A, Class B1, Class B2, Class B3, Class C1, Class C2, Class C3, Class D and Class F Units)*

### **BMG Gold BullionFund**

*(Offering Class A, Class B1, Class B2, Class B3, Class C1, Class C2, Class C3, Class D and Class F Units)*

### **BMG Silver BullionFund**

*(Offering Class A, Class B1, Class B2, Class C1, Class C2, Class C3, Class D and Class F Units)*

(individually, a **BMG Fund** and collectively, the **BMG Funds**)



BMG  
MANAGEMENT  
SERVICES INC.  
A BMG Company

*No securities regulatory authority has expressed an opinion about these units and it is an offence to claim otherwise. The BMG Funds and the units of the BMG Funds offered under this Annual Information Form are not registered with the United States Securities and Exchange Commission and they are sold in the United States only in reliance upon exemptions from registration.*

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## Name, Formation and History of the BMG Funds

This annual information form (the **AIF**) contains information about all of the BMG Funds. It is intended to be read along with the simplified prospectus (the **Simplified Prospectus**) of the BMG Funds you are investing in. If you have questions after reading these documents, please contact your financial advisor or the contact details located at the end of this AIF.

The principal office of each BMG Fund is Suite 280, 60 Renfrew Drive, Markham, Ontario, L3R 0E1.

Each of the BMG Funds is a trust established under the laws of Ontario by BMG Management Services Inc. (**BMS** or the **Manager** or the **Trustee**). The Manager acts as the manager, promoter and trustee of the BMG Funds. The Manager was incorporated in Ontario on November 3, 1998 and its sole business activity is management of the BMG Funds. The Bank of Nova Scotia acts as the custodian for the bullion assets of the BMG Funds. RBC Investor Services Trust acts as sub-custodian for the non-bullion assets of the BMG Funds. RBC Investor Services Trust (the **Administrator**) also provides administrative services to the BMG Funds.

BMG BullionFund (*formerly called The Millennium BullionFund until March 18, 2008*) was established on January 15, 2002 and is governed by an amended and restated master declaration of trust dated August 24, 2011 and an amended and restated regulation dated November 23, 2017.

BMG Gold BullionFund was established on September 4, 2009 and is governed by an amended and restated master declaration of trust dated August 24, 2011 and an amended and restated regulation dated November 23, 2017.

BMG Silver BullionFund was established on September 21, 2016 and is governed by an amended and restated master declaration of trust dated August 24, 2011 and an amended and restated regulation dated November 23, 2017.

The amended and restated master declaration of trust dated August 24, 2011 together with the regulation of a BMG Fund constitute the declaration of trust (the **Declaration of Trust**) of that BMG Fund.

A change in the fundamental investment objectives of a BMG Fund requires the approval of at least a majority of unitholders of the BMG Fund at a meeting called for that purpose. The Manager may change the investment strategies of a BMG Fund from time to time at its discretion.

The Manager changed the auditors of the BMG Funds from BDO Canada LLP to RSM Canada LLP effective December 30, 2019 upon the approval of the independent review committee (**IRC**) of the BMG Funds in accordance with National Instrument 81-107 *Independent Review Committee for Investment Funds (NI 81-107)*. Notice to unitholders was provided in accordance with applicable securities legislation.

The BMG Gold Advantage Return BullionFund merged into the BMG Gold BullionFund on August 28, 2014 upon receipt of unitholder approval from the unitholders of the BMG Gold Advantage Return BullionFund and regulatory approval for the merger. In the Manager's view, the merger was not a material change for the BMG Gold BullionFund.

Unless otherwise stated, all dollar amounts in this AIF are in Canadian dollars.

In this document, "we", "us" and "our" refers to BMS. A reference to "you" and "your" refers to everyone who invests in a BMG Fund.

## Investment Restrictions

The BMG Funds are subject to certain restrictions and practices contained in securities legislation, including National Instrument 81-102 *Investment Funds (NI 81-102)*, which are designed in part to ensure that the investments of the BMG Funds are diversified and relatively liquid and to ensure the proper administration of each BMG Fund. These restrictions and practices may only be varied with the prior consent of the Canadian Securities Administrators (the CSA).

Each BMG Fund is managed in accordance with these restrictions and practices except that each of the BMG Funds have obtained the necessary consent from the CSA such that they may invest substantially all of their assets in physical gold, silver or platinum bullion (taken at the market value at the time of purchase), as applicable.

Provided a BMG Fund qualifies as a mutual fund trust under the *Income Tax Act* (Canada) (the **Tax Act**), units of each class of the BMG Fund will be qualified investments for registered retirement savings plans (a **RRSP**), registered retirement income funds (a **RRIF**), deferred profit sharing plans (a **DPSP**), registered disability savings plans (a **RDSP**), registered education savings plans (a **RESP**) and tax-free savings accounts (a **TFSA**). Each BMG Fund currently qualifies as a mutual fund trust under the Tax Act.

## Description of Units of each Class of a BMG Fund

The BMG Funds are permitted to issue an unlimited number of classes of units (each a **Class**) and may issue an unlimited number of units of each Class. Each BMG Fund currently offers a different selection of Classes, which include:

Class A units:

Are available to all retail investors.

Class B1, Class B2 and Class B3 units (collectively, the **Class B units**):

Class B units of a BMG Fund are designed for individual investors who have agreed with their registered representative that they wish to purchase a Class B unit of an applicable BMG Fund offering reduced overall costs, including a reduced management fee and a reduced trailer fee via a tiered fee schedule based on certain large minimum investments. An investor must maintain a certain minimum balance in Class B units in a specific BMG Fund in order to remain eligible for investment in Class B units of a BMG Fund.

Class C1, Class C2 and Class C3 units (collectively, the **Class C units**):

Class C units of a BMG Fund are designed exclusively for individual investors who wish to purchase a Class C unit of an applicable BMG Fund offering a reduced overall management fee via a tiered fee schedule based on certain larger minimum investments and have entered into a fee-based program with their dealers where we do not pay any sales charges, trailing fees or other fees to their dealers. Fee-based accounts are all-inclusive programs where an individual investor pays their dealer a set fee (usually based on assets under administration) for all services and advice that they provide to the investor.

Class D units

Class D units are designed for retail investors who invest in a BMG Fund by means of a discount dealer. Class D units of a BMG Fund have a lower management fee than Class A units of the BMG Fund due to the lower trailer fee that is paid to the discount dealers.

Class E1 through E15 units (collectively, the **Class E units**):

Class E units of a BMG Fund are designed for investors who fall within certain prospectus exemption categories within the meaning of National Instrument 45-106 *Prospectus Exemptions (NI 45-106)*, and have a different level of management fees depending on the amount invested and the category of prospectus exemption relied upon.

Class F units:

Class F units of a BMG Fund are designed exclusively for investors who have entered into an investment management agreement with their dealers.

Class G units:

Class G units of a BMG Fund are designed exclusively for investors in foreign jurisdictions, and have a different level of management fees depending on the amount invested.

Class I units:

Class I units of a BMG Fund are designed exclusively for institutional investors and individual investors who have been approved by us. Each eligible investor must enter into a Class I unit account agreement with us.

Please refer to the BMG Funds' Simplified Prospectus for further information pertaining to Class A, Class B, Class C, Class D and Class F units of the BMG Funds and for details as to other classes of units of the BMG Funds that are available pursuant to exemptions under NI 45-106.

The interest of each investor in units of a Class of BMG Funds, who becomes a unitholder of that Class of BMG Funds, is equal to the number of units of that Class of the BMG Fund registered in the name of the unitholder. There is no limit to the number of units of a Class of BMG Funds that can be issued, and there is no fixed issue price. No unit of a Class of a BMG Fund has any preference or priority over any other unit of that Class of that BMG Fund.

No unitholder of a Class of a BMG Fund shall have individual ownership in any asset of the BMG Fund, nor any rights other than those mentioned in this AIF and the Declaration of Trust of the applicable BMG Fund.

Units of a Class of a BMG Fund entitle a registered holder to:

- (i) one vote at all meetings of unitholders of that Class of that BMG Fund;
- (ii) participate in all distributions and in the division of the net assets of that BMG Fund on the liquidation of that BMG Fund on a proportionate basis; and
- (iii) redeem units of that Class of that BMG Fund as described in this AIF under the heading "*Redemption of Units*".

A class of a BMG Fund will generally be entitled to a distribution in the event of dissolution of the BMG Fund. The distribution is equal to that Class's share of the BMG Fund's net assets after adjustment for expenses of the BMG Fund attributable to the series.

Units of a Class of a BMG Fund are not transferable, are not entitled to any pre-emptive or conversion rights and there is no liability for future calls or assessments. Fractions of a unit of a Class of a BMG Fund are entitled to all of these rights except voting rights.

The rights of a unit of a Class of a BMG Fund may only be modified by amending the Declaration of Trust for that BMG Fund.

### ***Meetings of Unitholders***

BMS may amend the Declaration of Trust of a BMG Fund without the prior approval of the unitholders of a Class of a BMG Fund and without notifying the unitholders of that Class of a BMG Fund of the change, if the proposed amendment is:

1. intended to ensure that a BMG Fund complies with the laws and regulations applicable to it or the requirements of any regulatory authority having jurisdiction over it;
2. intended to provide additional protection for the unitholders of that Class of a BMG Fund;
3. intended to remove conflicts or inconsistencies or correct typographical, clerical or other errors; or

4. a change which BMS decides is necessary to facilitate the administration of a BMG Fund or to respond to amendments to the Tax Act which might otherwise adversely affect the interests of a BMG Fund or the unitholders of that Class of the BMG Fund;

and is not reasonably expected to materially adversely affect the interest of unitholders of the BMG Fund.

Unitholders of a BMG Fund will be entitled to vote to approve all matters that require unitholder approval under NI 81-102 or the Declaration of Trust. As at the date of the AIF, these matters include:

- (i) a change in the manager of a BMG Fund, unless the new manager is an affiliate of the Manager;
- (ii) any change in the fundamental investment objective of a BMG Fund;
- (iii) any decrease in the frequency of calculating the net asset value of a BMG Fund;
- (iv) certain material reorganizations of a BMG Fund;
- (v) if the basis of the calculation of a fee or expense that is charged to a BMG Fund or a Class of the BMG Fund or directly to the unitholders of the BMG Fund by the BMG Fund or the Manager in connection with the holding of units of the BMG Fund is changed in a way that could result in an increase in charges to the BMG Fund or the Class of the BMG Fund or to the unitholders, unless the BMG Fund is at arm's-length to the person or company charging the fee or expense or if applicable securities laws do not require the approval of unitholders to be obtained and if written notice is sent to all unitholders of the BMG Fund or the Class at least 60 days before the effective date of the change;
- (vi) if a fee or expense, to be charged to a BMG Fund or a Class of the BMG Fund or directly to the BMG Fund's unitholders by the BMG Fund or the Manager in connection with the holding of units of the Fund that could result in an increase in charges to the BMG Fund or to its unitholders, is introduced, unless the BMG Fund is at arm's length to the person or company charging the fee or expense to the Fund or if applicable securities laws do not require the approval of unitholders to be obtained and if written notice is sent to all unitholders of the BMG Fund or the Class at least 60 days before the effective date of the change; and
- (vii) any other matter which requires the approval of unitholders pursuant to the Declaration of Trust or applicable laws.



## Valuation of Portfolio Assets

The net asset value (the **NAV**) per unit of a Class of a BMG Fund is determined as at 4:00 p.m. (Eastern time) (the **Valuation Time**) on each day that the Toronto Stock Exchange is open for business (a **business day** or a **Valuation Date**) and is equal to the assets of that Class of a BMG Fund minus the liabilities of that Class of the BMG Fund divided by the outstanding units of that Class of the BMG Fund.

The assets of each Class of a BMG Fund will be valued, as applicable, as follows:

- (a) the value of gold, silver and platinum bullion will be priced based on available spot prices;
- (b) any cash and subscription receivables will be valued at their face value; and
- (c) all assets of a Class of a BMG Funds carried in foreign currency will be translated into Canadian currency for valuation purposes as nearly as practicable using the best sources available to BMS and/or the applicable service provider, including its affiliates, on the Valuation Date on which the NAV of that Class of a BMG Fund is calculated.

The units of a Class of a BMG Fund will only be valued in accordance with the foregoing rules and BMS does not and will not exercise any discretion in how the NAV of a Class of the BMG Funds will be determined.

The liabilities of a Class of a BMG Fund on a Valuation Date include all of the expenses of that BMG Fund that are attributable to that Class of that BMG Fund and have arisen or accrued on or before that Valuation Date.

Prior to January 1, 2014, the Manager calculated the NAV per unit of a Class of a BMG Fund for its financial statements in accordance with Canadian Generally Accepted Accounting Policies (**GAAP**) pursuant to National Instrument 81-106 *Investment Fund Continuous Disclosure*. The main difference between the valuation methodology imposed by Canadian GAAP and the valuation methodology set out above is that securities listed on an exchange were valued at the latest available closing sale price under the above methodology, whereas Canadian GAAP required those securities to be valued based on the bid price for long positions and the ask price for short positions.

Effective January 1, 2014, the NAV per unit of a Class of a BMG Fund for financial statement purposes have been calculated in accordance with International Financial Reporting Standards (**IFRS**). Under IFRS, a BMG Fund's accounting policies for measuring the fair value of its investments for financial statement purposes are expected to be aligned with those used in measuring its NAV for transactions with unitholders.

The Manager may declare a suspension of the calculation of the NAV per unit for each Class of a BMG Fund in the circumstances described under the heading “*Redemption Of Units*”. There will be no calculation of NAV per unit for each Class during any suspension period and the BMG Fund will not be permitted to issue further units or redeem any units during this period.

## **Calculation of Net Asset Value per Unit**

All units of a Class of a BMG Fund will be sold at the NAV per unit of that Class of the BMG Fund for that day. The NAV per unit of a Class of a BMG Fund is calculated each Valuation Date at the Valuation Time, which is before any units of that Class of that BMG Fund are issued or redeemed. Any units of a Class of a BMG Fund that are purchased or redeemed on that day are reflected in the NAV per unit of that Class of that BMG Fund the next time it is calculated.

The Manager will make available the NAV per unit of each Class of the BMG Funds on the BMG Fund’s website at [www.bmg-group.com](http://www.bmg-group.com) at no cost.

## **Purchases of Units**

An investor may buy units of certain Classes of a BMG Fund in Canadian dollars or U.S. dollars from his or her dealer. Units of a Class of a BMG Fund will not be issued to an investor until the investor’s dealer confirms to BMS that it has received the necessary funds from the investor to buy the units of that Class of the BMG Fund. Certified cheques should be made payable to the name of the applicable BMG Fund. On request, a BMG Fund will issue certificates for units of any Class of the BMG Fund.

Purchase orders for units of a Class of a BMG Fund which are received by BMS at or prior to the Valuation Time on any Valuation Date will be priced on that day. Any purchase orders for units of a Class of a BMG Fund received after the Valuation Time on a Valuation Date will be priced on the next Valuation Date.

Within two business days following the Valuation Date on which a subscription for units of a Class of a BMG Fund is accepted, BMS will issue the units of the Class of the BMG Fund subscribed for at the NAV per unit of that Class of the BMG Fund on the Valuation Date. An investor may purchase units of a Class of a BMG Fund by certified cheque, bank draft, wire transfer or FundSERV transfer.

BMS has the right to accept or reject a purchase order for units of a Class of a BMG Fund. BMS will decide to accept or reject a purchase order for units of a Class of a BMG Fund within one business day of receiving the purchase order. If BMS rejects a purchase order, it will immediately return any monies received with the purchase order to the investor.

If BMS does not receive payment for units of a Class of a BMG Fund from an investor’s dealer within two business days of processing an investor’s order, BMS will redeem the investor’s units of that Class of the BMG Fund. If the proceeds of redemption are greater than what the

investor owes, the BMG Fund will keep the difference. If the proceeds are less than what the investor owes, BMS will pay the difference to the BMG Fund and will collect this amount from the investor's dealer, who may collect it from the investor.

BMS will arrange for the sale of units of each Class of each BMG Fund through dealers qualified to sell mutual fund securities.

A dealer may make provision in arrangements that it has with an investor who wants to buy units of a Class of a BMG Fund that will require the investor to compensate the dealer for any losses suffered by the dealer in connection with a failed settlement to buy units of that Class of the BMG Fund which is caused by the investor.

### *Purchase Options*

Investors can buy Class A units, Class D units and Class F units of each BMG Fund in either Canadian or U.S. dollars. The BMG Funds also offer Class B units (B1 through B3 inclusive), Class C units (C1 through C3 inclusive) and Class E units (E1 through E15 inclusive) in either Canadian or U.S. dollars to certain qualifying investors. The BMG Funds may also issue Class I units to institutional and qualified individual investors on an exempt basis pursuant to applicable securities legislation. Minimum investments may be required for certain Classes of Units of the BMG Funds. Please see "*Purchases of Units*" above for more information.

Investors in foreign jurisdictions may also buy Class A units or Class F units of each BMG Fund, in either Canadian or U.S. dollars in accordance with the laws of that jurisdiction. Investors in foreign jurisdictions can also buy Class G units (G1 through G16 inclusive) of the BMG Funds in U.S. dollars, in accordance with the laws of that jurisdiction.

An initial investment in Class A units, Class D units and Class F units of a BMG Fund must usually be at least \$1,000. Subsequent investments by such unitholders must be at least \$100. If you buy Class A units, Class D units or Class F units of a BMG Fund by means of a pre-authorized investment plan, the minimum subsequent investment per transaction is \$25.

An initial investment in Class B1 units or Class C1 units, or Class B2 units or Class C2 units, or Class B3 units or Class C3 units, of a BMG Fund must usually be at least \$75,000, \$150,000 or \$500,000, respectively, although this minimum investment may be waived for an account that is part of a "financial/household group". A "financial/household group" includes accounts held by a single investor, their significant other or family members residing at the same address, as well as corporate accounts for which the investor or other members of the financial group beneficially own more than 50% of the voting equity. In order to form a "financial/household group", we require instructions from your dealer and each account in the "financial/household group" must be maintained with the same dealer. Subsequent investments by such unitholders must be at least \$100. If you buy Class B units or Class C units of a BMG Fund by means of a pre-authorized investment plan, the minimum subsequent investment per transaction is \$100.

No fees, other than those set out in the Simplified Prospectus, are charged to buy units of a BMG Fund in U.S. dollars.

### **Class A Units**

Class A units of a BMG Fund are designed for retail investors and can be purchased pursuant to one of the following two options:

- (i) *Front-end sales charge option:* If you choose this option, you negotiate and pay a sales charge to your dealer. Your dealer will generally deduct the amount of the sales charge that you negotiate with your dealer, which cannot exceed 5.00% of the amount invested at the time you purchase such units. Subject to a BMG Fund's short-term trading fee, you can redeem your Class A units of the BMG Fund purchased under this option at any time and do not have to pay any redemption fees.
- (ii) *Three year low load sales charge option:* If you choose this option, which is only available at our discretion, all of your investment proceeds will be invested in Class A units of the applicable BMG Fund. If you redeem any of your Class A units of the BMG Fund that you purchased pursuant to this option within three years of buying them, you will have to pay us a redemption fee based on the original NAV of the Class A units of the BMG Fund that you purchased, as set out under "Redemptions". The redemption fee declines over time and no redemption fee has to be paid to us if you have held such Class A units of such BMG Fund for more than three years. Depending on when you redeem your Class A units of such BMG Fund, you may also have to pay the BMG Fund a short-term trading fee.

### **Class B Units**

Class B units of a BMG Fund are designed for individual investors who have agreed with their registered representative that they wish to purchase a Class B unit of an applicable BMG Fund offering reduced overall costs, including a reduced management fee and a reduced trailer fee via a tiered fee schedule based on certain large minimum investments. An investor must maintain a certain minimum balance in Class B units in a specific BMG Fund in order to remain eligible for investment in Class B units of a BMG Fund. If we become aware that you are no longer eligible to hold Class B units of a BMG Fund, we will give you 30 days' notice before we switch your Class B units of the BMG Fund for Class A units of the same BMG Fund.

If you buy Class B units of the BMG Funds, you may have to pay a sales charge to your dealer. Your dealer will generally deduct the amount of the sales charge that you negotiate with your dealer, which cannot exceed 5.00% of the amount invested at the time you purchase such units. Subject to a BMG Fund's short-term trading fee, you can redeem your Class B units of the applicable BMG Fund at any time and do not have to pay any redemption fees.

### **Class C Units**

Class C units of a BMG Fund are designed exclusively for individual investors who wish to purchase a Class C unit of an applicable BMG Fund offering a reduced overall management fee via a tiered fee schedule based on certain larger minimum investments and have entered into a fee-based program with their dealers where we do not pay any sales charges, trailing fees or other fees to their dealers. Fee-based accounts are all-inclusive programs where an individual investor pays their dealer a set fee (usually based on assets under administration) for all services and advice that they provide to the investor.

You do not have to pay any sales charge if you buy Class C units of a BMG Fund as you already pay your dealer for the advice and other services your dealer provides to you. No trailer fees are paid and as a result of larger minimum investments, the management fee is reduced. However, your dealer must be a participant in our Class C program. If we become aware that you are no longer eligible to hold Class C units of a BMG Fund, we will give you 30 days' notice before we switch your Class C units of the BMG Fund for Class F units of the BMG Fund. Subject to a BMG Fund's short-term trading fee, you can redeem your Class C units of the BMG Fund at any time and do not have to pay any redemption fees.

### **Class D Units**

Class D units of a BMG Fund are designed exclusively for retail investors who purchase such units through a discount dealer. Class D units of a BMG Fund are the same as Class A units of the BMG Fund, but pay a lower management fee due to the lower trailer fee that is paid to the discount dealer. If we become aware that you are no longer eligible to hold Class D units of a BMG Fund, we will give you 30 days' notice before we switch your Class D units of the BMG Fund for Class A units of the same BMG Fund.

If you buy Class D units of the BMG Funds, you may have to pay fees to your discount dealer. Subject to a BMG Fund's short-term trading fee, you can redeem your Class D units of the applicable BMG Fund at any time and do not have to pay any redemption fees.

### **Class E Units**

Class E units of a BMG Fund are designed for investors who fall within certain prospectus exemption categories within the meaning of NI 45-106, and have a different level of management fees depending on the amount invested and the category of prospectus exemption relied upon. Class E units are not offered pursuant to the Simplified Prospectus.

### **Class F Units**

Class F units of a BMG Fund are designed exclusively for investors who have entered into an investment management agreement with their dealers. This may include:

1. individual investors who participate in fee-based programs where we do not pay any sales charges, trailing fees or other fees to their dealers. Fee-based accounts are all-inclusive programs where the individual investor pays their dealer a set fee (usually based on assets under administration) for all services and advice that they provide to the investor; and
2. other investors provided we do not pay any sales charges, trailing fees or other fees to their dealer.

You do not have to pay any sales charge if you buy Class F units of a BMG Fund as you already pay your dealer for the advice and other services your dealer provides to you. No trailer fees are paid and as a result the management fee is reduced. We can therefore charge a lower management fee. However, your dealer must be a participant in our Class F program. If we become aware that you are no longer eligible to hold Class F units of a BMG Fund, we will give you 30 days' notice before we switch your Class F units of the BMG Fund for Class A units of the BMG Fund. Subject to a BMG Fund's short-term trading fee, you can redeem your Class F units of the BMG Fund under this option at any time and do not have to pay any redemption fees.

### **Class G Units**

Class G units of a BMG Fund are designed exclusively for investors in foreign jurisdictions, and have a different level of management fees depending on the amount invested. Class G units are not offered pursuant to the Simplified Prospectus.

### **Class I Units**

Class I units of a BMG Fund are designed exclusively for institutional investors and individual investors who have been approved by us. Each eligible investor must enter into a Class I unit account agreement with us. Class I units are not offered pursuant to the Simplified Prospectus.

The criteria for approval may include the value of the investment. No management fees are charged to, or are payable by, a BMG Fund with respect to Class I units. Each investor will negotiate a separate management fee directly payable to us, which will be specified in that investor's Class I unit account agreement.

## **Redemption of Units**

A unitholder may redeem units of a Class of a BMG Fund by sending a redemption order to their dealer. The unitholder may have to pay an administrative fee to their dealer. The Administrator will confirm with the unitholder's dealer that the dealer has received all necessary information and instructions from the unitholder to redeem the unitholder's units of that Class of the applicable BMG Fund.

The unitholder's dealer is responsible for sending the unitholder's redemption order to the Administrator on the same day that the dealer receives it from the unitholder. The Administrator will redeem the unitholder's units of a Class of a BMG Fund on the Valuation Date the Administrator receives the redemption order from the unitholder's dealer, provided the Administrator receives it by the Valuation Time on such day. If the Administrator does not receive the unitholder's redemption order to redeem units of a Class of a BMG Fund from the unitholder's dealer by the Valuation Time on such day, the Administrator will process the unitholder's redemption order on the next Valuation Date. Once the Administrator receives from the unitholder's dealer the instructions necessary to complete the redemption, the Administrator will send the redemption proceeds to the unitholder in the same currency as the units were initially purchased. If the Administrator does not receive these instructions from the unitholder's dealer within ten business days of the redemption, the applicable BMG Fund will repurchase the unitholder's units of that Class of such BMG Fund. If the redemption proceeds are greater than the repurchase amount, the applicable BMG Fund will keep the difference. If the redemption proceeds are less than the repurchase amount, the Administrator will pay the applicable BMG Fund the difference. The Administrator will then collect this difference from the unitholder's dealer, who may collect it from the unitholder.

The obligation to pay the redemption proceeds will be discharged when the monies are deposited into the unitholder's bank account or a cheque is mailed to the unitholder, unless the cheque is not honoured on presentation for payment. In certain limited situations, and provided that applicable securities legislation is complied with, the redemption proceeds may be paid by making good delivery of portfolio assets (to the unitholder), the value of which is equal to the amount at which these portfolio assets were valued in calculating the NAV per unit of the Class used to establish the redemption price.

A dealer may make provision in arrangements that it has with an investor that will require the investor to compensate the dealer for any losses suffered by the dealer in connection with any failure of the investor to satisfy the requirements of a BMG Fund or securities legislation for a redemption of units of a Class of the BMG Fund.

Investors who purchase Class A units of a BMG Fund may have to pay a redemption fee according to the purchase option which they chose:

- (i) no redemption fee is payable if an investor buys Class A units of a BMG Fund pursuant to the front-end sales charge option, although a unitholder's dealer may charge the investor an administrative fee.
- (ii) Class A units of the BMG Fund purchased pursuant to the three year low load sales charge option will have to pay a declining redemption fee as set out below, depending on when such units are redeemed:

If redeemed during the:	Redemption Fee (% of the original NAV of the Class A units redeemed):
1st year	3.0%
2nd year	2.0%
3rd year	1.0%
thereafter	Nil

No redemption fee has to be paid with respect to Class B units, Class C units, Class D units or Class F units of a BMG Fund. Please see “*Short-term Trading*” in the Simplified Prospectus for more information.

The Declaration of Trust of each BMG Fund provides that to the extent that it is required to sell bullion to satisfy the payment of proceeds of redemption to a redeeming unitholder, it may allocate any taxable capital gains realized or income earned from such sale to such redeeming unitholder. For more details see “*Income Tax Considerations – Tax Status of BMG Funds*”.

In the event that it should become necessary for BMG BullionFund to sell precious metals to meet unitholder redemptions, the BMG Fund will sell gold, silver and platinum in the same proportions as its then current holdings determined as of the close of business on the previous business day.

#### *Suspension of Redemptions*

Under extraordinary circumstances, your right to redeem units of a Class of a BMG Fund may be suspended. The Manager or its agent may refuse orders to redeem units of a Class of a BMG Fund:

- (i) during any period when normal trading is suspended on a stock exchange or other market, within or outside Canada, which represents more than 50% by value, or underlying market exposure, of the total assets of the BMG Fund without any allowance for liabilities and if the assets of the BMG Fund cannot be traded in any other market that represents a reasonably practical alternative for the BMG Fund; or
- (ii) with the consent of the applicable securities regulatory authorities.

A BMG Fund will not accept any purchase orders during any period when the right to redeem units of a Class of the BMG Fund is suspended. The suspension will apply to all requests for redemption prior to the suspension in respect of which payment has not been made as well as to all requests received while the suspension is in effect. All unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first business day following the termination of the suspension. All such unitholders shall have the right to withdraw their request for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then



exists. To the extent not inconsistent with applicable securities legislation, any declaration of suspension made by the Manager shall be conclusive.

## **Reclassification**

A reclassification of units from one Class of a BMG Fund to another Class of the BMG Fund in the same currency is not considered to be a disposition for tax purposes and, accordingly, a unitholder will not realize a gain or loss on such reclassification. Reclassifications are not permitted without the appropriate applicable commissions or fees being applied.

## **Switches**

You can switch your investment from a Class of units of one BMG Fund to the corresponding Class of units of another BMG Fund through your dealer. For units held outside of a registered plan, such a switch will result in a redemption of the units of the BMG Fund you own and a purchase of units of the new BMG Fund. Because you are moving your investment from one BMG Fund to another BMG Fund, the switch will be a taxable transaction to you and you may realize a gain or loss in the same manner as you would otherwise realize on a redemption of units of a BMG Fund. A switch fee of up to 2% of the value of the units switched may be charged by your dealer.

Upon a switch of your units, the number of units you hold may change since each Class has a different NAV per unit.

We do not permit switches between units of a Class of a BMG Fund into units of another Class of the same BMG Fund without the appropriate applicable commissions and fees being applied.

## **Responsibility for the BMG Funds Operations**

### *Manager and Trustee*

The Manager and Trustee of each BMG Fund was appointed pursuant to the Declaration of Trust of that BMG Fund described under the section entitled “*Name, Formation and History of the BMG Funds*”. The address, telephone number, e-mail and web-site address of the Manager and Trustee is Suite 280, 60 Renfrew Drive, Markham, Ontario, L3R 0E1, [905-474-1001](tel:905-474-1001) or toll free at [1-888-474-1001](tel:1-888-474-1001), [info@bmg-group.com](mailto:info@bmg-group.com) and [www.bmg-group.com](http://www.bmg-group.com).

The Manager is responsible for managing the day-to-day activities of the BMG Funds and providing or arranging for all required administrative services of the BMG Funds.

The Trustee may resign as trustee of a BMG Fund at any time. However, the resignation will not take effect until a new trustee, which has been approved by the unitholders of each Class of that BMG Fund, has been appointed for that BMG Fund.

The name and municipality of residence and current principal occupation of each director and officer of the Manager and Trustee is as follows:

Name and Municipality of Residence	Office or Position With the Manager and Trustee	Principal Occupation Within Preceding Five Years
Nick Barisheff*, Stouffville, Ontario	President, Chief Executive Officer, Chief Compliance Officer, Ultimate Designated Person and Director	Mr. Barisheff has been the Chief Executive Officer, President, Ultimate Designated Person and a Director of the Manager and Trustee from its inception in 1998. He has also been the Chief Executive Officer, President and Director of BMG Group Inc. (BMG) since its inception in 1998. He has been the Chief Compliance Officer of the Manager and Trustee since January 5, 2016.
Yvonne Blaszczyk, Etobicoke, Ontario	Chief Financial Officer and Director	Ms. Blaszczyk has been the Director of the Manager since May 6, 2019. She has also been Vice President Human Resources of BMG since December 21, 2012.
Marty Nicandro, Toronto, Ontario	Director	Mr. Nicandro has been a Director of the Manager since January 5, 2016. He has also been Vice President and General Manager of BMG since August 15, 2011.

\* As at October 30, 2020, 15.52% of the issued and outstanding units of BMG Gold BullionFund Class D and 10.64% of BMG Silver BullionFund Class D were owned by Gryphon Management Resources Inc., a company controlled by Lorna Lovie, spouse of Nick Barisheff.

Each of the directors and officers have worked at BMS for the past five years.

### *Portfolio Adviser*

Each BMG Fund has a fixed investment objective of investing its assets, directly or indirectly, in gold, silver and platinum bullion, as applicable, regardless of market conditions. As a result, the BMG Funds do not have a portfolio adviser.

### *Administrative Services*

The Manager has retained the services of the Administrator to assist it with the administration of the BMG Funds pursuant to a valuation and record keeping services agreement. The valuation and record keeping services agreement made as of the 9th day of August 2004, as amended March 16, 2009, September 4, 2009, August 27, 2012, December 18, 2014, September 26, 2016 and October 18, 2017 (the **Valuation and Record Keeping Services Agreement**), is between the Manager and the Administrator and may be terminated by either party on 30 days' prior written notice.

The services the Administrator provides to the BMG Funds include the determination of the value of a BMG Fund, maintaining certain records of the BMG Funds and processing subscriptions and redemptions for units of each Class of the BMG Funds.

### *Brokerage Arrangements*

Other than buying bullion through ScotiaMocatta, a division of The Bank of Nova Scotia, there are no ongoing contractual arrangements with any dealer with respect to trading activities of a BMG Fund. No commission is payable to The Bank of Nova Scotia in connection with a BMG Fund's bullion purchases.

### *Principal Distributor*

The BMG Funds currently do not have a principal distributor.

### *Custodian*

The Bank of Nova Scotia (the **Custodian**), Toronto, Ontario, a leading bank and member of the London Bullion Market Association, through its ScotiaMocatta division, is the custodian of the assets of the BMG Funds pursuant to an amended and restated bullion trading account agreement made as of September 26, 2016 (the **Bullion Trading Account Agreement**) for each precious metal held by that BMG Fund and an amended and restated holding account agreement made as of September 26, 2016 (the **Holding Account Agreement**). The Bullion Trading Account Agreement is between the Manager, acting as manager and trustee of the BMG Funds, and the Custodian and may be terminated by the Custodian on 180 business days' notice. The Holding Account Agreement is between the Manager, acting as manager and trustee of the BMG Funds and the Custodian and may be terminated by either party on not less than 180 days' prior written notice to the other party prior to the annual renewal of the agreement. It is expected that the annual custodial costs as a percentage of the NAV of the BMG BullionFund,

BMG Gold Bullion Fund and BMG Silver Bullion Fund for 2021 will be approximately 0.103%, 0.075% and 0.15%, respectively. The Manager may also appoint another custodian for the BMG Funds in accordance with applicable law.

The Custodian holds custody of the physical gold, silver and platinum bullion assets, as applicable, of each of the BMG Funds on an allocated, insured basis. Currently, all bullion is held by the Custodian in Ontario. The Custodian has also agreed to maintain the broadest form of insurance on the gold, silver and platinum bullion, as applicable, that is commercially available to the Custodian against all risks of physical loss or damage, except those for which insurance is not currently available, including, but not limited to, the risks of war, terrorist events, nuclear incident or government confiscations. Such insurance may help mitigate any losses suffered by a BMG Fund.

In addition, the Manager has taken out supplementary insurance on behalf of the BMG Funds to further reduce any risk of certain losses occurring.

RBC Investor Services Trust has been appointed by the Custodian, with the consent of BMS, as a sub-custodian of the non-bullion assets of the BMG Funds pursuant to a sub-custodian agreement made as of the 9th day of August, 2004 and amended on March 16, 2009, September 4, 2009, September 26, 2016 and October 18, 2017 (the **Sub-Custodian Agreement**). The Sub-Custodian Agreement may be terminated at any time by any party on 30 days prior written notice to the other parties.

### *Auditor*

The auditor of each BMG Fund is RSM Canada LLP, Toronto, Ontario.

### *Registrar*

The registrar of units of each BMG Fund is the Manager. The registrar maintains a register of unitholders of each Class of each BMG Fund in Toronto, Ontario.

## Conflicts of Interest

### *Principal Holders of Securities*

As at October 30, 2020, the following unitholders owned more than 10% of a Class of the issued and outstanding units of the BMG Funds listed below:

NAME OF FUND	INVESTOR	CLASS OF UNITS	NUMBER OF UNITS	% OF ISSUED AND OUTSTANDING UNITS OF THE CLASS
<b>BMG BULLIONFUND</b> <i>(as at October 30,2020)</i>	Chalis Investments Limited	Class A	60,268.737	11.34%
	Individual Investor 1	Class A	364,975.792	68.69%
	Individual Investor 2	Class A	1,510.395	12.92%
	Vidacos Nominees Ltd. – FP IOM 768334	Class A	1,584.927	13.56%
	Individual Investor 3	Class A	1,698.577	14.53%
	Quilter International Isle of Man	Class A	1,539.094	13.17%
	Individual Investor 4	Class A	4,426.982	37.87%
	Individual Investor 5	Class B2	29,562.875	17.40%
	Individual Investor 6	Class B2	43,193.300	25.42%
	Individual Investor 7	Class B3	34,433.833	69.54%
	Individual Investor 8	Class B3	7,302.162	14.75%
	Individual Investor 9	Class B3	22,384.493	68.08%
	Utmost Limited	Class B3	3,631.106	11.04%
	Banque Pictet & CIE	Class C1	122,803.285	100%
	1451400 Ontario Ltd.	Class C2	22,073.200	19.23%
	1522019 Ontario Limited.	Class C2	24,951.530	21.73%
	Individual Investor 10	Class C2	24,255.765	21.13%
	Holdings Inc. Pitman Family	Class C2	38,959.631	33.93%
	Kyn Investments Limited	Class C2	292,834.555	100%
	Individual Investor 11	Class E15	35,295.856	57.42%
Individual Investor 12	Class E15	6,792.390	11.05%	
Quilter International Ilse of Man	Class F	135,756.691	43.02%	
Laguna Investing Inc.	Class F	50,854.615	16.11%	
<b>BMG GOLD BULLIONFUND</b> <i>(as at October 30,2020)</i>	Individual Investor 13	Class A	55,097.431	13.44%
	Individual Investor 14	Class A	55,097.431	13.44%
	Individual Investor 15	Class A	28,750.139	12.60%
	Quilter International Isle of Man	Class A	8,141.315	13.84%
	Vidacos Nominees Ltd. Designation	Class A	8,232.936	13.99%
	Vidacos Nominees Ltd. Designation	Class A	8,232.936	13.99%

	Vidacos Nominees Ltd-SPI PM10001627	Class A	7,271.235	12.36%
	Vidacos Nominees Ltd. - FP	Class A	18,441.713	31.34%
	Individual Investor 16	Class B3	11,210.397	100%
	Individual Investor 17	Class C2	40,050.561	100%
	NAMTIP Holdings Inc.	Class C3	190,706.625	70.35%
	Individual Investor 18	Class C3	27,300.993	10.07%
	MEGMAC Holdings Inc.	Class C3	40,805.140	15.05%
	Kuerble Investments Inc.	Class C3	12,102.085	48.24%
	Individual Investor 19	Class C3	6,419.381	25.59
	Individual Investor 20	Class 3	6,565.060	26.17%
	Gryphon Management Resources Inc.	Class D	60,246.397	15.52%
	Individual Investor 21	Class F	30,188.983	76.27%
	Vidacos Nominees Ltd. – RL360	Class G9	29,629.742	16.82%
	Quilter International Isle of Man	Class G9	91,051.921	51.69%
	CAW Canada Staff Pension Plan	Class I	860,797.057	47.75%
	UNIFOR	Class I	614,112.899	34.06%
	Individual Investor 22	Class S1	10,000.000	10.97%
	Individual Investor 23	Class S1	10,000.000	10.97%
	Individual Investor 24	Class S1	10,000.000	10.97%
	Individual Investor 25	Class S2	2,500.000	100%
<b>BMG SILVER BULLIONFUND</b> <i>(as at October 30,2020)</i>	Individual Investor 26	Class A	4,346.215	100%
	Individual Investor 27	Class A	4,325.417	21.81%
	Individual Investor 28	Class A	2,041.895	10.30%
	Gryphon Management Resources Inc.	Class D	23,284.263	10.64%%
	Individual Investor 29	Class F	6,192.384	10.92%
	Individual Investor 30	Class F	4,144.261	93.61%
	UNIFOR	Class I	641,045.209	100%

\*To protect the privacy of the investors, we have omitted the names of individual investors. This information is available on request by contacting us at the telephone number on the back cover of this AIF.

With the exception of the foregoing, no other person owns more than 10% of the issued and outstanding units of any Class of any BMG Fund.

As at October 30, 2020, the directors and senior officers of the Manager, in aggregate, did not beneficially own, directly or indirectly, more than 10% of the issued and outstanding unit of any Class of any of the BMG Funds.

As at October 30, 2020, the members of the independent review committee of the BMG Funds did not own any securities of the Manager or any person or company that provides services to the BMG Funds or to the Manager. In addition, the members, in aggregate, did not beneficially own, directly or indirectly, more than 10% of the issued and outstanding unit of any Class of any of the BMG Funds.

## **BMS**

BMS, the manager and trustee of the BMG Funds, is a wholly-owned subsidiary of BMG. As of October 30, 2020, the voting securities of BMG are owned 42.2% by Bullion Management Group Inc. Restricted Share Holdings Trust, 16.3% by Gryphon Holdings Inc. and 14.8% by Carthew Management Ltd. No other shareholder owns more than 10% of BMG.

### ***Affiliated Entities***

The Manager is a wholly owned subsidiary of BMG. Another wholly owned subsidiary of BMG is BMG Marketing Services Inc. which provides certain marketing activities for the BMG Funds. The directors and senior officers of BMS and BMG are also the directors and senior officers of BMG Marketing Services Inc. The disclosure of the amount of fees received from the BMG Funds by each affiliated entity that provides services to the BMG Funds or to the Manager in relation to the BMG Funds is provided in the audited financial statements of the BMG Funds.

## **BMG Fund Governance**

Each BMG Fund is organized as a trust. The Manager has the responsibility for managing the affairs of each BMG Fund, and has all the necessary powers, duties and authority to do so pursuant to the Declaration of Trust of each BMG Fund. The Manager will comply with the Declaration of Trust of each BMG Fund, including the investment policies and restrictions established therein, and all applicable securities laws, regulations and policy statements of the relevant Canadian securities regulatory authorities.

The Manager is governed by a board of directors consisting of four individuals, all four of whom are also officers of the Manager. The board of directors oversees the activities of the Manager and the BMG Funds.

The Manager has established policies, procedures and guidelines relating to the management of the BMG Funds, including with respect to business practices and compliance with regulatory and corporate requirements.

### ***Independent Review Committee***

In accordance with NI 81-107, BMS has established an IRC for all of the BMG Funds. The IRC complies with applicable securities legislation, including NI 81-107. Set out below are the names and principal occupations of the three individuals who currently comprise the IRC for each BMG Fund:

Name	Principal Occupation
Mark MacDonald ( <i>Chair of the IRC Committee</i> )	Retired
Chris Ward	<i>President and Chief Executive Officer,</i> Riverhorse America Brand Counselors
Bob Reeves	Retired

Each member of the IRC is independent of the Manager, its affiliates and each BMG Fund. The IRC provides independent oversight and impartial judgment on conflicts of interest involving a BMG Fund that are referred to it by the Manager. The IRC's mandate is to consider such matters and to recommend to the Manager what action the Manager should take to achieve a fair and reasonable result for a BMG Fund in those circumstances; and to review and advise on or consent to, if appropriate, any other matter required by applicable securities laws. As the BMG Funds have a fixed investment objective, it is not expected that many conflicts of interest will arise. The IRC intends to meet at least two times a year.

Among other matters, the IRC prepares, at least annually, a report of its activities for unitholders of each BMG Fund which will be available on the internet at [www.bmg-group.com](http://www.bmg-group.com) and upon request by any unitholder of a BMG Fund, at no cost, by calling: 905-474-1001 or toll-free at 1-888-474-1001 or e-mailing [info@bmg-group.com](mailto:info@bmg-group.com).

Under securities legislation, the IRC may, among other things, approve: a) a BMG Fund's reorganization with, or a transfer of its assets to another mutual fund; and b) a change in the auditor of a BMG Fund in accordance with NI 81-107. In such circumstances, a written notice describing the transaction or change in auditors will be sent to unitholders of the applicable BMG Fund(s) at least 60 days before the effective date of the change.

## Fees and Expenses

A BMG Fund is responsible for paying all operating expenses incurred in the normal course of its activities including record keeping, the applicable BMG Fund and unitholder accounting costs, audit fees and expenses, reporting and filing fees, legal fees, insurance costs, bullion storage fees, custodial expenses, brokerage commissions and other expenses directly related to portfolio transactions of that BMG Fund and taxes payable by that BMG Fund. To the extent applicable these costs are borne by the Class of units of a BMG Fund to which they apply. Please see "Fees and Expenses" in the Simplified Prospectus of the BMG Funds for details of the fees and expenses of the funds.

## Income Tax Considerations

The following general summary describes the principal Canadian federal income tax considerations under the Tax Act of an investment in units of a Class of a BMG Fund to a



unitholder who is an individual (other than a trust) resident in Canada, who holds units of that Class of the BMG Fund as capital property and who deals at arm's length with, and is not affiliated with, the BMG Funds.

This summary takes into account the current provisions of the Tax Act and the regulations thereunder, as well as all publicly announced proposed amendments to the Tax Act and regulations as of the date hereof. It also takes into account the current published administrative policies and assessing practices of the Canada Revenue Agency.

This summary is not intended to be exhaustive. It does not address provincial, territorial or foreign tax considerations. Unitholders should consult their own tax advisors for advice with respect to the tax consequences of an investment in their particular circumstances.

### ***Tax Status of BMG Funds***

This summary assumes that at all relevant times each BMG Fund qualifies as a mutual fund trust for the purposes of the Tax Act. Each BMG Fund currently qualifies as a mutual fund trust. If a BMG Fund ceased to qualify as a mutual fund trust, the tax considerations for investors would be materially different from those described below.

Based on the current investments of the BMG Funds, the investment policy of each of the BMG Funds, and the general treatment by each of the BMG Funds of gains (or losses) arising from dispositions of physical bullion as capital gains (or capital losses) as further described below, each BMG Fund expects that it will retain its status as a mutual fund trust for purposes of the Tax Act even if a majority of the units of that BMG Fund are owned by non-residents of Canada. The fact that non-residents may invest in a BMG Fund will have no adverse tax consequences under the Tax Act to an individual resident in Canada who holds units of a Class of the BMG Fund or to a registered plan such as RRSPs, RRIFs, DPSPs, RDSPs, RESPs and TFSAs.

Based on the assumption that the units of each BMG Fund and any other securities that derive their value from, or replicate the return on the units, will not be listed or traded on a stock exchange or other public market for purposes of the Tax Act, each BMG Fund will not be a SIFT trust within the meaning of the Tax Act.

## *Taxation of the BMG Funds*

### (i) General

None of the BMG Funds expects to realize any gains or losses other than when it is required to sell assets to fund redemptions of units of a Class of a BMG Fund or to fund the payment of expenses incurred by the BMG Fund. To the extent a BMG Fund does realize gains to redeem units of a Class of a BMG Fund it will generally make sufficient distributions to redeeming unitholders of that Class of a BMG Fund so that it does not have to pay regular income tax.

No BMG Fund will be liable for regular tax under the Tax Act in respect of its net realized taxable capital gains or net income for a taxation year to the extent that such net realized capital gains and net income is distributed to its unitholders and deducted by the BMG Funds.

Since a BMG Fund must compute its income in Canadian dollars in accordance with the rules in the Tax Act, upon a disposition of bullion it may realize gains and losses due to fluctuations between the foreign exchange rate between the Canadian and U.S. dollar.

Losses incurred by a BMG Fund cannot be allocated to unitholders, but may be carried forward and deducted by the applicable BMG Fund in future years.

### (ii) Dispositions of Bullion

Under the current administrative practices of the Canada Revenue Agency, an individual may generally choose to treat gains and losses realized on the disposition of gold, silver and platinum bullion as either capital gains and capital losses, or as income gains and income losses, provided that the individual takes a consistent filing position from year to year. However, this practice does not apply to gains and losses realized by a BMG Fund. In particular, the Canada Revenue Agency has expressed the opinion that gains (or losses) of mutual fund trusts resulting from transactions in “commodities” should generally be treated for purposes of the Tax Act as being derived from an adventure or concern in the nature of trade, so that such transactions give rise to ordinary income rather than 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 this position applies to a BMG Fund’s transactions in respect of bullion. As the BMG Funds intend to be long-term passive holders of physical bullion, and generally dispose of their holdings in such bullion only for the purpose of meeting redemption requests or to fund the payment of expenses, the BMG Funds may treat gains or losses as a result of such dispositions as capital gains or losses, depending on the circumstances. There can be no assurance that tax laws applicable to the BMG Funds, including the treatment of certain gains and losses as capital gains and losses, will not be changed in such a manner which could adversely affect the BMG Funds or the unitholders of the BMG Funds. Furthermore, there can be

no assurance that the Canada Revenue Agency will agree with a BMG Fund's characterization of gains and losses resulting from dispositions of physical bullion as capital gains and losses or ordinary income and losses in specific circumstances.

The Declaration of Trust of each BMG Fund provides that, to the extent that the BMG Fund is required to sell bullion to fund or satisfy the payment of proceeds of redemption to a redeeming unitholder, it may allocate any gains realized from such sale to such redeeming unitholder. Accordingly, if a BMG Fund is required to sell bullion to fund or satisfy your redemption of units of a Class of that BMG Fund, the gains realized by the BMG Funds on such sale may not be taxed in the BMG Funds but may be allocated and distributed to you and you will be taxed on such amount as capital gains if the BMG Funds treats such disposition as giving rise to a capital gain. However, there is no guarantee that the BMG Funds will always treat dispositions of bullion as giving rise to capital gains or that the Canada Revenue Agency will accept such treatment.

As of December 31, 2019, the BMG Funds have no capital or non-capital losses to offset future years' taxable income.

Each BMG Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of its units during the year (**capital gains refund**). The capital gains refund in a particular taxation year may not completely offset the tax liability of a BMG Fund for such taxation year which may arise upon the sale of physical bullion in connection with redemptions of units or to fund the payment of expenses incurred by the BMG Fund.

Each BMG Fund is subject to the suspended loss rules contained in the Tax Act. A loss realized on a disposition of capital property is considered to be a suspended loss when a BMG Fund acquires a property (a **substituted property**) that is the same as or identical to the property disposed of, within 30 days before and 30 days after the disposition and the BMG Fund owns the substituted property 30 days after the original disposition. If a loss is suspended, the BMG Fund cannot deduct the loss until the substituted property is sold and is not reacquired within 30 days before and after the sale, which may increase the amount of net realized capital gains of the BMG to be made payable to its unitholders as described below.

(iii) *In Specie* Distribution Upon a Redemption of Units

A distribution by a BMG Fund of bullion upon an *in specie* redemption of units of a Class of that BMG Fund will be treated as a disposition by that BMG Fund of the bullion so distributed for proceeds of disposition equal to its fair market value at the time it is distributed. A BMG Fund will realize a gain (or a loss) to the extent that the proceeds of disposition (computed in Canadian dollars) exceed (or are less than) that BMG Fund's

cost of the bullion (computed in Canadian dollars) and any reasonable costs of disposition.

Each BMG Fund currently intends to treat as payable to a redeeming unitholder any gain realized by that BMG Fund as a result of the distribution of bullion in specie to the unitholder.

### ***Taxation of Investors (Other than Registered Plans)***

#### **(i) Taxation of Distributions**

It is not anticipated that a BMG Fund will make any distributions of capital gains or other income to unitholders other than in the event of a redemption that requires the BMG Fund to sell bullion to satisfy the redemption price or to fund the payment of expenses incurred by the BMG Fund. It is also not anticipated that the BMG Funds will make any distribution that is a return of capital.

As a consequence of not having any capital or non-capital loss carry-forwards as described above, there is a greater likelihood that a BMG Fund may pay or make payable to unitholders in a future year net capital gains realized and/or other income earned by the BMG Funds in that future year to the extent, in the case of net capital gains, such gains cannot be completely offset by the capital gains refund.

A unitholder of a BMG Fund will be required to include in the unitholder's income for tax purposes for any year the amount of net taxable capital gains or other income of the BMG Fund, if any, paid or payable to the unitholder in the year. The non-taxable portion of any net realized capital gains of a BMG Fund that is paid or payable to a unitholder in a taxation year will not be included in computing the unitholder's income for the year and, provided appropriate designations are made by the BMG Fund, will not reduce the adjusted cost base of the unitholder's units in the BMG Fund.

#### **(ii) Redemption of Units**

In computing your income, you must take into account any capital gain or capital loss you realize on redeeming units of a Class of a BMG Fund (including on a switch of units between BMG Funds). The capital gain (or capital loss) on a unit of a Class of a BMG Fund will be the amount by which your redemption proceeds exceed (or are less than) the adjusted cost base of the unit of that Class of the BMG Fund (all computed in Canadian dollars). Your redemption proceeds for computing your capital gain or loss will be reduced to the extent that a BMG Fund distributes to you realized capital gains and/or other net income from selling bullion to satisfy your redemption request.

In general, one-half of any capital gain (a taxable capital gain) realized by a unitholder on a disposition of its units of a Class of a BMG Fund, or that is allocated and made payable to the unitholder by a BMG Fund, in a taxation year will be included in the unitholder's income for that year and one-half of any capital loss (an allowable capital

loss) realized by a unitholder on a disposition of its units of a Class of a BMG Fund in a taxation year generally must be deducted from taxable capital gains realized by the unitholder, or allocated and made payable to the unitholder by a BMG Fund, in that year in accordance with the detailed provisions of the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains in accordance with the provisions of the Tax Act

For Canadian tax purposes a unitholder must compute the cost of units of a Class of a BMG Fund owned by the unitholder in the Canadian dollar equivalent at the time of payment of the subscription price using the appropriate exchange rate in accordance with the detailed rules in the Tax Act. A unitholder must also report the redemption proceeds in the Canadian dollar equivalent at the time of redemption using the appropriate exchange rate. Accordingly, if a unitholder subscribes for units of a Class of a BMG Fund in U.S. dollars, the unitholder may realize a foreign exchange gain or loss if the exchange rate between the Canadian and U.S. dollar at the time of purchase of a unit of a Class of a BMG Fund differs from the exchange rate at the time such unit is redeemed.

When units of a Class of a BMG Fund are redeemed by the distribution of bullion *in specie* to a unitholder, the proceeds of disposition to that unitholder from the units of that Class of a BMG Fund that are redeemed will be equal to the fair market value of the property so distributed, and any cash received, less any gain realized by that BMG Fund as a result of the redemption of such units which is being made payable by that BMG Fund to that unitholder. For greater certainty, if a gain is realized by a BMG Fund as a result of an *in specie* distribution of bullion as a result of a redemption of units of a Class of a BMG Fund by a unitholder and such gain is allocated to and made payable by that BMG Fund to the unitholder, the unitholder will be required to include such gain in income. The cost of any bullion distributed by a BMG Fund to a unitholder upon a redemption of units of a Class of that BMG Fund will be equal to the fair market value of the bullion at the time of the distribution.

A unitholder is required to compute all amounts under the Tax Act, including cost base, proceeds of disposition, and income, in Canadian dollars.

(iii) Alternative Minimum Tax

In general terms, any capital gains paid to a unitholder of a BMG Fund will increase the unitholder's liability for alternative minimum tax. Capital gains realized on the disposition of units of a Class of a BMG Fund may also increase a unitholder's liability for alternative minimum tax.

(iv) Statements

Unitholders of a Class of a BMG Fund will receive an annual statement in order to complete their income tax returns in respect of their investment in the BMG Funds. Unitholders should keep records of the cost of units of a Class of a BMG Fund acquired so that they can calculate any capital gain or loss on the redemption or other disposition of units of that Class of a BMG Fund.

### ***Taxation of Registered Plans***

Units of each Class of each BMG Fund are currently qualified investments for RRSPs, RRIFs, DPSPs, RDSPs, RESPs and TFSAs.

You pay no tax on income distributed by a BMG Fund on units of a Class of that BMG Fund that are held by a registered plan such as an RRSP, RRIF, DPSP, RDSP, RESP or TFSA provided that the units of that Class of that BMG Fund are qualified investments, or on any gains the plan realizes on redeeming units of that Class of that BMG Fund, as long as the proceeds remain in the plan.

In general, you will be taxed if you withdraw money from a registered plan (other than a TFSA and certain withdrawals from a RDSP or RESP). You should consult with your own tax advisor before withdrawing any amount from a registered plan.

A holder of a TFSA or RDSP, an annuitant of an RRSP or RRIF or a subscriber of an RESP which holds units of a BMG Fund will be subject to a penalty tax as set out in the Tax Act if the units are a “prohibited investment” (as defined in the Tax Act) for the TFSA, RDSP, RRSP, RRIF or RESP. Units of a trust will be a prohibited for a TFSA, RDSP, RRSP, RRIF or RESP if the holder of the TFSA or RDSP, the annuitant of the RRSP or RRIF or the subscriber of the RESP, as applicable, does not deal at arm’s length with the trust or has a significant interest in the trust. A significant interest, in general terms, means ownership of 10% or more of the value of a BMG Fund’s outstanding units by a unitholder, either alone or together with persons and partnerships with whom the unitholder does not deal at arm’s length.

Bullion distributed by a BMG Fund to a unitholder on a redemption of units will not be a qualified investment for RRSPs, RRIFs, DPSPs, RDSPs, RESPs and TFSAs.

Unitholders should consult with their own tax advisors for full particulars of the tax implications of holding units of a BMG Fund in a registered plan.

### **Remuneration of Directors, Officers, Trustees and the IRC**

No payment or reimbursement has been made to the directors and officers of the Manager by the BMG Funds for the financial year ended 2019.

Each member of the IRC is paid an annual fee of \$2,100 plus \$1,500 for each meeting attended for the BMG Funds, and is reimbursed, by each BMG Fund, as applicable, for any fees and/or expenses he incurs in carrying out such duties for that BMG Fund. During the financial year ended 2019, each IRC member was paid \$5,100 for their services to the BMG Funds, for a total of \$15,300 for all three IRC members.

In addition, the Manager received no fees for acting as the trustee of the BMG Funds for the financial year ended 2019.

## **Material Contracts**

The material contracts pertaining to the BMG Funds are listed below:

- (i) the Declaration of Trust of each BMG Fund referred to in the section entitled “Name, Formation and History of the BMG Fund”;
- (ii) the Valuation and Record Keeping Services Agreement referred to in the section entitled “Responsibility for BMG Fund Operations”;
- (iii) the Bullion Trading Account Agreements for the BMG Funds referred to in the section entitled “Responsibility for BMG Fund Operations”;
- (iv) the Holding Account Agreements for the BMG Funds referred to in the section entitled “Responsibility for BMG Fund Operations”; and
- (v) the Sub-Custodian Agreement for the BMG Funds referred to in the section entitled “Responsibility for BMG Fund Operations”.

Copies of the foregoing material contracts may be inspected by prospective or existing unitholders during normal business hours at the principal office of the BMG Funds.

## **Legal and Administrative Proceedings**

There are currently no ongoing legal or administrative proceedings involving the Manager which may be material to the BMG Funds, nor are there any such proceedings known to be contemplated as of the date of this AIF.

## **Certificate of the BMG Funds and the Manager and Promoter of the BMG Funds**

This annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of all provinces and territories and do not contain any misrepresentations.

November 27, 2020

*"Nick Barisheff"*

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Nick Barisheff  
*Chief Executive Officer*

*"Yvonne Blaszczyk"*

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Yvonne Blaszczyk  
*Chief Financial Officer*

On behalf of the Board of Directors of  
BMG Management Services Inc.  
as Trustee and as Manager and Promoter of the BMG Funds

*"Marty Nicandro"*

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Marty Nicandro  
*Director*



# BMG FUNDS

## **BMG BullionFund**

*(Offering Class A, Class B1, Class B2, Class B3, Class C1, Class C2, Class C3, Class D and Class F Units)*

## **BMG Gold BullionFund**

*(Offering Class A, Class B1, Class B2, Class B3, Class C1, Class C2, Class C3, Class D and Class F Units)*

## **BMG Silver BullionFund**

*(Offering Class A, Class B1, Class B2, Class C1, Class C2, Class C3, Class D and Class F Units)*

Additional information about the BMG Funds is available in each BMG Funds simplified prospectus, management report of fund performance and financial statements.

You can obtain a copy of these documents at no cost by calling us at **905-474-1001** or toll-free at **1-888-474-1001**, by e-mail at [info@bmg-group.com](mailto:info@bmg-group.com) or from your dealer.

These documents and other information about the BMG Funds, such as information circulars and material contracts, are also available on the internet site for the BMG Funds, at [www.bmg-group.com](http://www.bmg-group.com) at [www.sedar.com](http://www.sedar.com).

## **BMG Funds**

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