

**BMG BULLIONFUND**

# **ANNUAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2021**



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# BMG BullionFund

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## Annual Management Report of Fund Performance

For the year ended December 31, 2021



BMG  
MANAGEMENT  
SERVICES INC.  
A BMG Company

### Caution regarding forward-looking statements

Certain portions of this Annual Management Report of Fund Performance, including, but not limited to, “Recent Developments”, may contain forward-looking statements about the BMG BullionFund (the “BMG Fund”) including statements with respect to strategies, risks, expected performance events and conditions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “could”, “would”, “forecasts”, “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, “projects” and similar forward-looking expressions or negative versions thereof.

Forward-looking statements are not guarantees of future performance and actual results or events could differ materially from those expressed or implied in any forward-looking statements made by the BMG Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, such as interest and foreign currency rates, investment sentiment, volatility of precious metals prices, demand for various precious metals, and other factors affecting precious metals, currency fluctuations, global equity and capital markets, changes in government relations, unexpected judicial or regulatory proceedings and catastrophic events. We stress that the above-mentioned list of important factors is not exhaustive. Some of these risks, uncertainties and other factors are described in the BMG Fund’s simplified prospectus, under the heading “Risk Factors.”

We encourage you to consider these and other factors carefully before making any investment decisions. Forward-looking statements should not be unduly relied upon. Further, you should be aware that the BMG Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance, and that the forward-looking statements speak only to the date of this Annual Management Report of Fund Performance.

*This Annual Management Report of Fund Performance contains financial highlights, but does not contain either the semi-annual or Annual Financial statements have been included of the BMG Fund. If you have not received a copy of the BMG Fund’s semi-annual or annual financial statements, you may request a copy of such financial or quarterly portfolio disclosure at no cost by calling 1.888.474.1001, by writing to us at 110 Cochrane Drive, Suite 200, Markham, ON L3R 9S1, or by visiting our website at [www.bmg-group.com](http://www.bmg-group.com) or SEDAR at [www.sedar.com](http://www.sedar.com).*

## MANAGEMENT REPORT OF FUND PERFORMANCE

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### Investment Objective and Strategies

BMG BullionFund (the “BMG Fund”) invests in equal dollar proportions of unencumbered, fully allocated gold, silver and platinum bullion that is held by The Royal Bank of Canada. The BMG Fund’s objective is to provide a secure and convenient method for investors seeking to hold gold, silver and platinum bullion for capital preservation, long-term appreciation, portfolio diversification and portfolio hedging purposes.

All physical bullion purchased by the BMG Fund meets the London Good Delivery standard as set out by the London Bullion Market Association (“LBMA”).

By investing an equal portion of the BMG Fund's subscription proceeds in gold, silver and platinum bullion, the BMG Fund should be able to effectively reduce its volatility while improving long-term returns. This can be accomplished because the value of gold is based primarily on its monetary qualities, whereas the value of silver and platinum is based primarily on their usefulness as commodities. During normal economic times, the commodity demand for silver and platinum should be higher than for gold, and the value of silver and platinum should typically outperform the value of gold. In contrast, if monetary demand increases, then the value of gold should typically increase faster than that of silver or platinum, although over time both silver and platinum should follow the price of gold. As a result, by investing in all three metals, the BMG Fund should be able to reduce volatility while improving long-term returns.

The economic factors that determine the price of gold, silver and platinum are also, in most cases, opposed to the factors that determine the prices of most other financial assets. Ownership of BMG Fund units, therefore, acts as a hedge against the volatility of other investments. Units of a class of the BMG Fund are not speculative, and are only intended to be one part of an investment strategy.

A small portion of the BMG Fund's assets (generally no more than 5%) may be held in cash to allow the BMG Fund to pay its expenses, and to facilitate any redemption of units of a class of the BMG Fund. The BMG Fund will not use derivatives or invest in securities or certificates of companies that produce gold, silver or platinum bullion. The BMG Fund will not invest in foreign securities, and does not hedge its holdings. The BMG Fund’s objectives and strategies did not change in 2021.

### Risk

The risks associated with investing in the BMG Fund remain as stated in the simplified prospectus dated November 25, 2021. The principal risk associated with investing in the BMG Fund is the fluctuating price of precious metals, as well as fluctuations in the relationship between the Canadian and US dollars. In addition, the BMG Fund will be subject to precious metals risk, non-hedging strategy risk and specialization risk. Our view of the BMG Fund’s risk rating was unchanged in 2021.

### Results of Operations

**All monetary amounts are expressed in Canadian dollars, unless otherwise indicated.**

In 2021, the net asset value (“NAV”) of the BMG Fund decreased 17.5%, from \$123.3 million at December 31, 2020 to \$101.7 million at December 31, 2021. The decrease was primarily driven by \$11.5 million in realized and unrealized losses on bullion, \$7.1 million in net redemptions and \$2.8 million in expenses. As at December 31, 2021, the BMG Fund’s bullion holdings were 20,536 ounces of gold, 1,323,785 ounces of silver and 13,526 ounces of platinum, compared to 22,967 ounces of gold, 1,409,661 ounces of silver and 12,412 ounces of platinum as at December 31, 2020.

For the year ended December 31, 2021, the NAV per unit of the BMG Fund’s Class A units decreased by 12.3% in Canadian dollars and 11.6% in US dollars, while the NAV per unit of the BMG Fund’s Class F units decreased by 11.3% in Canadian dollars and 10.6% in US dollars. The better performance in US dollars is due to the Canadian dollar appreciation of 0.9% against the US dollar in 2021. Please see *Past Performance* for the performance data of other classes.

## MANAGEMENT REPORT OF FUND PERFORMANCE (*continued*)

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In 2021, the gold price decreased by 4.6%, from US\$1,893.10 on December 31, 2020 peaked at a high of US\$1,909.90 per ounce in June, and closed at US\$1,805.85 on December 31, 2021. The prices of silver and platinum followed a similar pattern. Silver reached a high of US\$28.33 per ounce in May, and closed at US\$23.09 on December 31. Platinum reached a high of US\$1,293.10 per ounce in February, and closed at US\$959.00 on December 31, 2021.

### Recent Developments

Covid-19 continued to provide shocks across the global economy in 2021. Elevated levels of uncertainty that became present in 2020 continued through 2021, as many corporations and small businesses continued to change the way they operated. Gold continues to be a safe haven against COVID-19-induced economic losses and turmoil.

Demand for gold is continuously rising, according to the World Gold Council (“WGC”). Demand for gold reached 1,147 tonnes in Q4 2021, an increase of almost 50% year-on-year; gold bars and coin demand rose 31% to an 8-year high as retail investors sought a safe haven against the backdrop of rising inflation and ongoing economic uncertainty caused by the coronavirus pandemic.

The effects of the pandemic-related lockdowns were apparent with respect to major global economies, as both Canada and the US experienced significant declines in gross domestic product (“GDP”). Government money-printing camouflages the real drop in GDP, but the reality of overall globally reduced economic activity, unemployment, mass terminations, huge losses in hospitality sectors, negative effects on education, and a divided society causing the demise of communities still continues for millions that have been affected by Covid restrictions.

Canada’s GDP declined 5.3% in 2020, while US real GDP declined 3.4%. These drops were synonymous globally; the average worldwide decline in real GDP was 4.2%. In 2021, as restrictions implemented in 2020 were lifted, the economy began to rebound significantly, entering a period of super-charged growth. Canada and the US grew by 6.7% and 5.7% respectively in 2021, driving concerns of additional inflation. The risk of future inflation presents an excellent catalyst for precious metals in the future. Canadian annual inflation was 3.9% in 2021, well above the 2% originally forecasted, and is projected to be 4.8% for 2022—a 30-year high. Any belief that this rise in inflation is transitory has evaporated. Growth for 2022 will likely stall as interest rates are eventually increased to combat inflation and this, coupled with inflation, presents a real possibility for stagflation to occur.

To combat the repercussions caused by the lockdowns, central banks across the world continue to inflate their balance sheets to aid their attempts to provide stability in the markets, but they have been slow to make rate hikes or reduce their bond buying. Canada and most advanced economies face similar financial and economic realities. In its latest Global Financial Stability Report, the International Monetary Fund (“IMF”) identified several key vulnerabilities in the global financial system. In particular, it pointed to signs of excessive risk-taking and stretched valuations. Given these elevated financial vulnerabilities, a sudden decline in investors’ risk appetite—perhaps due to a major setback in the global recovery from the pandemic—could result in a sharp deterioration in global financial conditions.

Conventional value measures like the P/E ratio continue to be at historic highs, but P/E ratios can be unreliable in a period of extremely low interest rates. Current P/E ratios exceed even 1929 values, and with margin debt 314% higher than its 2008 level, it is clear that the equity markets are poised for a major correction. In addition to an overheated stock market, the housing market appears to be in the same situation, with the S&P/Case-Shiller 20 City Index 86% higher than the 2008 value, with 17% of that increase coming in 2021 alone. With interest rates at or near zero, yields on government paper are largely negative, providing a poor return that will continue to drive investors into riskier assets, as evidenced by the continued narrowing of the spread between speculative and government bonds

Given the current paradigm, the critical value of properly balancing asset classes of different correlations in order to maximize portfolio returns and minimize risk is evident. Adding 10% in gold bullion to a standard 60/40 portfolio increases the compound annual growth rate from 6.59% to 7.07%, while increasing the Sharpe ratio from .61 to .70. Adding 20% in gold bullion to a portfolio increases the compound annual growth rate from 6.59% to 7.52%, while increasing the Sharpe ratio from .61 to .77.

## MANAGEMENT REPORT OF FUND PERFORMANCE (*continued*)

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Overall, each of the precious metals has had superior returns from a historical and relative context. Some of the gains from 2020 were returned in 2021 as the world returned to pre-pandemic levels and the search for yield continued to drive investment into riskier assets.

In Canada, gold began 2021 at \$2,411.81 and ended the year at \$2,281.06, which represents a 5.4% decline. In the US, gold began 2021 at US\$1,893.10 and ended the year at US\$1,805.85, which represents a 4.6% decline.

In Canada, silver began 2021 at \$33.55 and ended the year at \$29.16, which represents a 13.1% decline. In the US, silver began 2021 at US\$26.33 and ended the year at US\$23.09, which represents a 12.3% decline.

In Canada, platinum began 2021 at \$1,370.06 and ended the year at \$1,211.36, which represents an 11.6% decline. In the US, platinum began 2021 at US\$1,075.4 and ended the year at US\$959.0, which represents a 10.8% decline.

The existing economic conditions and potential of downside catalysts due to mounting geopolitical unrest, excessive government borrowing, and overheated markets is a formula for stagflation. Gold has been the best-performing asset class during past periods of stagflation. As a result, we anticipate that precious metals will outperform all other asset classes in 2022.

### **Related-Party Transactions**

#### *Manager and Trustee*

BMG Management Services Inc. (the “Manager”) is the manager, trustee, registrar and transfer agent for the BMG Fund. The Manager provides, or arranges for the provision of, all management and administrative services for day-to-day operations, including providing fund and unitholder accounting, recordkeeping and other administrative services. At December 31, 2021, the Manager held no units of the BMG Fund.

In consideration of management and administrative services, the BMG Fund pays the Manager a monthly management fee based on the NAV of the various classes of units of the BMG Fund, calculated daily. For the year ended December 31, 2021, the BMG Fund incurred management fees of \$2,038,541.

#### *Distributor*

BMG Marketing Services Inc., an affiliate of the Manager, has been retained by the Manager to assist with the marketing and distribution of units of the BMG Fund in the exempt market pursuant to prospectus exemptions.

#### *Independent Review Committee*

The Manager has created an independent review committee (“IRC”) to review and provide impartial judgment on conflict of interest matters. The IRC reviews potential conflicts of interest referred to it by the Manager, and makes recommendations on whether a course of action is fair and reasonable for the BMG Fund. The IRC prepares an annual report of its activities for interested parties. A copy of the IRC’s report for 2021 is available at [www.bmg-group.com](http://www.bmg-group.com).

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about each class of units of the BMG Fund, and are intended to help you understand the BMG Fund's financial performance for the years shown ended December 31, and/or from the period since the particular class was first offered. The information is derived from the BMG Fund's financial statements.

THE FUND'S NET ASSETS PER CLASS A UNIT	2021	2020	2019	2018	2017
Net assets - beginning of year <sup>(1)</sup>	\$ 11.83	\$ 9.53	\$ 8.74	\$ 8.79	\$ 8.99
<b>Increase (decrease) from operations:</b>					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.31)	(0.32)	(0.27)	(0.27)	(0.27)
Realized gains for the period	0.52	0.86	0.77	0.65	0.36
Unrealized gains (losses) for the period	(1.66)	1.80	0.23	(0.43)	(0.24)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(1.45)</b>	<b>2.34</b>	<b>0.73</b>	<b>(0.05)</b>	<b>(0.15)</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	(0.06)	-
Return of capital	-	-	-	-	-
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.06)</b>	<b>-</b>
<b>Net assets at December 31 of year shown</b>	<b>\$ 10.38</b>	<b>\$ 11.83</b>	<b>\$ 9.53</b>	<b>\$ 8.74</b>	<b>\$ 8.79</b>
<b>RATIOS AND SUPPLEMENTAL DATA:</b>					
Total net asset value (000's) <sup>(1)</sup>	\$ 62,291	\$ 78,852	\$ 74,838	\$ 87,069	\$ 109,986
Number of units outstanding <sup>(1)</sup>	6,002,607	6,663,266	7,855,392	9,965,128	12,509,611
Management expense ratio (%) <sup>(2)</sup>	3.00	3.00	3.07	3.08	2.96
Management expense ratio before waivers or absorption (%)	3.00	3.00	3.07	3.08	2.96
Trading expense ratio (%) <sup>(3)</sup>	-	-	-	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	4.24	5.86	1.07	0.85	-
Net asset value per unit	\$ 10.38	\$ 11.83	\$ 9.53	\$ 8.74	\$ 8.79

For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

THE FUND'S NET ASSETS PER CLASS B2 UNIT	2021	2020	2019	2018	2017
Net assets - beginning of year <sup>(1)</sup>	\$ 11.96	\$ 9.55	\$ 8.69	\$ 8.67	\$ 8.79
<b>Increase (decrease) from operations:</b>					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.23)	(0.24)	(0.20)	(0.19)	(0.19)
Realized gains for the period	0.52	0.88	0.78	0.64	0.37
Unrealized gains (losses) for the period	(1.67)	1.96	0.27	(0.38)	(0.38)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(1.38)</b>	<b>2.60</b>	<b>0.85</b>	<b>0.07</b>	<b>(0.20)</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	(0.06)	-
Return of capital	-	-	-	-	-
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.06)</b>	<b>-</b>
<b>Net assets at December 31 of year shown</b>	<b>\$ 10.58</b>	<b>\$ 11.96</b>	<b>\$ 9.55</b>	<b>\$ 8.69</b>	<b>\$ 8.67</b>
<b>RATIOS AND SUPPLEMENTAL DATA:</b>					
Total net asset value (000's) <sup>(1)</sup>	\$ 1,754	2,019	\$ 1,281	\$ 1,295	\$ 1,318
Number of units outstanding <sup>(1)</sup>	165,793	168,797	134,086	149,096	152,003
Management expense ratio (%) <sup>(2)</sup>	2.19	2.16	2.23	2.25	2.12
Management expense ratio before waivers or absorption (%)	2.19	2.16	2.23	2.25	2.12
Trading expense ratio (%) <sup>(3)</sup>	-	-	-	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	4.24	5.86	1.07	0.85	-
Net asset value per unit	\$ 10.58	\$ 11.96	\$ 9.55	\$ 8.69	\$ 8.67

For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

## FINANCIAL HIGHLIGHTS (continued)

THE FUND'S NET ASSETS PER CLASS B3 UNIT	2021	2020	2019	2018	2017
Net assets - beginning of year <sup>(1)</sup>	\$ 13.32	\$ 10.61	\$ 9.63	\$ 9.58	\$ 9.68
<b>Increase (decrease) from operations:</b>					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.24)	(0.23)	(0.20)	(0.18)	(0.18)
Realized gains for the period	0.59	0.97	0.85	0.71	0.40
Unrealized gains (losses) for the period	(1.87)	1.97	(0.24)	(0.41)	(0.32)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(1.52)</b>	<b>2.71</b>	<b>0.89</b>	<b>0.12</b>	<b>(0.10)</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	(0.06)	-
Return of capital	-	-	-	-	-
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31 of year shown</b>	<b>\$ 11.80</b>	<b>\$ 13.32</b>	<b>\$ 10.61</b>	<b>\$ 9.63</b>	<b>\$ 9.58</b>
<b>ATIOS AND SUPPLEMENTAL DATA:</b>					
Total net asset value (000's) <sup>(1)</sup>	\$ 944	\$ 1,097	\$ 874	\$ 962	\$ 954
Number of units outstanding <sup>(1)</sup>	79,995	82,399	82,412	99,899	99,674
Management expense ratio (%) <sup>(2)</sup>	1.95	1.93	2.02	1.92	1.80
Management expense ratio before waivers or absorption (%)	1.95	1.93	2.02	1.92	1.80
Trading expense ratio (%) <sup>(3)</sup>	-	-	-	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	4.24	5.86	1.07	0.85	-
Net asset value per unit	\$ 11.80	\$ 13.32	\$ 10.61	\$ 9.63	\$ 9.58

For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

THE FUND'S NET ASSETS PER CLASS C1 UNIT	2021	2020	2019	2018	2017
Net assets - beginning of year <sup>(1)</sup>	\$ 13.42	\$ 10.65	\$ 9.63	\$ 9.56	\$ 9.64
<b>Increase (decrease) from operations:</b>					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.19)	(0.19)	(0.17)	(0.16)	(0.15)
Realized gains for the period	0.59	0.98	0.85	0.70	0.40
Unrealized gains (losses) for the period	(1.88)	1.98	0.16	(0.36)	(0.33)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(1.48)</b>	<b>2.77</b>	<b>0.84</b>	<b>0.18</b>	<b>(0.08)</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	0.06	-
Return of capital	-	-	-	-	-
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.06)</b>	<b>-</b>
<b>Net assets at December 31 of year shown</b>	<b>\$ 11.94</b>	<b>\$ 13.42</b>	<b>\$ 10.65</b>	<b>\$ 9.63</b>	<b>\$ 9.56</b>
<b>RATIOS AND SUPPLEMENTAL DATA:</b>					
Total net asset value (000's) <sup>(1)</sup>	\$ 1,561	\$ 1,648	\$ 1,308	\$ 1,603	\$ 1,265
Number of units outstanding <sup>(1)</sup>	130,804	122,803	122,803	166,391	132,398
Management expense ratio (%) <sup>(2)</sup>	1.58	1.57	1.68	1.66	1.54
Management expense ratio before waivers or absorption (%)	1.58	1.57	1.68	1.66	1.54
Trading expense ratio (%) <sup>(3)</sup>	-	-	-	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	4.24	5.86	1.07	0.85	-
Net asset value per unit	\$ 11.94	\$ 13.42	\$ 10.65	\$ 9.63	\$ 9.56

For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

## FINANCIAL HIGHLIGHTS (continued)

THE FUND'S NET ASSETS PER CLASS C2 UNIT	2021	2020	2019	2018	2017
Net assets - beginning of year <sup>(1)</sup>	\$ 12.45	\$ 9.88	\$ 8.93	\$ 8.85	\$ 8.92
<b>Increase (decrease) from operations:</b>					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.15)	(0.17)	(0.15)	(0.14)	(0.14)
Realized gains for the period	0.55	0.90	0.80	0.66	0.37
Unrealized gains (losses) for the period	(1.77)	1.97	0.32	(0.43)	(0.29)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(1.37)</b>	<b>2.70</b>	<b>0.97</b>	<b>0.09</b>	<b>(0.06)</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	(0.06)	-
Return of capital	-	-	-	-	-
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.06)</b>	<b>-</b>
<b>Net assets at December 31 of year shown</b>	<b>\$ 11.08</b>	<b>\$ 12.45</b>	<b>\$ 9.88</b>	<b>\$ 8.93</b>	<b>\$ 8.85</b>
<b>RATIOS AND SUPPLEMENTAL DATA:</b>					
Total net asset value (000's) <sup>(1)</sup>	\$ 4,269	\$ 5,335	\$ 5,380	\$ 4,618	\$ 4,653
Number of units outstanding <sup>(1)</sup>	385,360	428,557	544,572	517,230	525,509
Management expense ratio (%) <sup>(2)</sup>	1.54	1.53	1.60	1.62	1.50
Management expense ratio before waivers or absorption (%)	1.54	1.53	1.60	1.62	1.50
Trading expense ratio (%) <sup>(3)</sup>	-	-	-	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	4.24	5.86	1.07	0.85	-
Net asset value per unit	\$ 11.08	\$ 12.45	\$ 9.88	\$ 8.93	\$ 8.85

For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

THE FUND'S NET ASSETS PER CLASS C3 UNIT	2021	2020
Net assets - beginning of period <sup>(1)</sup>	\$ 11.63	\$ 10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	-	-
Total expenses (excluding distributions)	(0.14)	(0.13)
Realized gains for the period	0.51	0.71
Unrealized gains for the period	(1.64)	1.52
<b>Total increase from operations<sup>(2)</sup></b>	<b>(1.27)</b>	<b>2.10</b>
<b>Distributions:</b>		
From net investment income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
<b>Total distributions</b>	<b>-</b>	<b>-</b>
<b>Net assets - end of period</b>	<b>\$ 10.36</b>	<b>\$ 11.63</b>
<b>RATIOS AND SUPPLEMENTAL DATA:</b>		
Total net asset value (000's) <sup>(1)</sup>	\$ 6,898	8,001
Number of units outstanding <sup>(1)</sup>	665,830	688,106
Management expense ratio (%) <sup>(2)</sup>	1.41	1.40
Management expense ratio before waivers or absorption (%)	1.41	1.40
Trading expense ratio (%) <sup>(3)</sup>	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	4.24	5.86
Net asset value per unit	\$ 10.36	\$ 11.63

\*Data is from February 24, 2020, the date the Class C3 units were first offered, to June 30, 2020. For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

## FINANCIAL HIGHLIGHTS (continued)

THE FUND'S NET ASSETS PER CLASS D UNIT	2021	2020	2019	2018*
<b>Net assets - beginning of period<sup>(1)</sup></b>	<b>\$ 13.56</b>	<b>\$ 10.84</b>	<b>\$ 9.86</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>				
Total revenue	-	-	-	-
Total expenses (excluding distributions)	(0.18)	(0.27)	(0.23)	(0.21)
Realized gains for the period	0.59	0.98	0.92	0.65
Unrealized gains (losses) for the period	(1.97)	2.06	0.54	(0.05)
<b>Total increase from operations<sup>(2)</sup></b>	<b>(1.56)</b>	<b>2.77</b>	<b>1.23</b>	<b>0.39</b>
<b>Distributions:</b>				
From net investment income (excluding dividends)	-	-	-	-
From dividends	-	-	-	-
From capital gains	-	-	-	(0.06)
Return of capital	-	-	-	-
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.06)</b>
<b>Net assets - end of period</b>	<b>\$ 12.00</b>	<b>\$ 13.56</b>	<b>\$ 10.84</b>	<b>\$ 9.86</b>
<b>RATIOS AND SUPPLEMENTAL DATA:</b>				
Total net asset value (000's) <sup>(1)</sup>	\$ 3,461	\$ 3,355	\$ 1,802	\$ 238
Number of units outstanding <sup>(1)</sup>	288,547	247,309	166,331	24,164
Management expense ratio (%) <sup>(2)</sup>	2.17	2.19	2.26	2.33
Management expense ratio before waivers or absorption (%)	2.17	2.19	2.26	2.33
Trading expense ratio (%) <sup>(3)</sup>	-	-	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	4.24	5.86	1.07	0.85
Net asset value per unit	\$ 12.00	\$ 13.56	\$ 10.84	\$ 9.86

\*Data is from January 16, 2018, the date the Class D units were first offered, to December 31, 2018. For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

THE FUND'S NET ASSETS PER CLASS F UNIT	2021	2020	2019	2018	2017
<b>Net assets - beginning of year<sup>(1)</sup></b>	<b>\$ 14.13</b>	<b>\$ 11.25</b>	<b>\$ 10.21</b>	<b>\$ 10.16</b>	<b>\$ 10.28</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.25)	(0.24)	(0.21)	(0.20)	(0.20)
Realized gains for the period	0.62	1.03	0.91	0.75	0.42
Unrealized gains (losses) for the period	(1.99)	2.04	0.34	(0.46)	(0.34)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(1.62)</b>	<b>2.83</b>	<b>1.04</b>	<b>0.09</b>	<b>(0.12)</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	(0.07)	-
Return of capital	-	-	-	-	-
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.07)</b>	<b>-</b>
<b>Net assets at December 31 of year shown</b>	<b>\$ 12.53</b>	<b>\$ 14.13</b>	<b>\$ 11.25</b>	<b>\$ 10.21</b>	<b>\$ 10.16</b>
<b>RATIOS AND SUPPLEMENTAL DATA:</b>					
Total net asset value (000's) <sup>(1)</sup>	\$ 19,754	\$ 21,983	\$ 17,829	\$ 20,454	\$ 24,857
Number of units outstanding <sup>(1)</sup>	1,577,067	1,555,900	1,584,484	2,003,994	2,446,780
Management expense ratio (%) <sup>(2)</sup>	1.91	1.90	1.98	1.99	1.87
Management expense ratio before waivers or absorption (%)	1.91	1.90	1.98	1.99	1.87
Trading expense ratio (%) <sup>(3)</sup>	-	-	-	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	4.24	5.86	1.07	0.85	-
Net asset value per unit	\$ 12.53	\$ 14.13	\$ 11.25	\$ 10.21	\$ 10.16

For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

## FINANCIAL HIGHLIGHTS (continued)

### Explanatory Notes to Financial Highlights

#### *Fund's Net Assets per Unit of each Class*

(1) This information is derived from the BMG Fund's financial statements. In the period a BMG Fund or class is established, the financial information is provided from the date a particular class was first offered to the end of the period. The NAV per class presented in the financial statements does not differ from the NAV per class calculated for fund pricing purposes.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) in net assets from operations is based on the weighted average number of units outstanding over the fiscal period. This table is not intended to be a reconciliation of opening and closing net assets per unit.

#### *Ratios and Supplemental Data*

(1) This information is provided as at the end of the period shown.

(2) The management expense ratio is based on total expenses for the stated period, and is expressed as an annualized percentage of daily average NAV during the period.

(3) The trading expense ratio represents the total commissions and other portfolio transaction costs expressed as an annualized percentage of NAV during the period.

(4) The BMG Fund's portfolio turnover rate indicates how actively the BMG Fund's bullion investments are traded. A portfolio turnover rate of 100% is equivalent to the BMG Fund buying and selling all its bullion once in the course of the relevant period. There is no trading cost payable by the BMG Fund. The higher a portfolio turnover rate in a year, the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the BMG Fund.

### Management Fees

Management fees are paid by each class of the BMG Fund to the Manager, and are calculated at the applicable annual percentage of the NAV of each class of the BMG Fund. The Manager provides, or arranges for the provision of, all management and administrative services for day-to-day operations, including providing fund and unitholder accounting, recordkeeping and other administrative services. A portion of the management fees paid by the BMG Fund is for trailer fees paid to dealers. The trailer fees are a percentage of the daily average NAV of the applicable class of units of the BMG Fund that are held by the dealers' clients. No trailer fees are paid with respect to Class C1, Class C2, Class C3 and Class F units of the BMG Fund. The table below outlines the BMG Fund's annual management fees for the Class A, Class B2, Class B3, Class C1, Class C2, Class C3, Class D and Class F units of the BMG Fund, and how those fees are split between trailer fees and portfolio administration.

	Class A	Class B2	Class B3	Class C1	Class C2	Class C3	Class D	Class F
Management Fee	2.25%	1.49%	1.25%	1.00%	0.87%	0.75%	1.50%	1.25%
Portfolio Administration Fee	55.6%	59.4%	60%	100%	100%	100%	83.3%	100%
Trailer Fee ( <i>maximum rate as a percentage of management fees</i> )	44.4%	41.6%	40%	0%	0%	0%	16.7%	0%

Out of the management fees that the Manager received from the BMG Fund, the Manager paid trailer fees of \$741,816 during the year ended December 31, 2021.

### Operating Expenses

During 2021, the Manager did not absorb BMG Fund operating expenses, because the management expense ratios were below the expense cap. The decision to reduce operating expenses is made at the discretion of the Manager, and may be changed at any time.

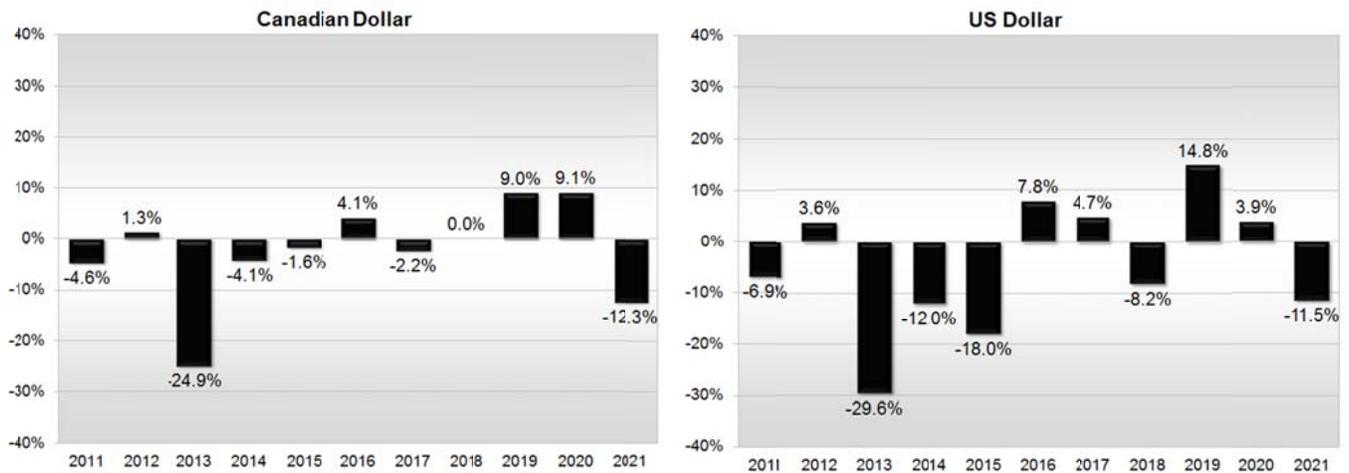
## PAST PERFORMANCE

The following information does not take into account sales or redemption charges that would have reduced returns. Past performance does not necessarily indicate how the BMG Fund will perform in the future.

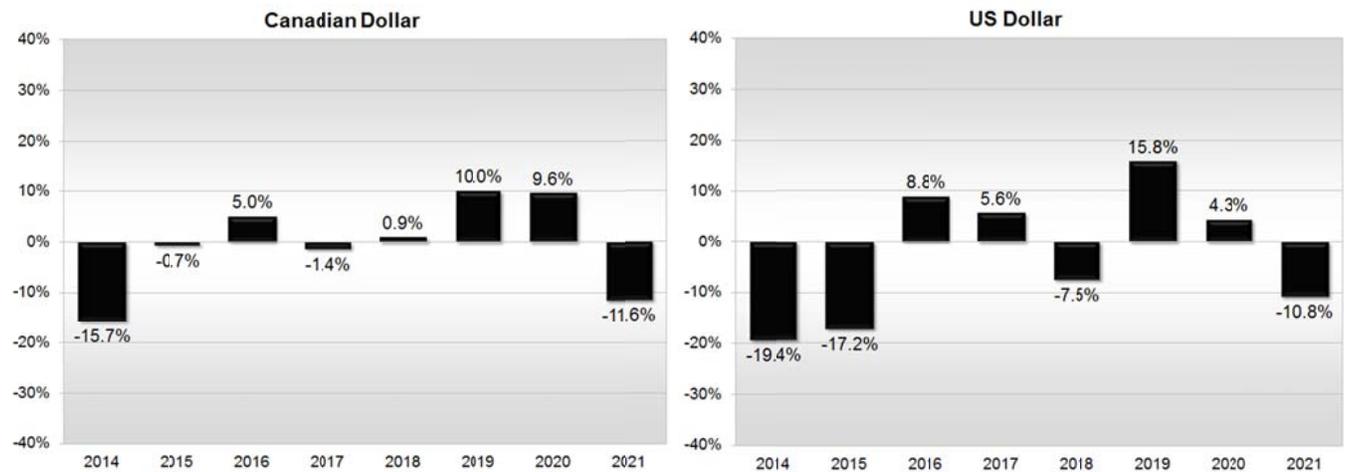
### Year-by-Year Returns

The following bar charts show the BMG Fund's performance for each class of units of the BMG Fund in Canadian and US dollars, as applicable, in each of the years shown. They illustrate how the BMG Fund's performance has changed from year to year. In percentage terms, the charts show how much an investment made on the first day of each financial year has increased or decreased by the last day of each financial year.

#### Class A



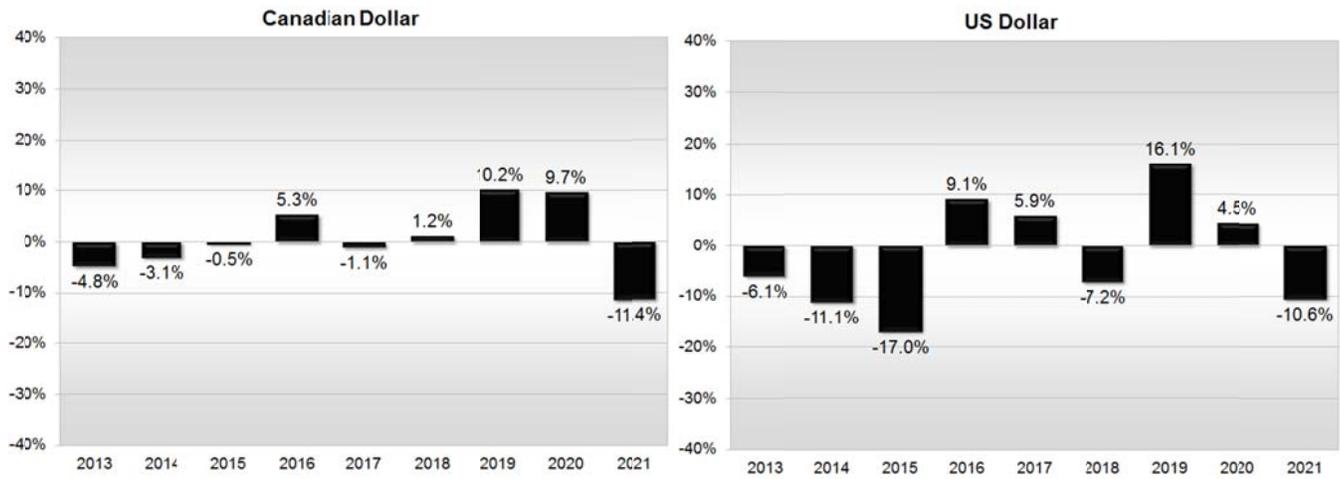
#### Class B2



The return shown for 2014 is for the period from February 24, 2014, the date the Class B2 units were first offered.

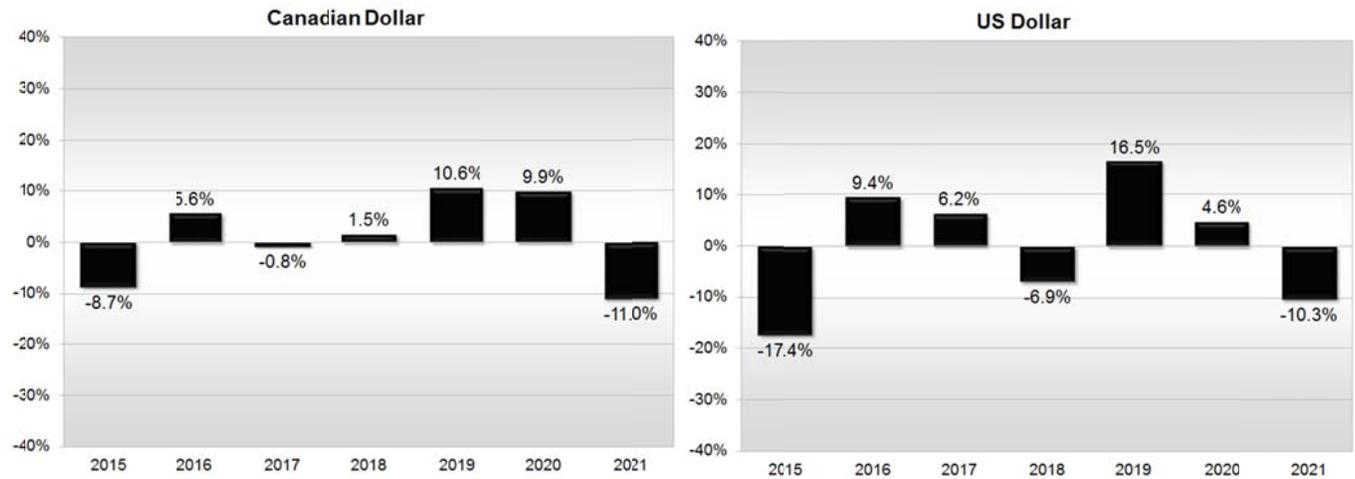
**PAST PERFORMANCE (continued)**

*Class B3*



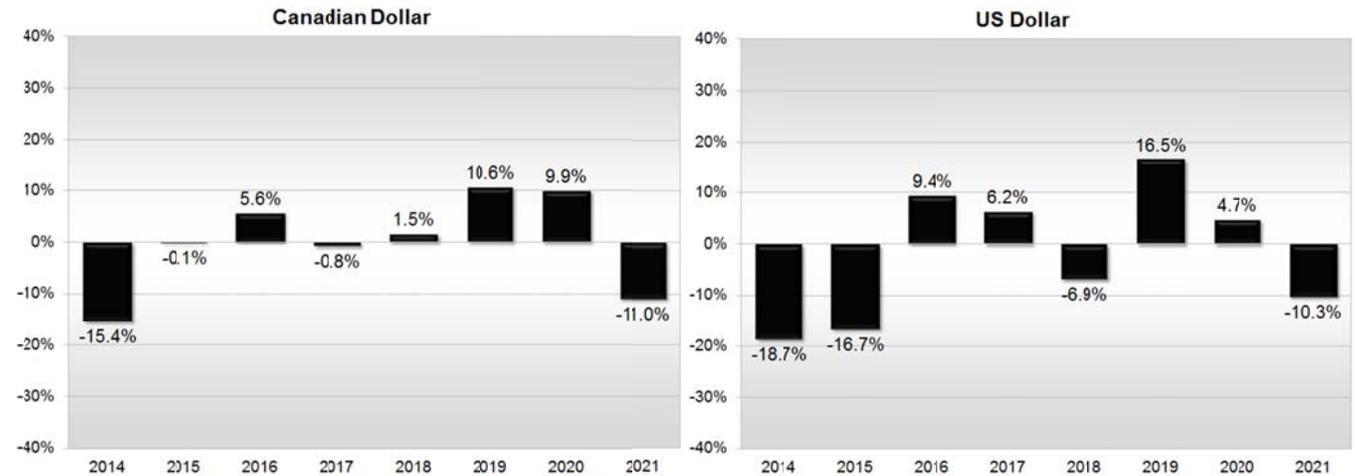
The return shown for 2013 is for the period from November 11, 2013, the date the Class B3 units were first offered.

*Class C1*



The return shown for 2015 is for the period from March 27, 2015, the date the Class C1 units were first offered.

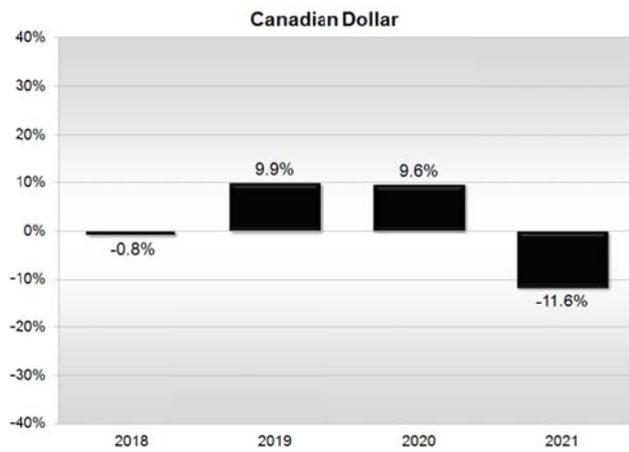
*Class C2*



The return shown for 2014 is for the period from March 12, 2014, the date the Class C2 units were first offered.

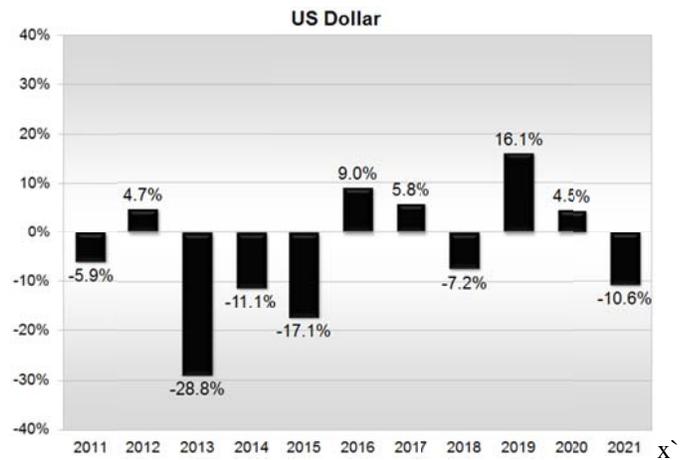
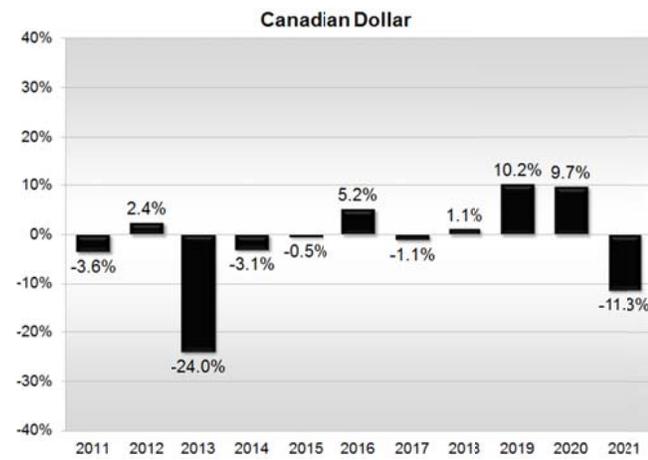
## PAST PERFORMANCE (continued)

### Class D



The return shown for 2018 is for the period from January 16, 2018, the date the Class D units were first offered.

### Class F



## PAST PERFORMANCE (continued)

### Annual Compound Returns

The following table shows the annual compound total returns for each class of units of the BMG Fund in Canadian and US dollars since inception, or for the ten-, five-, three- and one-year periods ended on December 31, 2020, as applicable. Annual returns in Canadian dollars are compared to inflation as measured by the Canadian Consumer Price Index (“CPI”) as calculated by Statistics Canada, as well as to Bank of Canada’s 3-month Treasury Bills. Annual returns in US dollars are compared to inflation as measured by the US CPI as calculated by the US Department of Labor, as well as to US 3-month Treasury Bills.

#### Class A

	Since Inception (March 2002)	10 Years	5 Years	3 Years	1 Year
The BMG Fund Class A CDN\$	2.80%	-1.40%	3.04%	5.90%	-12.41%
Inflation (CPI, Statistics Canada)	1.88%	1.81%	2.14%	2.50%	3.90%
Bank of Canada, 3-month Treasury Bills	1.53%	0.84%	0.94%	0.65%	0.17%
The BMG Fund Class A US\$	4.00%	-3.50%	4.28%	8.70%	-11.56%
Inflation (CPI, US Dept. of Labor)	2.15%	2.00%	2.44%	2.57%	4.70%
US, 3-month Treasury Bills	1.15%	0.63%	1.09%	0.56%	0.06%

#### Class B2

	Since Inception (February 2014)	5 Years	3 Years	1 Year
The BMG Fund Class B2 CDN\$	0.80%	3.90%	6.78%	-11.59%
Inflation (CPI, Statistics Canada)	1.96%	2.14%	2.50%	3.90%
Bank of Canada, 3-month Treasury Bills	0.82%	0.94%	0.65%	0.17%
The BMG Fund Class B2 US\$	-0.88%	5.16%	9.60%	-10.83%
Inflation (CPI, US Dept. of Labor)	1.90%	2.44%	2.57%	4.70%
US, 3-month Treasury Bills	0.77%	1.09%	0.56%	0.06%

#### Class B3

	Since Inception (November 2013)	5 years	3 Years	1 Year
The BMG Fund Class B3 CDN\$	2.14%	4.18%	7.02%	-11.37%
Inflation (CPI, Statistics Canada)	1.89%	2.14%	2.50%	3.90%
Bank of Canada, 3-month Treasury Bills	0.82%	0.94%	0.65%	0.17%
The BMG Fund Class B3 US\$	-0.19%	5.43%	9.84%	10.61%
Inflation (CPI, US Dept. of Labor)	1.86%	2.44%	2.57%	4.70%
US, 3-month Treasury Bills	0.69%	1.09%	0.56%	0.06%

**PAST PERFORMANCE (continued)***Class C1*

	<b>Since Inception (March 2015)</b>	<b>5 Year</b>	<b>3 Year</b>	<b>1 Year</b>
The BMG Fund Class C1 CDN\$	2.75%	4.51%	7.40%	-11.05%
Inflation (CPI, Statistics Canada)	1.99%	2.14%	2.50%	3.90%
Bank of Canada, 3-month Treasury Bills	0.81%	0.94%	0.65%	0.17%
The BMG Fund Class C1 US\$	2.69%	5.77%	10.24%	-10.28%
Inflation (CPI, US Dept. of Labor)	1.94%	2.44%	2.57%	4.70%
US, 3-month Treasury Bills	0.87%	1.09%	0.56%	0.06%

*Class C2*

	<b>Since Inception (March 2014)</b>	<b>5 Years</b>	<b>3 Years</b>	<b>1 Year</b>
The BMG Fund Class C2 CDN\$	1.40%	4.56%	7.45%	-11.01%
Inflation (CPI, Statistics Canada)	1.96%	2.14%	2.50%	3.90%
Bank of Canada, 3-month Treasury Bills	0.82%	0.94%	0.65%	0.17%
The BMG Fund Class C2 US\$	-0.22%	5.82%	10.29%	-10.25%
Inflation (CPI, US Dept. of Labor)	1.90%	2.44%	2.57%	4.70%
US, 3-month Treasury Bills	0.77%	1.09%	0.56%	0.06%

*Class D*

	<b>Since Inception (January 2018)</b>	<b>1 Year</b>
The BMG Fund Class D CDN\$	4.87%	-12.2%
Inflation (CPI, Statistics Canada)	2.35%	3.90%
Bank of Canada, 3-month Treasury Bills	0.81%	0.17%

*Class F*

	<b>Since Inception (September 2004)</b>	<b>10 Years</b>	<b>5 Years</b>	<b>3 Years</b>	<b>1 Year</b>
The BMG Fund Class F CDN\$	4.36%	-0.32%	4.18%	7.06%	-11.34%
Inflation (CPI, Statistics Canada)	1.83%	1.81%	2.14%	2.50%	3.90%
Bank of Canada, 3-month Treasury Bills	1.41%	0.84%	0.94%	0.65%	0.17%
The BMG Fund Class F US\$	4.54%	-2.45%	5.43%	9.89%	10.58%
Inflation (CPI, US Dept. of Labor)	2.17%	2.00%	2.44%	2.57%	4.70%
US, 3-month Treasury Bills	1.16%	0.63%	1.09%	0.56%	0.06%

## SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2021

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	20,206.110	329.530	20,535.640	22,925,469	46,843,225	46.1
Platinum Bullion	12,533.930	991.330	13,525.260	19,282,117	16,384,425	16.1
Silver Bullion	1,318,258.130	5,527.040	1,323,785.170	23,635,977	38,601,413	37.9
<b>Net Investment</b>				<b>65,843,563</b>	<b>101,829,063</b>	100.1
Cash and Other Assets Less Liabilities					(89,166)	(0.1)
<b>Net assets attributable to holders of redeemable units</b>					<b>101,739,897</b>	<b>100.0</b>

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>

Since the BMG Fund does not rebalance its portfolio holdings, the 33.3% allocation target may differ due to the difference in performance of each metal.

Due to ongoing portfolio transactions, the Summary of Investment Portfolio may have changed by the time you purchase units of the BMG Fund. A quarterly update is available. To obtain a copy, please contact our Client Services team at 1.888.474.1001, or visit [www.bmg-group.com](http://www.bmg-group.com).

# **BMG BullionFund**

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## Annual Financial Statements

For the years ended December 31, 2021 and 2020



**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, 2021 and 2020 and the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2021 and 2020, 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.

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 30, 2022  
Toronto, Ontario

## STATEMENTS OF FINANCIAL POSITION

As at December 31

	2021	2020
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash	385,805	564,954
Investments in bullion [Average cost \$65,843,563; December 2020 - \$66,909,917]	101,829,063	119,689,100
Subscriptions receivable	63,508	3,560,598
<b>Total assets</b>	<b>102,278,376</b>	<b>123,814,652</b>
<b>LIABILITIES</b>		
Current liabilities		
Management fees payable	171,829	201,238
Redemptions payable	126,366	134,300
Accounts payable and accrued liabilities	240,284	221,985
<b>Total liabilities (excluding net assets attributable to holders of redeemable units)</b>	<b>538,479</b>	<b>557,523</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>101,739,897</b>	<b>123,257,129</b>
<b>Net assets attributable to holders of redeemable units per class (Note 3)</b>		
Class A	62,291,191	78,852,434
Class B2	1,753,527	2,019,303
Class B3	944,092	1,097,265
Class C1	1,561,427	1,647,985
Class C2	4,268,886	5,335,110
Class C3	6,897,821	8,000,559
Class D	3,461,122	3,354,701
Class E15	807,519	966,705
Class F	19,754,312	21,983,067
	<b>101,739,897</b>	<b>123,257,129</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

	2021 \$	2020 \$
<b>INVESTMENT INCOME (LOSS)</b>		
Change in net unrealized (losses) gains on investments in bullion	(16,793,683)	18,604,144
Net realized gains on investments in bullion	5,238,209	8,974,988
Net Foreign exchange losses	(3,100)	(15,164)
Other Income	5,010	27,215
<b>Total investment income(loss)</b>	<b>(11,553,564)</b>	<b>27,591,183</b>
<b>EXPENSES</b>		
Management fees (Note 4)	2,038,541	2,151,928
Security holder reporting costs	310,250	311,100
Bullion storage fees	124,487	115,383
Services tax	239,149	247,321
Audit fees	38,325	38,430
Filing fees	27,740	30,541
Independent Review Committee fees	8,132	7,650
Legal fees	27,375	27,450
Other administrative expenses	25,725	25,642
<b>Total expenses</b>	<b>2,839,724</b>	<b>2,955,445</b>
<b>(Decrease) increase in net assets attributable to holders of redeemable units</b>	<b>(14,393,288)</b>	<b>24,635,738</b>
<b>(Decrease) increase in net assets attributable to holders of redeemable units per class (Note 3)</b>		
Class A	(9,345,793)	16,919,440
Class B2	(233,818)	400,912
Class B3	(121,865)	223,079
Class C1	(189,870)	339,752
Class C2	(570,955)	1,148,592
Class C3	(917,089)	352,074
Class D	(455,725)	573,363
Class E15	(100,023)	209,837
Class F	(2,458,150)	4,468,689
	<b>(14,393,288)</b>	<b>24,635,738</b>

See accompanying notes.

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

For the years ended December 31

	2021 \$	2020 \$
Net assets attributable to holders of redeemable units, beginning of year	123,257,129	104,214,706
Issue of redeemable units	9,290,660	21,849,925
Redemption of redeemable units	(16,414,604)	(27,443,240)
(Decrease) increase in net assets attributable to holders of redeemable units	(14,393,288)	24,635,738
<b>Net assets attributable to holders of redeemable units, end of year</b>	<b>101,739,897</b>	<b>123,257,129</b>

See accompanying notes.

## STATEMENTS OF CASH FLOWS

For the years ended December 31

	2021 \$	2020 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Decrease) increase in net assets attributable to holders of redeemable units	(14,393,288)	24,635,738
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities		
Purchases of investments in bullion	(4,689,050)	(6,532,593)
Proceeds from sales of investments in bullion	10,993,613	18,510,843
Net realized gains on investments in bullion	(5,238,209)	(8,974,988)
Net unrealized losses (gains) on investments in bullion	16,793,683	(18,604,144)
Net changes in non-cash operating balances:		
(Decrease) increase in management fees payable	(29,409)	8,651
Increase in accounts payable and accrued liabilities	18,299	70,424
<b>Net cash provided by operating activities</b>	<b>3,455,639</b>	<b>9,113,931</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of redeemable units	8,980,046	20,411,916
Decrease (increase) in subscriptions receivable	3,497,090	(3,543,302)
Amounts paid on redemption of redeemable units	(16,103,990)	(26,005,231)
Decrease in redemptions payable	(7,934)	(268,040)
<b>Net cash used in financing activities</b>	<b>(3,634,788)</b>	<b>(9,404,657)</b>
<b>Net decrease in cash during the year</b>	<b>(179,149)</b>	<b>(290,726)</b>
<b>Cash, beginning of year</b>	<b>564,954</b>	<b>855,680</b>
<b>Cash, end of year</b>	<b>385,805</b>	<b>564,954</b>

See accompanying notes.

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2021

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost \$	Fair Value \$	Total %
Gold Bullion	20,206.110	329.530	20,535.640	22,925,469	46,843,225	46.1
Platinum Bullion	12,533.930	991.330	13,525.260	19,282,117	16,384,425	16.1
Silver Bullion	1,318,258.130	5,527.040	1,323,785.170	23,635,977	38,601,413	37.9
<b>Net Investment</b>				<b>65,843,563</b>	<b>101,829,063</b>	100.1
Cash and Other Assets Less Liabilities					(89,166)	(0.1)
<b>Net assets attributable to holders of redeemable units</b>					<b>101,739,897</b>	<b>100.0</b>

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>

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: 110 Cochrane Drive, Suite 200, Markham, ON L3R 9S1. 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	September 3, 2013
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.

The Manager has been 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 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 Manager continues to monitor and take into consideration.

The financial statements were authorized for issue by the Board of Directors of the Manager on March 22, 2022.

### 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 compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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

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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.

### **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.

## **NOTES TO FINANCIAL STATEMENTS**

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### **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.

The Manager considers the currency of the primary economic environment in which the BMG Fund operates to be the Canadian dollar, as this is the currency that, in their opinion, most faithfully represents the economic effects of underlying transactions, events and conditions. Furthermore, the Canadian dollar is the currency in which the BMG Fund measures its performance, and also issues and redeems its redeemable units.

### **New Standards, Interpretations and Amendments effective January 1, 2021**

The BMG Fund did not have to change its accounting policies or make retrospective adjustments for new or amended standards that are applicable for the current reporting period.

## NOTES TO FINANCIAL STATEMENTS

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### **New Standards, Interpretations and Amendments effective after December 31, 2021 that have not been early adopted**

No new standards and interpretations that are effective after December 31, 2021, have 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

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

	Class A		Class B2	
	2021	2020	2021	2020
Balance - beginning of year	6,663,266	7,855,392	168,797	134,086
Issued	204,564	497,305	533	54,313
Redeemed	(865,223)	(1,689,431)	(3,537)	(19,602)
<b>Balance - end of year</b>	<b>6,002,607</b>	<b>6,663,266</b>	<b>165,793</b>	<b>168,797</b>
Average units outstanding	6,344,683	7,215,692	168,312	154,064

	Class B3		Class C1	
	2021	2020	2021	2020
Balance - beginning of year	82,399	82,412	122,803	122,803
Issued	-	-	8,001	-
Redeemed	(2,404)	(13)	-	-
<b>Balance - end of year</b>	<b>79,995</b>	<b>82,399</b>	<b>130,804</b>	<b>122,803</b>
Average units outstanding	80,397	82,406	127,664	122,803

	Class C2		Class C3	
	2021	2020	2021	2020
Balance - beginning of year	428,557	544,572	688,106	-
Issued	-	23,584	105,162	706,517
Redeemed	(43,197)	(139,599)	(127,438)	(18,411)
<b>Balance - end of year</b>	<b>385,360</b>	<b>428,557</b>	<b>665,830</b>	<b>688,106</b>
Average units outstanding	408,472	425,517	716,971	167,954

	Class D		Class E15	
	2021	2020	2021	2020
Balance - beginning of year	247,309	166,331	61,380	72,472
Issued	135,063	170,090	-	-
Redeemed	(93,825)	(89,112)	(4,001)	(11,092)
<b>Balance - end of year</b>	<b>288,547</b>	<b>247,309</b>	<b>57,379</b>	<b>61,380</b>
Average units outstanding	275,642	206,666	59,047	64,334

	Class F	
	2021	2020
Balance - beginning of year	1,555,900	1,584,484
Issued	298,449	436,248
Redeemed	(277,282)	(464,832)
<b>Balance - end of year</b>	<b>1,577,067</b>	<b>1,555,900</b>
Average units outstanding	1,518,315	1,578,433

## NOTES TO FINANCIAL STATEMENTS

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

For the the year ended December 31, 2021

	Net assets attributable to holders of redeemable units, beginning of year	Subscriptions	Redemptions	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year	Net assets attributable to holders of redeemable units per unit	Increase in net assets attributable to holders of redeemable units per unit
	\$	\$	\$	\$	\$	\$	\$
Class A	78,852,434	2,317,940	(9,533,390)	(9,345,793)	62,291,191	10.38	(1.47)
Class B2	2,019,303	6,000	(37,958)	(233,818)	1,753,527	10.58	(1.39)
Class B3	1,097,265	-	(31,308)	(121,865)	944,092	11.80	(1.52)
Class C1	1,647,985	103,312	-	(189,870)	1,561,427	11.94	(1.49)
Class C2	5,335,110	-	(495,269)	(570,955)	4,268,886	11.08	(1.40)
Class C3	8,000,559	1,142,076	(1,327,725)	(917,089)	6,897,821	10.36	(1.28)
Class D	3,354,701	1,767,316	(1,205,170)	(455,725)	3,461,122	12.00	(1.65)
Class E15	966,705	-	(59,163)	(100,023)	807,519	14.07	(1.69)
Class F	21,983,067	3,954,016	(3,724,621)	(2,458,150)	19,754,312	12.53	(1.62)
<b>Total</b>	<b>123,257,129</b>	<b>9,290,660</b>	<b>(16,414,604)</b>	<b>(14,393,288)</b>	<b>101,739,897</b>	<b>N/A</b>	<b>N/A</b>

For the year ended December 31, 2020

	Net assets attributable to holders of redeemable units, beginning of year	Subscriptions	Redemptions	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year	Net assets attributable to holders of redeemable units per unit	Increase 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>

#### 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, 2021, the BMG Fund incurred management fees of \$2,038,541 [2020: \$2,151,928].

## NOTES TO FINANCIAL STATEMENTS

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### Holdings of Related Party

The Manager did not hold any units of funds on December 31, 2021 and 2020.

### 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, or Class G units of the BMG Fund. The maximum amount of the sales commission for Classes A, B, E and G is 5% 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 \$677,448 during the 2021 fiscal year [2020: \$741,816].

### 6. Income Tax Loss Carryforwards

As at December 31, 2021, the BMG Fund had no capital or non-capital losses available to offset future years' taxable income.

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

### 7. Financial Risk Management

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

#### Market Risk

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

As at December 31, 2021, 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 \$5,091,453 [2020: \$5,984,455].

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, 2021 and 2020, 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.

## NOTES TO FINANCIAL STATEMENTS

### 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, 2021

Financial liabilities	On demand	< 3 Months	Total
Management fees payable	\$ -	\$ 171,829	\$ 171,829
Redemptions payable	-	126,366	126,366
Accounts payable and accrued liabilities	-	240,284	240,284
Redeemable units	101,739,897	-	101,739,897

### 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

### 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, 2021 and 2020. 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, 2021, 100.3% (2020: 97.2%) 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 \$1,020,193 [2020: \$1,198,031].

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

## NOTES TO FINANCIAL STATEMENTS

### Foreign Currency Exposure

December 31, 2021

Description	US \$	Canada \$	Total \$
Cash	132,758	253,047	385,805
Investments in bullion	101,829,063	-	101,829,063
Other Net Assets	57,494	(532,465)	(474,971)
<b>Net Assets</b>	<b>102,019,315</b>	<b>(279,418)</b>	<b>101,739,897</b>
<b>Percent</b>	<b>100.3%</b>	<b>(0.3)%</b>	<b>100%</b>

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>

### 8. Capital Management

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

### 9. Fair Value Measurement

All fair value measurements above are recurring. The carrying values of cash, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable, management fees payable and the BMG Fund's obligation for net assets attributable to holders of redeemable units approximate their fair values because of their short-term nature. Fair values are classified as Level 1 when the related investment is actively traded, and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are classified into Level 2, unless the measurement of 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, 2021 and 2020. In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2021 and 2020.

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**H E A D O F F I C E** 110 COCHRANE DRIVE, SUITE 200 MARKHAM, ON L3R 9S1 CANADA  
1.888.474.1001 | 905.474.1001 | [BMG-GROUP.COM](http://BMG-GROUP.COM) | [INFO@BMG-GROUP.COM](mailto:INFO@BMG-GROUP.COM)

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