BMG BullionFund

Semi-Annual Management Report of Fund Performance

For the six months ended June 30, 2013 (Unaudited)

BMG

BULLION
MANAGEMENT
SERVICES INC.

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This Semi-Annual Management Report of Fund Performance contains financial highlights. Additional information relating to BMG BullionFund can be found in the attached semi-annual financial statements. You can obtain a copy of the quarterly portfolio disclosure at no cost by calling 888.474.1001, by writing to us at 280-60 Renfrew Drive, Markham, Ontario, L3R 0E1, or by visiting our website at www.bmgbullion.com or SEDAR at www.sedar.com.

MANAGEMENT REPORT OF FUND PERFORMANCE

Results of Operations

During the first six months of 2013, net assets of BMG BullionFund (the "Fund") decreased 29.5 percent from $373,493,599, at December 31, 2012 to $263,201,639 at June 30, 2013. The decline was primarily driven by $95 million in unrealized losses in the price of bullion coupled with $16.4 million in net redemptions during the period. As of June 30, 2013, the Fund's precious metals holdings were 84,082 ounces of gold; 4,802,954 ounces of silver; and 44,565 ounces of platinum.

For the six months ended June 30, 2013, the Fund's Class A units experienced a loss of 25.9 percent in Canadian dollars and 30.0 percent in US dollars, while the Fund's Class F units experienced a loss of 25.5 percent and 29.6 percent, respectively. Gold reached a high of US$1,693.75 per ounce on January 2, and fell to a low of US$1,192 per ounce at the end of June. Silver reached a high of US$32.23 per ounce on January 23, and fell to a low of US$18.61 per ounce at the end of June. Platinum reached a high of US$1,736 per ounce on February 7, and fell to a low of US$1,317 per ounce at the end of June.

Although net assets decreased 29.5 percent during the first six months of 2013, the daily average net assets during the period decreased from $393.9 million during the first six months of 2012 to $344.0 million for the same period in 2013. This represents a 12.7 percent decrease, which is in line with the decrease in total expenses.

Recent Developments

Gold

Gold was down 28 percent during the first half of 2013, closing at $1,192* per ounce at the end of June. It reached a high of $1,693.75 in January. Gold has been under significant pressure over recent months, following a year of range-bound prices. During the first quarter, there was a 176.9-tonne outflow from ETFs, but the physical bar demand was 377.7 tonnes, a 10 percent increase from Q1 2012. Central banks added 109.2 tonnes of gold to their reserves during the first quarter, for nine consecutive quarters of net purchases. The steady level of buying confirmed that central banks and institutions continue to favour gold's diversification benefits as they reduce their currency reserves of US dollars and euros.

An exceptional sell-off in mid-April accentuated concerns that gold's bull run had come to an end. Since then, however, there has been an unprecedented level of demand for bars and coins as buyers around the globe flock to gold retailers. The correction was driven by US investment markets, notably the paper-based futures markets, which tend to attract traders who buy and sell based on short-term sentiment.

According to the London Bullion Market Association, in 2011 gold prices accelerated from $1,533 per ounce (June 1) to $1,895 per ounce (September 5). Such a sharp increase over such a short period of time proved difficult for long-term Asian buyers and central banks to support. The issue was not the price level itself, but the rapidity of the rise. Therefore, using $1,900 per ounce (August 2011) as a benchmark for comparison overstates the correction, and obscures the long-term trend. Similarly, using $850 per ounce as the 1980 peak can be misleading, because gold only stayed at that level for one day. One week later, it was trading at $673 per ounce. Pullbacks such as these are not uncommon: After rising from $35 per ounce in 1971 to $200 per ounce in 1975, gold pulled back to $100 per ounce in 1976 and then rose to $850 by 1980.

Short-term fluctuations and the concentrated sell-off following analysts' downward price forecasts could put pressure on gold prices in the near term. However, we believe the fundamental drivers that supported gold's 12-year uptrend are still firmly in place. Economic data from the United States may seem encouraging, but many of the underlying issues facing financial markets are still relevant. America's high level of debt has yet to unwind, and the debt ceiling issue will resurface in September. Nevertheless, gold's future does not rely only on uncertainty and malaise in developed markets; its performance is also linked to long-term economic expansion. As the emerging market economies continue to grow (their GDP is scheduled to surpass that of developed market economies by 2020), so will their demand for gold. Finally, as central banks continue to diversify their foreign currency reserves, gold will continue to be one of the most relevant assets.

Silver

Silver was the hardest hit metal in June, when the commodities sector suffered another sell-off. It fell 37 percent during the first half of 2013, closing at $18.86 per ounce. It reached a high of $32.23 on January 23. By the end of June, silver had unwound 77 percent of the bull market that started in October 2008, and which peaked at more than $49 in April 2011. The June price drop was not accompanied by much visible investor liquidation, but the short-side exposure on the Comex grew rapidly.

From a fundamental perspective, there have been signs of a substantial recovery in demand in India (partly due to the gold import restrictions); silver turnover on the Shanghai Gold Exchange was also very strong in late June. China and India account for approximately 45 percent of world jewellery and silverware fabrication.

Because much of silver's supply and demand characteristics are price-inelastic, its price movement is more likely to track gold's performance than respond to improving economic activity.

Platinum

Platinum also suffered from the commodities pullback during the first six months of 2013. It fell 14 percent during the period, closing at $1,317 per ounce. It reached a high of $1,736 on February 7. Any improvement in sentiment towards the economic outlook for the Eurozone will help boost investment activity in platinum, but in the short term any notable recovery will more likely be driven by fresh supply-side fears, revolving around stresses in the South African mining sector. Wage negotiations are underway there, and because the Association of Mineworkers and Construction Union (AMCU) now commands the majority of the workforce at a number of South African mining operations, this year's wage negotiations will have different dynamics than in previous years.

The latest figures from the automotive sector show that its recovery continues. In June, light vehicle sales were the highest since December 2007, with a 9 percent gain year-on-year, and an 8 percent gain for the first six months of the year.

China

China's gold imports remain impressive. New data shows that net Chinese gold imports jumped 40 percent in May from the previous month. Total imports from Hong Kong reached their second-highest level ever during the month. If these import numbers continue throughout the year, it will equal 50 percent of global mine production, or 35 percent of total world supply. According to the World Gold Council, China's gold demand could hit 1,000 tonnes this year, and if so it will overtake India as the world's top gold consumer.

India

India's gold demand is likely to be around 850 tonnes this year, at the lower end of earlier projections by the World Gold Council. The Indian government has moved to curb gold imports in a bid to cut a record trade deficit. Thus, the Reserve Bank of India has indicated that 20 percent of all gold imports must be used for exports, up from less than 10 percent. The Indian festival season runs from August to October this year, followed by wedding season from November to December, and consequently we should see improved interest in and demand for the yellow metal from India.

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

Related-Party Transactions

Bullion Management Services Inc. (the "Manager") is the manager, trustee, registrar and transfer agent for the Fund. The Manager provides or arranges for the provision of all management and administrative services for day-to-day Fund operations, including providing Fund and unitholder accounting, recordkeeping and other administrative services. In consideration of the management and administrative services, the Fund pays the Manager a monthly management fee based on the net asset value ("NAV") of the various classes of units of the Fund, calculated daily. For the six months ended June 30, 2013, the Fund incurred management fees of $3,480,471 [2012: $3,999,724].

For the six months ended June 30, 2013, the Manager absorbed Fund operating expenses of $1,393 [2012: $1,491]. The decision to reduce Fund operating expenses is made at the discretion of the Manager and may be changed at any time.

Bullion Marketing Services Inc., an affiliate of the Manager, has been retained by the Manager to assist with the distribution of units of the Fund.

At June 30, 2013, the Manager held no [2012: 20,193] Class E15 units of the Fund.

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 Fund. The IRC prepares an annual report of its activities for interested parties. A copy of the IRC's report for 2012 is available at www.bmgbullion.com.

Management Fees

A portion of the management fees paid by the Fund is for trailer fees paid to dealers. The trailer fees are a percentage of the daily average NAV of the Class A units of the Fund, which are held by the dealers' clients. No trailer fees are paid with respect to Class F units of the Fund. The table below outlines the Fund's annual management fees and the maximum trailer fees for Class A and Class F units of the Fund.

	Class A	Class F
Management Fee	2.25%	1.25%
Trailer Fee (*maximum rate as a percentage of management fees*)	44.4%	0%

CLASS A

Financial Highlights

The following tables show selected key financial information about the Class A units of the Fund and are intended to help you understand the Fund's financial performance for the past six months ended June 30, 2013 and for the five previous years ended December 31. The information is derived from the Fund's financial statements.

	June 30, 2013	2012	2011	2010	2009	2008
Net assets - beginning of period[1]	**$12.19**	**$12.03**	**$12.62**	**$9.62**	**$8.07**	**$8.41**
INCREASE (DECREASE) FROM OPERATIONS:						
Total revenue	-	-	-	-	-	0.02
Total expenses	(0.17)	(0.38)	(0.41)	(0.32)	(0.27)	(0.30)
Realized gains (losses)	0.20	0.24	0.30	0.33	0.26	0.01
Unrealized gains (losses)	(3.17)	0.24	(0.53)	2.95	1.47	(0.56)
Total increase (decrease) from operations[2]	**(3.14)**	**0.10**	**(0.64)**	**2.96**	**1.46**	**(0.83)**
DISTRIBUTIONS:						
From income	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Total distributions	**-**	**-**	**-**	**-**	**-**	**-**
Net assets - end of period	**$9.04**	**$12.19**	**$12.03**	**$12.62**	**$9.62**	**$8.07**
RATIOS AND SUPPLEMENTAL DATA						
Total net asset value (000's)[1]	$207,050	$293,476	$276,877	$263,032	$217,764	$156,147
Number of units outstanding[1]	22,912,984	24,078,744	23,010,538	20,846,609	22,619,864	19,354,086
Management expense ratio (%)[2]	3.06	3.03	3.02	3.06	2.98	3.31
Management expense ratio before waivers or absorption (%)	3.06	3.03	3.02	3.06	3.01	3.31
Portfolio turnover rate (%)[3]	1.61	4.01	5.62	2.54	8.58	0.84
Trading expense ratio (%)[4]	-	-	-	-	-	-
Net asset value per unit	$9.04	$12.19	$12.03	$12.62	$9.62	$8.07

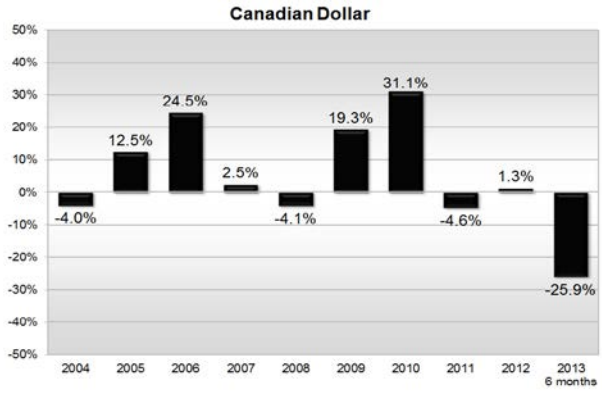
For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

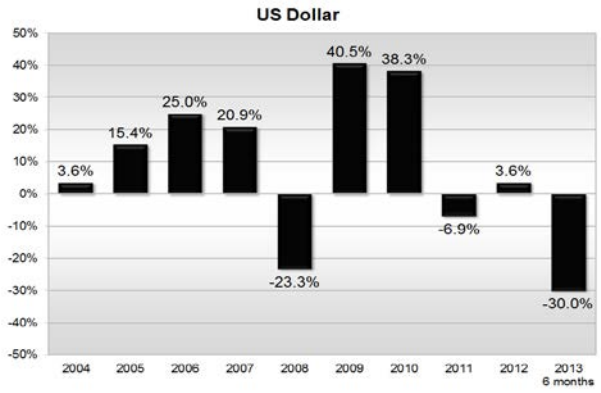
Past Performance

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 Fund will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's performance for Class A units in Canadian and US dollars in each of the years shown and for the six months ended June 30, 2013. It illustrates how the Fund's performance has changed from year to year. In percentage terms, the bar charts show how much an investment made at the beginning of a period has increased or decreased by the end of the period. The return shown for 2002 is for the period from inception on January 17.





CLASS F

Financial Highlights

The following tables show selected key financial information about the Class F units of the Fund and are intended to help you understand the Fund's financial performance for the past six months ended June 30, 2013 and for the five previous years ended December 31. The information is derived from the Fund's audited annual financial statements.

	June 30, 2013	2012	2011	2010	2009	2008
Net assets - beginning of period[1]	**$13.34**	**$13.03**	**$13.51**	**$10.20**	**$8.46**	**$8.72**
INCREASE (DECREASE) FROM OPERATIONS:						
Total revenue	-	-	-	-	-	0.02
Total expenses	(0.12)	(0.27)	(0.28)	(0.22)	(0.19)	(0.21)
Realized gains (losses)	0.22	0.26	0.32	0.34	0.30	0.01
Unrealized gains (losses)	(3.37)	0.40	(1.88)	3.19	1.60	(0.50)
Total increase (decrease) from operations [2]	**(3.27)**	**0.39**	**(1.84)**	**3.31**	**1.71**	**(0.68)**
DISTRIBUTIONS:						
From income	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Total distributions	**-**	**-**	**-**	**-**	**-**	**-**
Net assets - end of period	**$9.94**	**$13.34**	**$13.03**	**$13.51**	**$10.20**	**$8.46**
RATIOS AND SUPPLEMENTAL DATA						
Total net asset value (000's)[1]	$22,904	$35,919	$38,241	$26,591	$19,904	$11,991
Number of units outstanding[1]	2,303,721	2,692,893	2,935,910	1,968,387	1,952,322	1,417,843
Management expense ratio (%)[2]	1.96	1.94	1.93	1.99	1.94	2.26
Management expense ratio before waivers or absorption (%)	1.96	1.94	1.93	1.99	1.94	2.26
Portfolio turnover rate (%)[3]	1.61	4.01	5.62	2.54	8.58	0.84
Trading expense ratio (%)[4]	-	-	-	-	-	-
Net asset value per unit	$9.94	$13.34	$13.03	$13.51	$10.20	$8.46

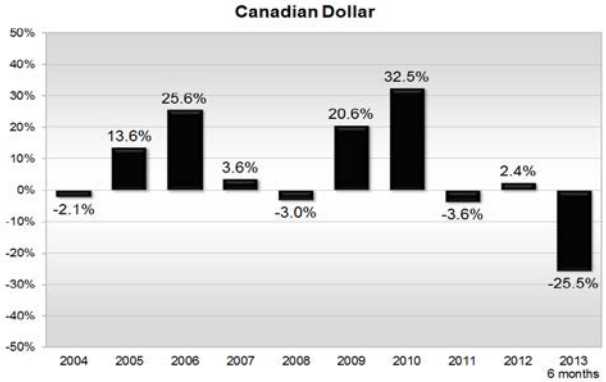
For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

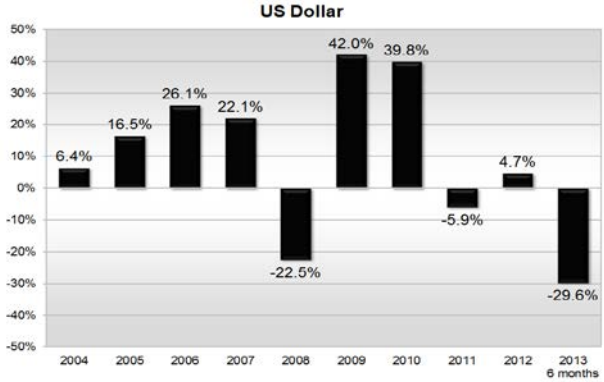
Past Performance

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 Fund will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's performance for Class F units in Canadian and US dollars in each of the years shown and for the six months ended June 30, 2013. It illustrates how the Fund's performance has changed from year to year. In percentage terms, the bar chart shows how much an investment made at the beginning of a period has increased or decreased by the end of the period. The return shown for 2004 is for the period from inception on September 15.





EXPLANATORY NOTES TO FINANCIAL HIGHLIGHTS

Net Assets per Unit:

(1) This information is derived from the Fund's financial statements. In the period a fund or class is established, the financial information is provided from the date of inception to the end of the period.

(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) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's bullion investments are traded. A portfolio turnover rate of 100 percent is equivalent to the Fund buying and selling all of its bullion once in the course of the relevant period. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

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

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2013

	Allocated ounces	Unallocated ounces	Total Fine ounces	Average Cost $	Fair Value $	Total %
Gold Bullion	84,120.447	(38.715)	84,081.732	83,436,660	105,733,097	40.17
Platinum Bullion	44,267.202	297.811	44,565.013	66,001,481	61,917,879	23.52
Silver Bullion	4,822,338.763	(19,384.509)	4,802,954.254	78,068,064	95,561,517	36.31
Total Investment				**227,506,205**	**263,212,493**	**100.00**

Because the Fund does not rebalance portfolio holdings, the differential over an exact 33.3 percent allocation is due to the difference in performance of each metal.

Because of ongoing portfolio transactions, the investment and percentages may have changed by the time an investor purchases units of the Fund. A quarterly update is available. To obtain a copy please contact our client services team at 1.888.474.1001 or visit www.bmgbullion.com.

The BMG Group of Companies includes the parent company, Bullion Management Group Inc., and its wholly owned subsidiaries, Bullion Management Services Inc., Bullion Marketing Services Inc., BMG DSC Inc., Bullion Management Group (Asia) Limited and Bullion Custodial Services Inc., and its wholly owned subsidiary, International Bullion Sales Corporation (collectively "BMG").

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