

**BMG Funds**  
**60 Renfrew Drive, Suite 280**  
**Markham, Ontario,**  
**L3R 0E1**

March 27, 2014

Dear Securityholder:

**Re: BMG BullionFund, BMG Gold BullionFund and BMG Gold Advantage Return BullionFund (each a "BMG Fund" and collectively, the "BMG Funds")**  
**- INDEPENDENT REVIEW COMMITTEE REPORT**

As the 2013 chair of the independent review committee (the "IRC") for the BMG Funds, I am pleased to provide you with the IRC's annual report to securityholders of the BMG Funds (the "**Securityholders**") covering the period from January 1, 2013 to December 31, 2013, the financial year end of the BMG Funds (the "**Period**"). The IRC was established by Bullion Management Services Inc. (the "**Manager**") of the BMG Funds, on November 1, 2007 for the BMG BullionFund, on September 4, 2009 for the BMG Gold BullionFund and on September 4, 2012 for the BMG Gold Advantage Return BullionFund, and is comprised of three members for each BMG Fund, all of whom are independent of the Manager, and its affiliates.

**Mandate of the IRC**

The IRC was formed pursuant to National Instrument 81-107 *Independent Review Committee for Investment Funds*, ("**NI 81-107**"). The Manager is required by NI 81-107 to identify potential conflicts of interest inherent in its management of the BMG Funds, develop written policies and procedures guiding its management of those conflicts, and request input from the IRC on those written policies and procedures. Pursuant to NI 81-107, the IRC is required to review all conflict of interest matters that are identified and referred to it by the Manager, and to give its approval or recommendation to the Manager, depending on the conflict of interest matter being considered. Conflicts generally arise when the interests of the Manager and those of the BMG Funds are not necessarily the same. If a conflict of interest matter is identified and referred to the IRC, the IRC's focus is to determine if the action proposed by the Manager achieves a fair and reasonable result for the applicable BMG Fund, or BMG Funds. IRC members have experience in a variety of areas, including mutual funds, investment management, financial institutions, law and accounting.

At least once a year, the IRC will also review and assess, among other things, the adequacy and effectiveness of the policies and procedures that the Manager has adopted with respect to conflict of interest matters that affect the BMG Funds, and will conduct a self assessment of the IRC's independence, compensation and effectiveness.

## Composition of the IRC

The current members of the IRC are as follows:

Name	Residence	First appointed
Tim Conway	Toronto, Ontario	November 1, 2007
Bob Reeves	Toronto, Ontario	November 1, 2007
Chris Ward <sup>1</sup>	Toronto, Ontario	November 1, 2007

None of the IRC members serve on the independent review committee for any other investment fund family.

During the Period, there were no changes in the composition or membership of the IRC, and there were no relationships that may cause a reasonable person to question a member's independence.

## Holdings of Securities

### (a) BMG Funds

As at December 31, 2013, the percentage of units of the BMG Funds beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 10%.

### (b) Manager

As at December 31, 2013, no member of the IRC beneficially owned, directly or indirectly, any voting or equity securities of the Manager.

### (c) Service providers

As at December 31, 2013, no member of the IRC beneficially owned, directly or indirectly, more than 0.1% of any voting or equity securities of any person or company that provides services to the BMG Funds, or the Manager.

## IRC Compensation and Indemnities

The aggregate compensation paid by all of the BMG Funds, to all of the members of the IRC for the Period was \$21,600.

The Manager determined the initial compensation that was paid to each member of the IRC. At least annually, the IRC will review its compensation, giving consideration to the following factors:

- (a) the best interests of the BMG Funds;
- (b) the nature, number and complexity of the BMG Funds;
- (c) the nature and extent of the workload of each member of the IRC, including the commitment of time and energy of each member;

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<sup>1</sup> Chair of the IRC during 2013.

- (d) industry best practices, including industry averages and surveys on compensation paid to independent review committees of Canadian investment funds;
- (e) the results of its annual assessment of compensation and effectiveness; and
- (f) the recommendations of the Manager for compensation payable to the IRC.

The BMG Funds have also provided an indemnity to each IRC member for his services on the IRC in accordance with the requirements of NI 81-107. No amounts were paid to the IRC members by the BMG Funds pursuant to these indemnities during the Period.

### **Conflict of Interest Matters**

NI 81-107 requires the IRC to review all conflict of interest matters that are identified and referred to it by the Manager, and to give its approval or recommendation to the Manager, depending on the conflict of interest matter under consideration.

There were no conflict of interest matters that were referred to the IRC by the Manager during the Period.

The IRC is not aware of any instance during the Period where the Manager acted in a conflict of interest matter but did not obtain the approval of the IRC.

No standing instructions were issued by the IRC during the Period, but these are being developed for review by the IRC, during the 2014 year.

### **Compliance**

The IRC is not aware of any instance when the Manager acted in a Conflict referred by the Manager to the IRC, but did not meet a condition imposed by the IRC in its recommendation or approval.

The IRC is not aware of any instance when the Manager acted in a Conflict referred by the Manager to the IRC for which the IRC did not give a positive recommendation.

This report is available on the Manager's website at [www.bmgbullion.com](http://www.bmgbullion.com) or you may request a copy, at no cost to you, by contacting the BMG Funds at 1 888 474 1001 or email the BMG Funds at [info@bmgbullion.com](mailto:info@bmgbullion.com). This document and other information about the BMG Funds are available on [www.sedar.com](http://www.sedar.com).

The IRC looks forward to working with the Manager to ensure that your interests continue to be served.

*"Chris Ward"*

Chris Ward  
Chair (2013)  
Independent Review Committee