

**BMG BULLIONFUND**

# **ANNUAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2020**



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# **BMG BullionFund**

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## **Annual Financial Statements**

For the years ended December 31, 2020 and 2019



**BMG  
MANAGEMENT  
SERVICES INC.**

A BMG Company

## MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

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The accompanying financial statements of BMG BullionFund (the “BMG Fund”) have been prepared by BMG Management Services Inc., in its capacity as manager (the “Manager”) of the BMG Fund, and have been approved by the Board of Directors of BMG Management Services Inc. The Board of Directors is responsible for the information and representations contained in these financial statements and in the Management Report of Fund Performance.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards, and include certain amounts that are based on estimates and judgments made by the Manager. The significant accounting policies that the Manager believes are appropriate for the BMG Fund are described in Note 2 to the financial statements.

The Audit Committee of the Board of Directors is responsible for reviewing the financial statements and the Management Report of Fund Performance, and for recommending them to the Board of Directors of the Manager for approval, in addition to meeting with management and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues.

RSM Canada LLP is the external auditor of the BMG Fund, and is appointed by the trustee of the BMG Fund. The auditor of the BMG Fund has audited the financial statements in accordance with Canadian Generally Accepted Auditing Standards to enable it to express to the unitholders its opinion on the financial statements. The auditor’s report is set out herein.



Nick Barisheff  
President & CEO  
Director



Marty Nicandro  
VP & General Manager  
Director



## Independent Auditor's Report

### INDEPENDENT AUDITOR'S REPORT

To the Unitholders of BMG BullionFund

#### *Opinion*

We have audited the financial statements of BMG BullionFund, (the "Fund"), which comprise the statements of financial position as at December 31, 2020 and 2019 and the statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### *Basis for Opinion*

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

#### *Other Information*

Management is responsible for the other information. The other information comprises Management's Report of Fund Performance.

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

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

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

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

*RSM Canada LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
March 26, 2021  
Toronto, Ontario

## STATEMENTS OF FINANCIAL POSITION

As at December 31

	2020	2019
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash	564,954	855,680
Investments in bullion [Average cost \$66,270,732; December 2019 - \$69,913,179]	119,689,100	104,088,218
Subscriptions receivable	3,560,598	17,296
<b>Total assets</b>	<b>123,814,652</b>	<b>104,961,194</b>
<b>LIABILITIES</b>		
Current liabilities		
Management fees payable	201,238	192,587
Redemptions payable	134,300	402,340
Accounts payable and accrued liabilities	221,985	151,561
<b>Total liabilities (excluding net assets attributable to holders of redeemable units)</b>	<b>557,523</b>	<b>746,488</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>123,257,129</b>	<b>104,214,706</b>
<b>Net assets attributable to holders of redeemable units per class (Note 3)</b>		
Class A	78,852,434	74,837,979
Class B2	2,019,303	1,280,816
Class B3	1,097,265	874,330
Class C1	1,647,985	1,308,233
Class C2	5,335,100	5,379,962
Class C3	8,000,559	-
Class D	3,354,701	1,802,425
Class E15	966,705	902,020
Class F	21,983,067	17,828,941
	<b>123,257,129</b>	<b>104,214,706</b>

*Net asset value attributable to holders of redeemable units per class is disclosed in Note 3.*

*See accompanying notes.*

On behalf of the Board of Directors of BMG Management Services Inc.,  
Trustee and Manager of BMG BullionFund



Nick Barisheff  
Director



Marty Nicandro  
Director

## STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31

	2020 \$	2019 \$
<b>INVESTMENT INCOME</b>		
Change in net unrealized gains (losses) on investments in bullion	18,604,144	2,963,135
Net realized gains on investments in bullion	8,974,988	9,377,726
Net Foreign exchange gains (losses)	(15,164)	(4,291)
Early redemption fees	-	-
Other Income	27,215	-
<b>Total investment income</b>	<b>27,591,183</b>	<b>12,336,570</b>
<b>EXPENSES</b>		
Management fees (Note 4)	2,151,928	2,117,408
Security holder reporting costs	311,100	378,000
Bullion storage fees	115,383	111,568
Services tax	247,321	253,416
Other administrative expenses	25,642	18,316
Legal fees	27,450	20,693
Audit fees	38,430	38,325
Filing fees	30,541	27,913
Independent Review Committee fees	7,650	8,874
<b>Total expenses</b>	<b>2,955,445</b>	<b>2,974,513</b>
<b>Increase in net assets attributable to holders of redeemable units</b>	<b>24,635,738</b>	<b>9,362,057</b>
<b>Increase in net assets attributable to holders of redeemable units per cl (Note 3)</b>		
Class A	16,919,440	6,401,638
Class B2	400,912	121,407
Class B3	239,079	77,801
Class C1	339,752	114,921
Class C2	1,148,592	519,138
Class C3	352,074	-
Class D	573,363	151,022
Class E15	209,837	90,241
Class F	4,468,689	1,885,889
	<b>24,635,738</b>	<b>9,362,057</b>

See accompanying notes.



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

For the years ended December 31

	2020 \$	2019 \$
Net assets attributable to holders of redeemable units, beginning of period	104,214,706	117,147,450
Issue of redeemable units	21,849,925	7,095,515
Redemption of redeemable units	(27,443,240)	(29,390,316)
Increase (decrease) in net assets attributable to holders of redeemable units	24,635,735	9,362,057
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>123,257,129</b>	<b>104,214,716</b>

See accompanying notes.

## STATEMENTS OF CASH FLOWS

For the years ended December 31

	2020 \$	2019 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	24,635,738	9,362,057
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities		
Purchases of investments in bullion	(6,532,593)	(1,161,017)
Proceeds from sales of investments in bullion	18,510,843	26,305,575
Net realized gains on investments in bullion	(8,974,988)	(9,377,726)
Net unrealized (gains) losses on investments in bullion	(18,604,144)	(2,963,135)
Net changes in non-cash operating balances:		
Increase in due from broker	-	-
Decrease in management fees payable	8,651	(11,521)
Decrease in distribution payable	-	(18,397)
Decrease in accounts payable and accrued liabilities	70,424	(22,215)
<b>Net cash provided by operating activities</b>	<b>9,113,931</b>	<b>22,113,621</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of redeemable units	20,411,916	7,095,515
(Increase) decrease in subscriptions receivable	(3,543,302)	101,449
Amounts paid on redemption of redeemable units	(26,005,231)	(29,390,316)
Increase (decrease) in redemptions payable	(268,040)	(31,567)
<b>Net cash used in financing activities</b>	<b>(9,404,657)</b>	<b>(22,224,919)</b>
<b>Net decrease in cash during the period</b>	<b>(290,726)</b>	<b>(111,298)</b>
<b>Cash, beginning of period</b>	<b>855,680</b>	<b>966,978</b>
<b>Cash, end of period</b>	<b>564,954</b>	<b>855,680</b>

See accompanying notes.

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2020

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	22,639.738	327.688	22,967.426	24,780,047	55,393,081	44.9
Platinum Bullion	11,386.475	1,025.946	12,412.421	17,719,100	17,006,217	13.8
Silver Bullion	1,396,744.284	12,916.371	1,409,660.655	24,410,770	47,289,802	38.4
<b>Net Investment</b>				<b>66,909,917</b>	<b>119,689,100</b>	97.1
Cash and Other Assets Less Liabilities					3,568,029	2.9
<b>Net assets attributable to holders of redeemable units</b>					<b>123,257,129</b>	<b>100.0</b>

As at December 31, 2019

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	26,639.928	358.134	26,998.062	27,635,568	53,319,796	51.2
Platinum Bullion	10,628.549	117.650	10,746.199	15,713,131	13,531,426	13.0
Silver Bullion	1,571,131.524	20,205.793	1,591,337.317	26,564,480	37,236,996	35.7
<b>Net Investment</b>				<b>69,913,179</b>	<b>104,088,218</b>	99.9
Cash and Other Assets Less Liabilities					126,488	0.1
<b>Net assets attributable to holders of redeemable units</b>					<b>104,214,706</b>	<b>100.0</b>

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

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

The BMG Fund's bullion is free and clear of any lien or claim that the major Canadian chartered bank (or subsidiary thereof) may have, except where the claim arises from any unpaid costs.

## NOTES TO FINANCIAL STATEMENTS

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### 1. Formation of the Fund

BMG BullionFund (the “BMG Fund”) was established under the laws of Ontario by a Master Declaration of Trust and a Regulation, each dated January 15, 2002, as amended. The address of the BMG Fund’s registered office is: 280-60 Renfrew Drive, Markham, ON, L3R 0E1. Bullion Management Services Inc. (the “Manager”) is the trustee and manager of the BMG Fund. The BMG Fund currently offers nine classes of units.

The classes were first offered on the following dates:

Class A	March 5, 2002	Class C3	February 24, 2020
Class B2	February 24, 2014	Class D	January 16, 2018
Class B3	November 11, 2013	Class E15	February 20, 2008
Class C1	March 27, 2015	Class F	September 15, 2004
Class C2	March 12, 2014		

The BMG Fund is also authorized to issue Class G and Class I units, none of which are currently issued. All classes share the same attributes from a valuation perspective, except that they are subject to different management fee rates.

The BMG Fund invests in equal dollar proportions of unencumbered gold, silver and platinum bullion, with the objective of providing a secure, convenient, low-cost alternative for investors seeking to hold bullion for capital preservation, long-term appreciation, portfolio diversification and portfolio hedging purposes. The BMG Fund’s fixed investment strategy avoids the need for a portfolio manager.

### 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements were authorized for issue by the Board of Directors on March 25, 2021.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments in bullion at fair value through profit or loss, and are presented in Canadian dollars, which is the BMG Fund’s functional and presentation currency.

#### Financial Instruments

##### (a) Classification

The BMG Fund classifies its investments in bullion based on both the Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The performance of the investments in bullion is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. As such, the BMG Fund classifies its investments in bullion at fair value through profit or loss.

The Fund’s obligation for net assets attributable to holders of redeemable units represents a financial liability and is measured at the redemption amount, which approximates fair value as of the reporting date. All other financial assets and liabilities are measured at amortized cost.

## NOTES TO FINANCIAL STATEMENTS *(continued)*

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### *(b) Recognition/derecognition*

Purchases and sales of investments in bullion are recognized on the trade date, the date on which the BMG Fund commits to purchase or sell the investment. Transaction costs for such instruments are recognized directly in the Statements of Comprehensive Income (Loss) as incurred. Financial assets classified at amortized cost are recognized on the day that they are transferred to the BMG Fund at fair value, plus transaction costs that are directly attributable to their acquisition or issue.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired, or the BMG Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities, other than those at fair value through profit or loss, are recognized initially at fair value plus transaction costs that are directly attributable to their acquisition or issue. Financial liabilities arising from the redeemable units issued by the BMG Fund are presented at the redemption amount representing the investors' right to a residual interest in the BMG Fund's assets.

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

### *(c) Subsequent measurement*

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

### *(d) Fair value measurement*

Fair value is the price that would be received on the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the BMG Fund has access at that date.

The value of gold, silver and platinum bullion is priced based on available spot prices. The difference between the bullion spot prices and the average cost of the respective investments in bullion held at the Statements of Financial Position date is shown as "Change in net unrealized gains (losses) on investments in bullion."

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

### *(e) Classification of fair value measurement*

IFRS 13 requires the BMG Fund to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

Level 1	Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the BMG Fund can access at the measurement date
Level 2	Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3	Inputs are unobservable inputs for the asset or liability

Fair value of investments in bullion is classified at Level 1 within the fair value hierarchy.

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

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### **Income and Expense Recognition**

The BMG Fund follows the daily accrual method of recording investment income and expenses. Expenses, such as management fees, specifically related to each class of units of the BMG Fund are charged directly to that class of units. Income, expenses and realized and unrealized gains (losses) are allocated to each class of the BMG Fund based on that class's pro-rated share of the total net assets of the BMG Fund.

### **Foreign Currency Translation**

The BMG Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates that transactions occur. Foreign currency monetary assets and monetary liabilities are translated into the functional currency using the exchange rate prevailing on the measurement date. Foreign exchange gains and losses are presented in the Statements of Comprehensive Income (Loss).

### **Calculation of Per-Unit Net Asset Value ("NAV") Attributable to Holders of Redeemable Units**

The NAV of each class of units of the BMG Fund is calculated in Canadian dollars at 4:00 p.m. (EST) on each day that the Toronto Stock Exchange is open for trading.

The NAV per unit of each class of the BMG Fund that is used for subscriptions and redemptions is the same as the net assets attributable to holders of redeemable units per unit of that class that is used in these financial statements.

A separate NAV is calculated for each class of units of the BMG Fund by taking that class's proportionate share of the BMG Fund's assets less that class's proportionate share of the BMG Fund's common liabilities, and deducting from this amount all liabilities that relate solely to that specific class. The NAV per unit for each class is determined by dividing the NAV of each class by the number of units of that class outstanding at the relevant valuation date.

### **Income Taxes**

The BMG Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the BMG Fund's net income for tax purposes and sufficient capital gains realized in any period are required to be distributed to unitholders such that no tax is payable by the BMG Fund. As a result, the BMG Fund does not record income taxes. Since the BMG Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. Refer to Note 6 for unused income tax losses.

### **Increase (Decrease) in Per-Unit Net Assets Attributable to Holders of Redeemable Units**

Any increase (decrease) in per-unit net assets attributable to holders of redeemable units represents the change in net assets attributable to holders of redeemable units of each class divided by the weighted average number of units of that class of the BMG Fund outstanding during the period (see Note 3).

### **Critical Estimates and Judgments**

In the application of the BMG Fund's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience, and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

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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.

The BMG Fund has been closely monitoring developments related to COVID-19, including the existing and potential effect on global and local economies, and has implemented its business continuity plan, thus ensuring minimal interruption to the business. Governments worldwide have put various measures in place to contain the spread of the virus; these have directly and indirectly affected many businesses. The COVID-19 pandemic has had a positive effect on the price of gold, which has resulted in the appreciation of the fair value of investments during the current reporting period. The longer-term effects of the COVID-19 situation will depend on future developments that are highly uncertain, rapidly evolving and difficult to predict. These effects may differ in magnitude depending on a number of scenarios, which the BMG Fund continues to monitor and take into consideration.

### **New Standards, Interpretations and Amendments effective January 1, 2020**

The BMG Fund did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

### **New Standards, Interpretations and Amendments effective after December 31, 2020 that have not been early adopted**

No new standards and interpretations that are effective for annual periods beginning after December 31, 2020 that have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the BMG Fund.

### **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.

## NOTES TO FINANCIAL STATEMENTS (continued)

### Unitholder transactions during the year ended December 31:

	Class A		Class B2	
	2020	2019	2020	2019
Balance - beginning of year	7,855,392	9,965,128	134,086	149,096
Issued	497,305	344,596	54,313	702
Reinvested from distributions	-	-	-	-
Redeemed	(1,689,431)	(2,454,332)	(19,602)	(15,712)
<b>Balance - end of year</b>	<b>6,663,266</b>	<b>7,855,392</b>	<b>168,797</b>	<b>134,086</b>
Average units outstanding	7,215,692	8,796,718	154,064	142,297

	Class B3		Class C1	
	2020	2019	2020	2019
Balance - beginning of year	82,412	99,899	122,803	166,391
Issued	-	-	-	-
Reinvested from distributions	-	-	-	-
Redeemed	(13)	(17,487)	-	(43,588)
<b>Balance - end of year</b>	<b>82,399</b>	<b>82,412</b>	<b>122,803</b>	<b>122,803</b>
Average units outstanding	82,406	87,839	122,803	137,250

	Class C2		Class C3	
	2020	2019	2020	2019
Balance - beginning of year	544,572	517,230	-	-
Issued	23,584	62,434	706,517	-
Reinvested from distributions	-	-	-	-
Redeemed	(139,599)	(35,092)	(18,411)	-
<b>Balance - end of year</b>	<b>428,557</b>	<b>544,572</b>	<b>688,106</b>	<b>-</b>
Average units outstanding	425,517	537,942	167,954	-

	Class D		Class E15	
	2020	2019	2020	2019
Balance - beginning of year	166,331	24,164	72,472	80,994
Issued	170,090	164,778	-	-
Reinvested from distributions	-	-	-	-
Redeemed	(89,112)	(22,611)	(11,092)	(8,522)
<b>Balance - end of year</b>	<b>247,309</b>	<b>166,331</b>	<b>61,380</b>	<b>72,472</b>
Average units outstanding	206,666	122,593	64,334	77,077

	Class F	
	2020	2019
Balance - beginning of year	1,584,484	2,003,994
Issued	436,248	167,631
Reinvested from distributions	-	-
Redeemed	(464,832)	(587,141)
<b>Balance - end of year</b>	<b>1,555,900</b>	<b>1,584,484</b>
Average units outstanding	1,578,433	1,821,947

## NOTES TO FINANCIAL STATEMENTS (continued)

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

For the year ended December 31, 2020

	Net assets attributable to holders of redeemable units, beginning of period	Subscriptions	Redemptions	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period	Net assets attributable to holders of redeemable units per unit	Increase in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	74,837,979	5,314,611	(18,219,596)	16,919,440	78,852,434	11.83	2.34
Class B2	1,280,816	565,776	(228,201)	400,912	2,019,303	11.96	2.60
Class B3	874,330	-	(144)	223,079	1,097,265	13.32	2.71
Class C1	1,308,233	-	-	339,752	1,647,985	13.42	2.77
Class C2	5,379,962	292,294	(1,485,738)	1,148,592	5,335,110	12.45	2.70
Class C3	-	7,861,888	(213,403)	352,074	8,000,559	11.63	2.10
Class D	1,802,425	2,141,196	(1,162,283)	573,363	3,354,701	13.56	2.77
Class E15	902,020	-	(145,152)	209,837	966,705	15.75	3.26
Class F	17,828,941	5,674,160	(5,988,723)	4,468,689	21,983,067	14.13	2.83
<b>Total</b>	<b>104,214,706</b>	<b>21,849,925</b>	<b>(27,443,240)</b>	<b>24,635,738</b>	<b>123,257,129</b>	<b>N/A</b>	<b>N/A</b>

For the year ended December 31, 2019

	Net assets attributable to holders of redeemable units, beginning of period	Subscriptions	Redemptions	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period	Net assets attributable to holders of redeemable units per unit	Increase in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	87,069,366	3,108,360	(21,741,385)	6,401,638	74,837,979	9.53	0.73
Class B2	1,295,190	6,000	(141,781)	121,407	1,280,816	9.55	0.85
Class B3	961,809	-	(165,280)	77,801	874,330	10.61	0.89
Class C1	1,603,123	-	(409,811)	114,921	1,308,233	10.65	0.84
Class C2	4,618,109	555,496	(312,781)	519,138	5,379,962	9.88	0.97
Class D	238,253	1,659,247	(246,097)	151,022	1,802,425	10.84	1.23
Class E15	907,286	-	(95,507)	90,241	902,020	12.45	1.17
Class F	20,454,314	1,766,412	(6,277,674)	1,885,889	17,828,941	11.25	1.04
<b>Total</b>	<b>117,147,450</b>	<b>7,095,515</b>	<b>(29,390,316)</b>	<b>9,362,057</b>	<b>104,214,706</b>	<b>N/A</b>	<b>N/A</b>



## NOTES TO FINANCIAL STATEMENTS (continued)

### 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 C3	0.75%
Class B2	1.49%	Class D	1.50%
Class B3	1.25%	Class E15	0.50%
Class C1	1.00%	Class F	1.25%
Class C2	0.87%		

For the year ended December 31, 2020, the BMG Fund incurred management fees of \$2,151,928[2019: \$2,117,408].

#### Holdings of Related Party

The Manager did not hold any units of funds on December 31, 2020 and 2019.

### 5. Sales Commission

A sales commission may be charged by a registered dealer or representative at the time an investor buys Class A units, Class B units, Class E units, Class G units or Class S units of the BMG Fund. The maximum amount of the sales commission for Classes A, B, E and G is 5.26% of the net amount invested. The sales commission is only negotiable for Classes A, B, E and G. No sales commission is currently charged for the other classes of units of the BMG Fund. A discount dealer may charge a fee at the time an investor buys class D units.

The Manager paid trailer fees to dealers of \$741,816 in 2020 [2019: \$742,631].

### 6. Income Tax Loss Carryforwards

As at December 31, 2020, the BMG Fund had no capital or non-capital losses available to offset future years' taxable income.

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

## NOTES TO FINANCIAL STATEMENTS (continued)

### 7. Financial Risk Management

The BMG Fund's financial instruments consist primarily of cash, subscriptions receivable, investments in bullion, management fees payable, redemptions payable and accounts payable and accrued liabilities. The BMG Fund's cash and bullion holdings are exposed to various types of risk, including market risk, credit risk, liquidity risk, interest rate risk and currency risk. These risks and related risk-management practices employed by the BMG Fund are described below.

#### Market Risk

Market risk is the risk that the fair value or future cash flows of investments in bullion will fluctuate because of changes in market prices or transaction timing. The market price of gold, silver and platinum is affected by a variety of factors, including demand, supply, international events and economic events. The BMG Fund employs a purchase-and-hold investment strategy, with purchases allocated one-third to each of gold, silver and platinum bullion. Since the BMG Fund does not lease bullion, the only future cash flows will be from dispositions of bullion. Dispositions of bullion will be necessary to pay redemptions when cash reserves are not adequate.

As at December 31, 2020, the effect on the BMG Fund's net assets if there were a 5% increase, or decrease, in the price of gold, silver and platinum bullion, with all other variables held constant, would be an increase, or decrease, of \$5,984,455 [December 31, 2019: \$5,204,411].

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

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. As at December 31, 2020 and 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 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

Liquidity risk is the risk that a fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due, or can only do so on terms that are materially disadvantageous. The BMG Fund is exposed to daily cash redemptions of redeemable units. The BMG Fund aims to retain sufficient cash positions to maintain liquidity. In addition, bullion is readily realizable and liquid. Therefore, the BMG Fund's liquidity risk is minimal. All liabilities are payable within a year. Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity will be representative of the actual cash outflows, as holders of these instruments typically retain them for longer periods. The tables below analyze the BMG Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the table are contractual undiscounted cash flows.

#### December 31, 2020

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 201,238	\$ 201,238
Redemptions payable	-	134,300	134,300
Accounts payable and accrued liabilities	-	221,985	221,985
Redeemable units	123,257,129	-	123,257,129

#### December 31, 2019

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 192,587	\$ 192,587
Redemptions payable	-	402,340	402,340
Accounts payable and accrued liabilities	-	151,561	151,561
Redeemable units	104,214,706	-	104,214,706

## NOTES TO FINANCIAL STATEMENTS (continued)

### Interest Rate Risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities, and future cash flow. The majority of the BMG Fund's financial assets and liabilities were non-interest-bearing as at December 31, 2020 and 2019. Accordingly, the BMG Fund is not exposed to significant risk due to fluctuations in the prevailing levels of market interest rates.

### Currency Risk

Foreign currency risk arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. Bullion is generally quoted and traded in US dollars and, as a result, the BMG Fund is subject to foreign currency risk. The BMG Fund does not hedge its foreign currency exposure.

The BMG Fund holds cash in Canadian and US dollars to pay redemptions and operating costs. The Manager monitors the cash balance of the BMG Fund on a daily basis, and only purchases bullion when surplus cash is available. Normally the cash balance is less than 5% of the assets of the BMG Fund.

As at December 31, 2020, 97.2% [December 31, 2019: 99.9%] of the BMG Fund's net assets were exposed to US dollars. If the exchange rate with the Canadian dollar increased or decreased by 1%, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$1,198,031 [December 31, 2019: \$1,041,446].

Actual results may differ from this sensitivity analysis and the difference could be material, because the price of bullion tends to be negatively correlated with the US dollar.

### Foreign Currency Exposure

#### December 31, 2020

Description	US \$	Canada \$	Total \$
Cash	113,990	450,964	564,954
Investments in bullion	119,689,100	-	119,689,100
Other Net Assets	-	3,003,075	3,003,075
<b>Net Assets</b>	<b>119,803,090</b>	<b>3,454,039</b>	<b>123,257,129</b>
<b>Percent</b>	<b>97.2%</b>	<b>2.8%</b>	<b>100%</b>

#### December 31, 2019

Description	US \$	Canada \$	Total \$
Cash	68,001	787,678	855,679
Investments in bullion	104,088,219	-	104,088,219
Other Net Assets	(11,659)	(700,863)	(729,192)
<b>Net Assets</b>	<b>104,144,561</b>	<b>70,145</b>	<b>104,214,706</b>
<b>Percent</b>	<b>99.9%</b>	<b>0.1%</b>	<b>100%</b>

## NOTES TO FINANCIAL STATEMENTS *(continued)*

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### **8. Capital Management**

Redeemable units issued and outstanding are considered to be the capital of the BMG Fund. The BMG Fund does not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of the BMG Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice must be received no later than 4:00 p.m. EST on the valuation day upon which the units are to be redeemed. Additionally, the notice must be irrevocable, and the signature thereon must be guaranteed by a Canadian chartered bank, a trust company or an investment dealer acceptable to the Manager. The units are redeemable for cash equal to a pro rata share of the BMG Fund's net asset value.

### **9. Fair Value Measurement**

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

There were no transfers between levels for the years ended December 31, 2020 and 2019. In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2020 and 2019.



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