March 12, 2014

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RE: Response to CSA Notice 81-324 and Request for Comment: Proposed CSA Mutual Fund Risk Classification Methodology for Use in Fund Facts Published on December 12, 2013

We are pleased to submit our comments on CSA Consultation Paper 81-324, Proposed CSA Mutual Fund Risk Classification Methodology for Use in Fund Facts (the "**Consultation Paper**").

While currently, the Fund Facts require an individual fund manager of a mutual fund to provide a risk rating for the mutual fund based on a risk classification methodology chosen at the fund manager's discretion, the Consultation Paper discusses the CSA proposal to create a standardized, mandatory risk classification methodology using the measure of standard deviation as the chosen risk indicator (the "**Chosen Methodology**").

The Consultation Paper also questions whether the CSA should mandate the Proposed Methodology or whether the CSA should only adopt it as guidance for investment fund managers.

Bullion Management Services Inc.

Bullion Management Services Inc. ("**BMS**") is the investment fund manager of the BMG BullionFund, BMG Gold BullionFund and BMG Gold Advantage Return BullionFund (collectively, the "**BMG Funds**") which are all open ended mutual fund trusts established in Ontario. The BMG Funds differ from most mutual funds in that their 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.

To satisfy this objective, the BMG BullionFund and BMG Gold BullionFund use the proceeds from the sale of units to purchase unencumbered, physical gold, silver and platinum bullion, according to the different funds objectives, and only hold a small portion of their assets in cash (generally less than 5%). The BMG Gold Advantage Return BullionFund invests only in Class I units of the BMG Gold BullionFund. The BMG Gold Advantage Return BullionFund's investment objectives are to provide a secure, convenient alternative for investors seeking to, indirectly, hold gold bullion while receiving a monthly distribution and/or a return of capital equal.

Comments on the Chosen Methodology

It is the position of BMS that the Chosen Methodology has serious deficiencies and while it measures volatility may not be the best measure of risk available to best inform investors when deciding between investment products.

BMS recognizes that standard deviation is the most commonly used measure of volatility and the prevailing standard industry measurement for determining risk classification. While widely used, it simply measures how volatile or widely spread an investment's (or portfolio's) returns are from its mean, over a period of time. If monthly or yearly returns remain fairly close to the mean, then the standard deviation is small; if returns are widely dispersed from the mean, then the standard deviation is large.

In The Limitations of Standard Deviation as a Measure of Bond Portfolio Risk, by Brett Wander and Ron D'Vari, the authors explain in detail the flaws of using standard deviation to measure risk not just limited to bonds, and conclude that "relying on it can often produce misleading and inaccurate conclusions."

A clear example of the shortfall of using Standard Deviation in the measurement of risk is the Bernie Madoff scam. Madoff's funds demonstrated remarkably low volatility giving investors, including many banks and hedge funds, the mistaken impression that it was a "safe investment."

Perhaps the most important criticism of standard deviation as a measure of risk is that it assigns equal importance to both positive and negative deviation. Fluctuations in returns that occur above the mean result in the same negative risk assignment as those that occur below the mean, whereas only negative deviation is of concern in any measurement of investment risk. This is inherently misleading to investors who are only concerned with downside volatility.

Standard deviation must also be compared to overall returns. Clearly an investment that generated high returns is not the same as an investment that experienced volatility with low or negative returns.

While standard deviation may give you some sense of volatility of an investment, BMS feels that there are better ways to express risk to investors. The Sharpe ratio and the Sortino ratio are far more meaningful as they measure risk adjusted returns.

The Sharpe Ratio (risk-adjusted rate of return) was developed by Professor William Sharpe in 1966, and is the most commonly used measure of risk-adjusted return. It measures the amount of excess return the investor is receiving in exchange for the extra volatility assumed in holding a riskier asset. This is a crucial advantage over standard deviation as it allows an investor the ability to quantify an investment's risk relative to its investment performance in order to decide if a financial product is worth the risk. It is broken down into three components: asset return, risk-free return and standard deviation of return. After calculating the excess return, the Sharpe Ratio is obtained by dividing that excess return by the asset's standard deviation. This ratio or risk-free rate of return is used to gauge whether the investor is being properly compensated for the additional risk incurred by investing in the risky asset. Traditionally, the risk-free rate of return is the shortest-dated government Treasury bill.

The interpretation of the Sharpe Ratio is straightforward: the higher the better. A high Sharpe Ratio means that the investment delivered a high return for its level of risk or volatility, which is always good. As a result, using the Sharpe Ratio provides a more meaningful insight to investment performance than simply looking at returns or volatility separately.

While we believe that the Sharpe Ratio provided a more reliable indicator of risk than standard deviation alone, it still considers volatility on the upside as well as the downside.

While the Sharpe Ratio is the most famous risk/return measure, others have been developed. The Sortino Ratio is similar to the Sharpe Ratio, but its denominator focuses solely on *downside* volatility, not overall volatility.

Upside volatility being used in a way that increases the risk profile of a financial product is misleading. When a financial product is purchased, the aim is for that product is to go up. Measuring volatility in upward movements of the product is disingenuous, as the product is performing as desired. It is only downside volatility that is relevant and unwanted. This is a serious flaw in the calculation of both standard deviation and the Sharpe Ratio as a measure of risk.

The higher the Sortino Ratio the better, as the ratio represents the performance of the investment per unit of downside risk. An investment with a losing performance or more downside risk would have a negative Sortino Ratio.

As such, the Sortino Ratio is a more meaningful measure of investment risk than standard deviation.

The Chosen Methodology would have all investors compare investment products using the standardized measure of standard deviation. While standard deviation is a convenient and simple way to give investors some sense of "volatility" of a given investment, it does not give a full and true perspective of the "riskiness" of a given investment. The fact that standard deviation gives equal weight to both upside and downside volatility would escape the notice of most investors and give them a skewed perspective on the "risk" related to that investment.

The investment industry has developed many other equations to try and quantify volatility, including the Sharpe and Sortino Ratios, which may provide investors with more useful information regarding volatility, when making a determination of risk.

Comment on Whether Chosen Methodology Should be Mandated

BMS also believes that while it may be desirable to provide investors with a "*consistent and comparable basis for measuring the risk of different mutual funds*", the use of the Proposed Methodology without any ability for the use of qualitative factors may not provide investors with a true risk rating. The difficulty in using the Proposed Methodology alone to measure risk among mutual funds is that it does not allow for the fact that not all mutual funds are alike. Some mutual funds, such as the BMG Funds, operate very differently than traditional mutual funds, so that the simple use of standard deviation as a measure of "risk" may not properly inform investors of the risk of a physical bullion mutual fund as compared to a mutual fund comprising various equity stocks.

BMS has long held that the prevailing industry measurement for determining risk classification (the calculation of standard deviation), by itself, would not accurately assess the risks associated with bullion-based products. For this reason, BMS has generally relied on a discussion of certain "qualitative" factors used in determining the risk classification for the BMG Funds.

BMS feels that the use of qualitative factors is necessary due to the following:

- The nature of precious metals as an investment;
- The relationship between precious metals and certain common investment risks; and
- Certain special properties of precious metals.

Nature of Precious Metals as an Investment

In order to accurately assess the risks associated with investing in precious metals, it is crucial to take into consideration the varying types of investment. Gold, and to a lesser extent silver and platinum, can be a monetary asset or a commodity. Each one can be viewed an investment, but can also be viewed as money. Some forms of gold, such as futures contracts, unallocated certificates, precious metals ETFs and precious metals unallocated accounts, are investments, while physical bullion held on an allocated basis could be viewed not as an investment – but as a monetary asset. Gold is money.

Gold has been used as money for over 3,000 years because it meets all the criteria for money. It functions as a unit of account, a medium of exchange and a store of value. While currencies fulfill the first two attributes of money, they have not provided a store of value. Gold is durable, portable, divisible, consistent, intrinsically valuable and, of crucial relevance today, it cannot be created by central banks or politicians. Gold is a tangible asset; fiat currency is merely printed paper created by government decree.

The definition of "investment" is the commitment of money or capital to purchase financial instruments or other assets in order to gain profitable returns in the form of interest, income or appreciation of the value of the investment. Through this transfer of capital, in the expectation of a profit, an investor gives up their capital and puts it at risk. In return, the investor receives dividends or interest as compensation because their capital is at risk; they may get back less than they invested, or they may get back nothing at all.

It is crucial to recognize that physical gold bullion is not someone else's promise of performance or someone else's liability, and as a result it has no counterparty risk. Apart from physical gold bullion held directly, or on an allocated and insured basis in a vault, all other forms of gold ownership are, in fact, investments. Paper gold certificates, unallocated bullion accounts, ETFs, shares in gold mining companies and futures contracts all have counterparty risk and are either someone else's promise of performance or someone else’s liability. They may have their place in a portfolio, but they are all investments, and thus attract all of the risks associated with financial assets.

In contrast, physical gold bullion or physical paper currencies locked in a vault are not invested; they are simply being stored. Since neither is invested, they don’t earn interest or dividends, but they don’t have any counterparty risk. The major difference between gold and currencies kept in a vault, however, is that gold’s purchasing power has consistently increased, while paper currencies have consistently declined year after year. Holding bullion in a vault means there is no investment, so there is no risk of getting back less gold than was initially deposited, and there is no risk of the gold’s value falling to zero. There is no need to be compensated by way of interest or dividends, as there is no risk to the amount of physical ounces held over the long term. There is also little risk of losing purchasing power.

We acknowledge that holding physical bullion in the BMG open-end mutual fund trust format removes gold from its purest form of money and places it in a financial vehicle that attracts the investment label; 99% of the BMG Fund’s assets are held as physical bullion and its monetary role should be kept foremost in mind when assigning risk classification to the BMG Funds.

Precious Metals and Common Investment Risks

Physical gold bullion is not a financial asset, and therefore has different attributes that attract fewer risk categories.

When considering how to assess the risks that may be assigned to a financial product, in this instance the BMG Funds, it is of primary importance to establish what types of risk the product is exposed to. There are numerous types of risk that apply to some financial products that do not apply to others. Careful consideration was given to the following types of risk and their relevance to the BMG Funds when determining their risk profile. Some of these risks include: Liquidity Risk, Management Risk, International Risk, Currency Risk, Default Risk and Credit Rating Risk, Interest Rate Risk, Loss of Purchasing Power Risk, Market Risk, Systemic Risk, Loss of Capital Risk and Underperformance Risk.

Liquidity Risk

Liquidity risk is associated with the market on which the product trades. A financial product that can be sold quickly without price concession is considered liquid. Small unlisted stocks, privately held mortgages and real estate are somewhat illiquid and can be difficult to sell on a timely basis without incurring significant discounts and costs. In a broad market decline, even publicly listed stocks can become illiquid, with smaller public companies being vulnerable to no-bid or highly unattractive bid situations. This was evident in 1987, when many stocks had no bids, and again in 2010, during the "Flash Crash" in May that year, when many stocks temporarily had unattractive bids or non-existent bids.

Gold and silver bullion are traded by members of the LBMA 24 hours per day in New York, London, Zurich, Hong Kong, Tokyo and Sydney. In January 2014, the average daily turnover of the gold market was approximately $20.9 billion while the average daily turnover of the silver market was approximately $2.9 billion. The turnover is the net difference in trades between the members, while the trading volume is estimated at seven to ten times that amount. Platinum trades in Zurich and in the UK on the London Platinum and Palladium Market; however, no volume or turnover data is available. As such, the liquidity risk of precious metals is very low, and at least comparable to if not better than traditional publicly traded stocks and bonds. The BMG Funds are an open-end mutual fund trusts that are purchased and redeemed daily at Net Asset Value. As a result, it has the same liquidity as bullion itself and, therefore, low liquidity risk.

Management Risk

Most mutual funds rely on the performance of a manager to provide positive returns for the fund. The manager's skill in picking stocks or other assets, market timing, used derivatives, hedging, leverage, security lending, and other factors plays a large part in the overall performance of the fund. This adds a huge intangible risk to most funds, as the skill of the manager could vary from year to year, or the manager could change.

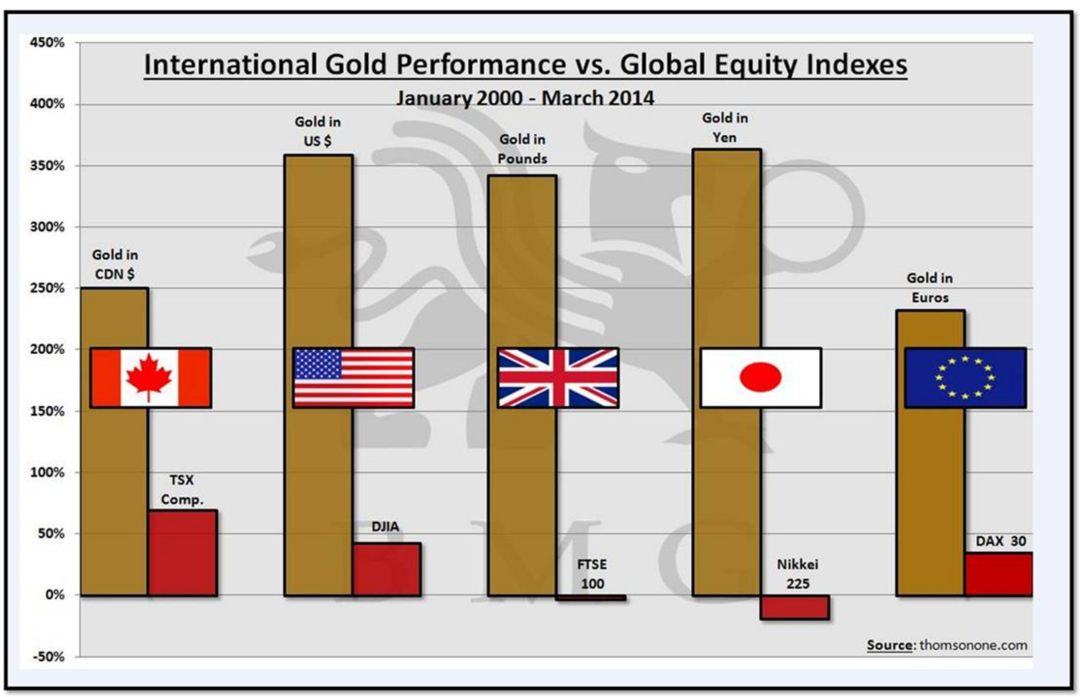
Conversely, the BMG Funds do not rely on the skills (or lack thereof) of any particular manager, but instead has a fixed mandate of purchasing equal dollar amounts of physical, unencumbered gold, silver and platinum bullion, as applicable. This mandate cannot be changed without unitholder and regulatory approval. The BMG Funds cannot market time, hedge, rebalance, lease bullion, employ any type of derivative or employ leverage. As such, the performances of the BMG Funds are purely dependent upon the price of bullion, the relative value of the Canadian dollar to the US dollar and the level of management expenses. As a result, the BMG Funds are completely independent of management skills, thereby eliminating management risk.

International Risk

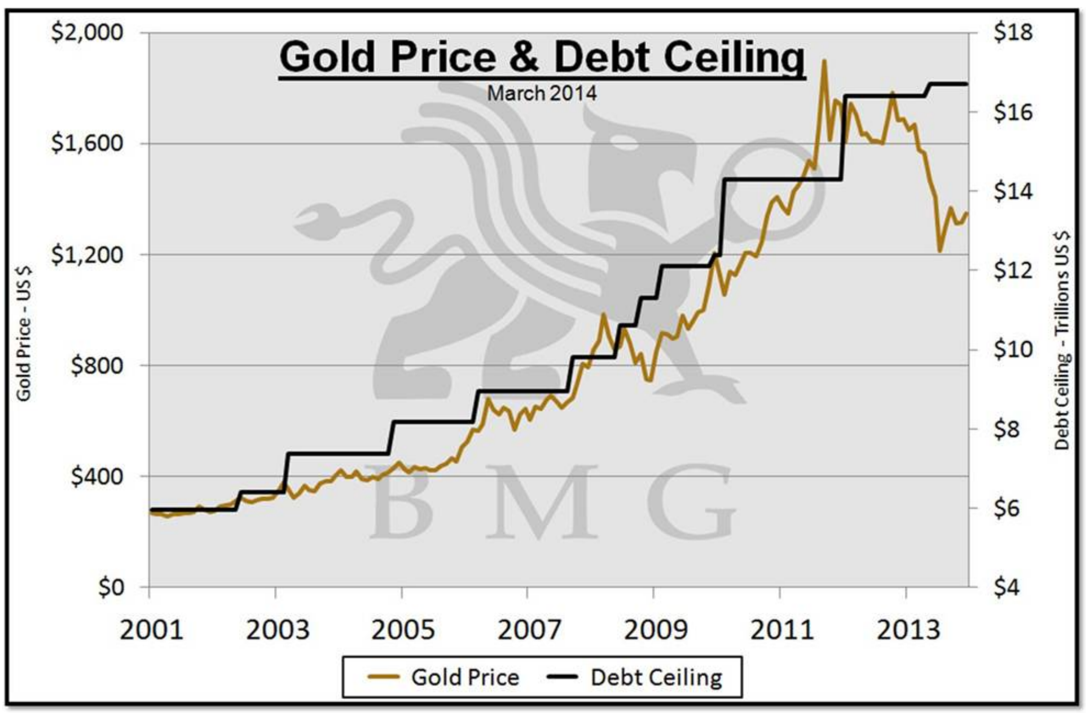
International risk can include both political risk and currency risk. Political risk includes issues such as nationalization or confiscation of assets, punitive tariffs, taxation or regulatory issues. Most financial products, including precious metals, may be subject to these issues if stored in politically unstable countries. Canada, where all the BMG Fund's bullion is stored, represents one of the most politically stable and secure democracies in the world and, as a result, is one of the safest places to store bullion, thereby significantly reducing international risk.

Currency Risk

Currency risk must also be taken into account when investing in financial products. As the chart below shows, gold has outperformed all major indices in all major currencies for over a decade.



Currency devaluation is set to continue as the global monetary debt-based system, which has been in force since the gold exchange standard was severed in 1971, has become a long-term financial reality – without significant economic growth, more and more fiat (paper) currency creation will be required to meet existing and future obligations. This has led to the ongoing currency debasement that, since the year 2000, has seen the US dollar lose over 70 percent of its purchasing power when compared to gold. Governments cannot control it; they cannot print more of it. Until governments around the world stop spending beyond their means, stop running huge deficits, stop incurring massive debts and stop creating fiat currency, currency devaluation will continue and gold will continue to rise. This can be demonstrated in part through the correlation between the U.S. debt ceiling and the market price of gold (see chart below).



Default Risk and Credit Rating Risk

Default risk and credit rating risk are associated with debt instruments. Clearly, when a bond or a mortgage defaults, the investor will suffer losses. The investor may also suffer losses if a debt instrument's credit rating is downgraded. This results in a reduction in price of the bond to generate a higher yield in order to compensate investors for the higher level of risk. Typically, the value of bonds decline as interest rates rise. Since the physical unencumbered bullion held in the BMG Funds are not anyone else's liability, it is not subject to these risks.

Furthermore, the BMG Funds' bullion is not subject to any third-party liabilities. Even if the BMG Funds' manager, BMS, or the Custodian were to declare bankruptcy, the assets would still belong to the unitholders and would not be subject to seizure by any creditors of BMS or the Bank of Nova Scotia. A new Trustee/Manager would be appointed, or the BMG Funds could be wound up, the bullion sold and the proceeds distributed to its unitholders. Because of the size of the precious metals market, the sale of the BMG Funds' bullion would not represent a sizeable transaction and would not likely result in a 'fire sale' as would be the case with many traditional financial assets.

Interest Rate Risk

Interest rate risk affects most asset classes. While changes in interest rates have a direct impact on debt instruments, they also have an indirect impact on stocks, real estate, commodities and precious metals. However, due to the high amount of debt at all levels in the US and most other Western countries, the central banks' ability to raise rates without risking a massive collapse of the economy is limited for the foreseeable future. This has been acknowledged by the US Federal Reserve, the ECB and the Bank of Canada. As such, interest rate risk is limited.

Loss of Purchasing Power Risk

Purchasing power risk is essentially inflation risk. It impacts all asset classes, which is why returns and performance should always be measured in real terms rather than just nominal terms. In 2007, the best-performing stock market in nominal terms was that of Zimbabwe, with returns of 18,000 percent. The importance of factoring in inflation becomes apparent when you consider that Zimbabwe's inflation rate was over 68,000 percent. During high inflation periods, financial assets such as stocks and bonds tend to underperform, while tangible assets such as real estate, commodities and precious metals tend to outperform financial assets and inflation. While the inflationary hedging properties of precious metals are generally acknowledged, the purchasing power of precious metals actually increases during deflationary periods. This is because, during deflationary periods, other assets decline more rapidly in price, and by a much greater amount than precious metals. By holding precious metals, the risk of loss of purchasing power is greatly reduced.

Market Risk

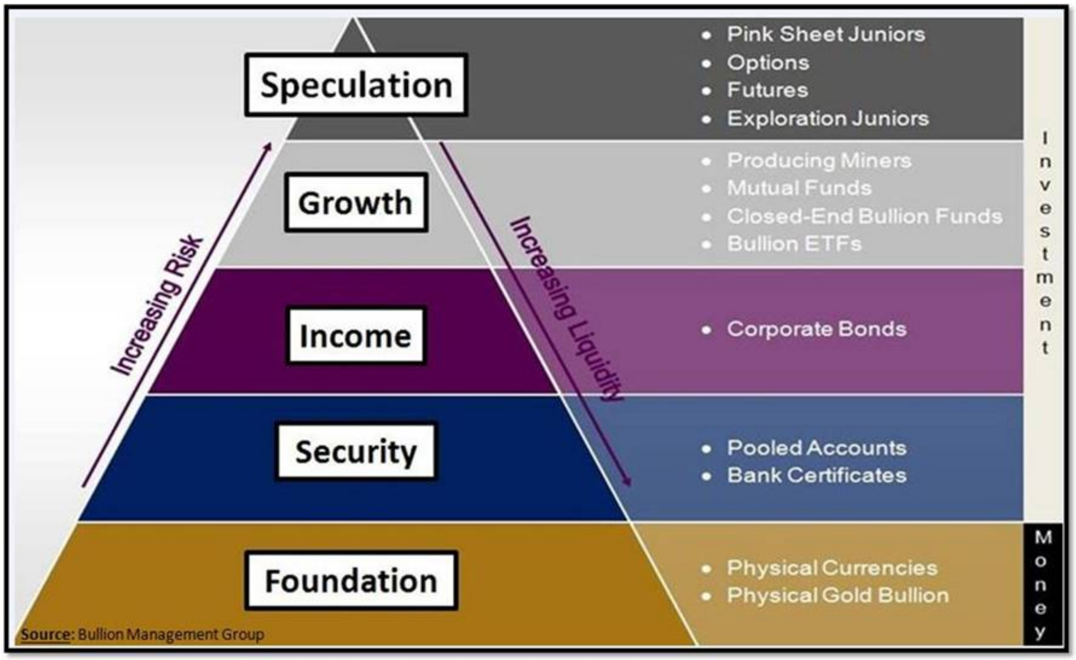
Market risk is the risk that the fair value of bullion investments will fluctuate because of changes in market prices or transaction timing. The market price of gold, silver and platinum is impacted by a variety of factors including demand, supply, international events and economic events. The BMG Funds employ a purchase-and-hold investment strategy, with purchases allocated to physical bullion. On a short term basis the BMG Funds are exposed to market risk as are all other financial assets.

Systemic Risk

Systemic risk encompasses several factors such as market risk, economic risk, inflation risk, default and international risk. Systemic risk can also include terrorist attacks, war, oil supply disruptions, a major stock market crash, the collapse of a major financial institution or a breakdown of the banking system. Systemic risk is not diversifiable with financial assets, and will affect all asset classes including precious metals. However, once any initial liquidation takes place, precious metals tend to outperform all other asset classes and, as such, bullion is sought as a refuge and is traditionally considered a safe haven.

Loss of Capital Risk

Loss of capital risk concerns the loss of part or all of the original value of an investment, dealing with a volatile investment, having to sell at an inopportune time or having the investment not deliver the expected returns. Stocks and bonds are financial assets that can and often do become worthless. You only have to consider the once-blue-chip stocks such as Enron, WorldCom, Air Canada and Nortel to appreciate the real risk of the potential loss of capital in stocks. In 2008 we saw the world's largest bank, Citibank, lose 60 percent of its value in six months. Real estate can suffer uninsured losses, mortgage foreclosure or environmental factors that can make it almost worthless. Some commodities, such as consumables, can deteriorate over time and lose value. Mining company shares, futures contracts, options, pooled accounts and certificates and other gold derivatives can all become worthless. Conversely, precious metals bullion (which the BMG Funds purchase exclusively), cannot default, cannot deteriorate and cannot decline to zero. During times of economic stress, banking crisis or currency devaluations, financial assets and real estate can become totally illiquid, while bullion will actually increase in value and maintain its liquidity. As a result of these attributes, precious metals bullion has minimal risk with respect to loss of capital over the long term.



Underperformance Risk

All asset classes are subject to underperformance risk. While we have seen many companies on the stock market significantly underperform in recent years, precious metals too are susceptible to underperformance risk. This was the case during the 19-year period from 1980 to 1999 as well as during 2013. However, this was attributable to a number of market distortions that are not likely to be repeated in the near- to mid-term.

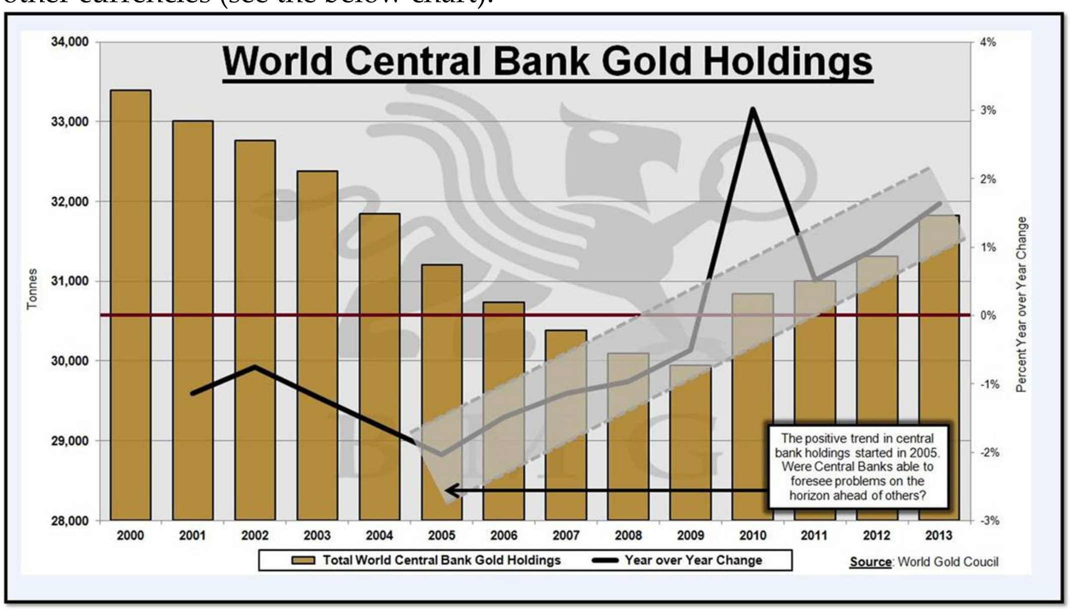
During one of the longest and strongest bull markets in stock market history (1980-2000), throughout which there was a constant increase of global money supply, some central banks reduced their gold holdings with a great deal of publicity. Many central banks leased their gold, which was sold into the marketplace and caused an artificial supply. The estimates of total leased gold vary, but as much as half the central bank holdings of 30,190 tonnes may have been leased out.

At some point in the future, however, this leased gold will have to be repaid or massive defaults will occur. Similarly, the aboveground stockpile of one billion ounces of silver held by the US Mint was sold into the market, as were the aboveground Strategic Reserves of silver and platinum.

During 2013, precious metals were subjected to a lot of negative publicity and some very large orchestrated sales of gold via the highly leveraged COMEX futures market.

While all of these were contributing factors in suppressing the price of precious metals but did nothing to alter the fundamentals behind precious metals ownership. Today we still have increasing demand for all three metals—gold, silver and platinum—for both their commodity and monetary attributes. At the same time, available aboveground supplies have been depleted and mine supply is declining.

An example of this increasing demand is the fact that since 2009, central banks have become net buyers of gold as they seek to diversify away from the US dollar and other currencies (see the below chart).



Based on the above discussion points, we can see that classification of risk is a complex matter and precious metals actually have less exposure to most types of risk than asset classes that are, typically and historically, deemed to have lower risk profiles under traditional risk measurement models. Bonds are a perfect example of this. In the present market place, under traditional risk calculation methodology, bonds have a lower risk profile than precious metals. Currently, however, bonds are much more exposed to underperformance risk and purchasing power risk. This is because of uncertainty caused by unsustainable debt levels in most developed economies, as well as increased inflationary pressures brought about by unprecedented high levels of debt and increasing money supply levels.

While financial assets are subject to most of the above, physical bullion held on an allocated basis is only subject to **two** – Market Risk and Underperformance Risk. In our opinion, on this basis alone, most financial assets and mutual funds investing in financial assets should be rated at a higher risk while funds holding physical bullion on an allocated basis should be rated at a lower risk.

Special Properties Associated with Precious Metals

Intrinsic Value

While the price of gold has fluctuated from time to time, it has never become worthless in over 3,000 years of history as money. This can also be applied to both silver and platinum. Gold has maintained its purchasing power throughout both deflationary periods as well as inflationary periods. At the same time there has never been a pure fiat currency in all of history that hasn't suffered a hyperinflationary period followed by a complete collapse and subsequently became totally worthless.

While there are a number of paper proxies designed as investment vehicles for speculation on rising gold prices such as futures contracts, options, ETFs, unallocated certificates and bullion accounts, the main motivation for investors in physical bullion held on an allocated basis is for true portfolio diversification, wealth preservation, hedging inflation and currency risk and protection from systemic risk.

Financial assets such as equities have numerous examples of declines to zero. Air Canada, General Motors, Lehman Brothers, Worldcom and Enron equities, as well as their bonds, have lost all their entire value at some point. Many securitized mortgage investments, considered low risk investment due to their low volatility, were the cause of the recent global financial crisis and many investors lost most of their investment. Precious metals have never declined to zero and in all likelihood never will. Since 1929 only one DOW component even exists today – General Electric. A 1929 investor would have seen 29 out 30 of his stocks, or 97% of his portfolio, become worthless. Unlike the DOW index he could not have simply replaced them with new stocks unless he had more money to invest.

Negative Correlation

Another special property of gold and precious metals, which again is not taken into account using traditional risk analysis techniques, is that over the long term, precious metals have a negative correlation to all the other asset classes that are generally used to build investment portfolios. As a result, precious metals provide true diversification, and when considered as a portfolio asset, tend to reduce risk and lower the volatility of the entire portfolio.

It is true that negative correlation in and of itself does not reduce risk. The BMG Funds are designed to complement existing portfolios to reduce risk and improve returns and not be stand alone products. Although many financial institutions and Investment Dealers advertise that they provide balanced and diversified portfolios this is not always true.

There are a total of seven asset classes: Cash, Equities, Fixed Income, Real Estate, Commodities, Precious Metals and Collectables. For purposes of this discussion Collectibles could be ignored even though a 1971 Ferrari would have dramatically outperformed the DOW. All of these asset classes have varying degrees of negative correlations to financial assets and should form part of a balanced, diversified portfolio. It could be argued that Equities and Bonds have been correlated since 1970 and as such a portfolio made up of varying categories of stocks and bonds **is not diversified at all and not balanced**. Mutual funds that are classified as "Balanced Funds" are rated at "Low Risk". In fact they are anything but low risk since many investors buy that one fund thinking it provides overall diversification and is safe. These funds are neither safe nor diversified from a portfolio point of view.

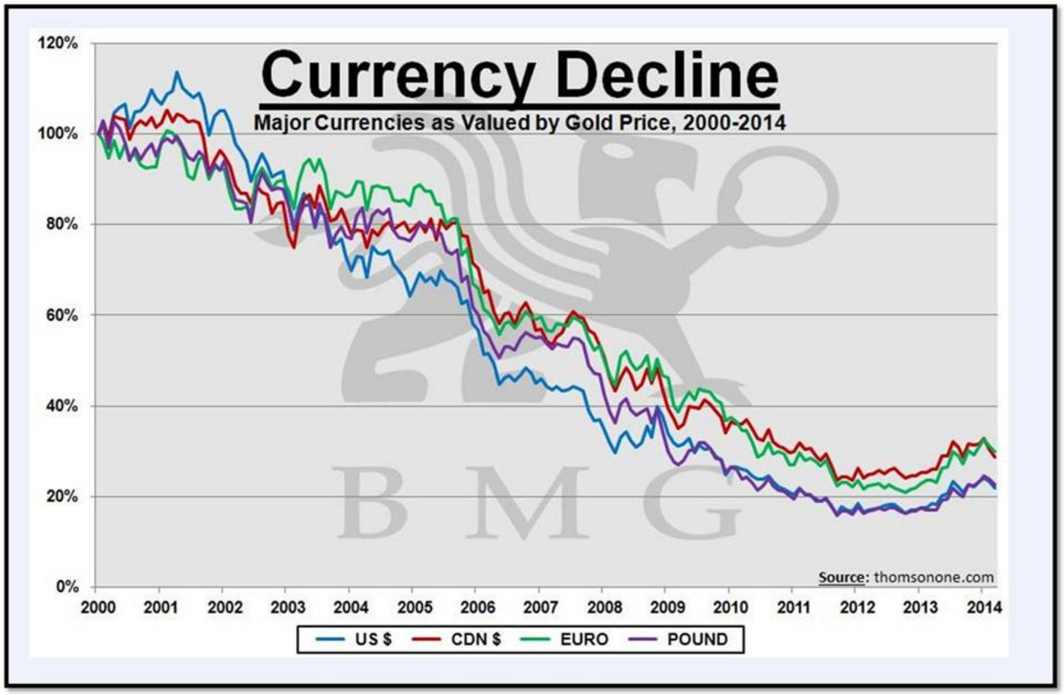
To measure stand alone risk for the BMG Funds is simply not relevant as most knowledgeable investors, most advisors, or compliance department of a securities dealer would allow that, properly used; BMG Funds reduce portfolio risks and improve returns.

The BMG Funds represent the least risky way for retail investors of owning physical bullion through a financial product on the market.

Purchasing Power

Currency held in a vault, lose purchasing power every day as its value is eroded through inflation. Currency, then, must be invested in an attempt to offset this depreciation. Currency held in a bank account is also an investment, as it is legally a loan to the bank in return for interest. This rate of interest historically never matches the rate of decline of the currency's purchasing power. The chart below shows how all of the major currencies have declined over the last decade when measured in gold ounces.

In reality, it is this decline in currencies that is reflected in gold's performance. Gold is the mirror image of the debt-based currency it is priced in. Over the long term gold is not volatile; currency is – gold is the constant.



Summary

While it would be nice to be able to point to a single financial measure, such as standard deviation, and say that every mutual fund's risk will be measured by that measure and now investors will be able to properly assess a given mutual fund's "risk", we think that this is not a realistic or accurate measure. The deficiencies in the use of standard deviation to measure risk are well documented, with its equal weighting of both upside and downside risk, as just one example. The use of standard deviation may actually mislead certain investors into mistaking the real risks associated with a given mutual fund.

If the CSA determines that the Chosen Methodology is the best standardized risk measurement that they can come up with, then we would strongly argue that it not be mandated, but instead be adopted only as guidance for investment fund managers. While many mutual funds are very similar in nature, investing in some combination of debt and/or equity securities, there are other mutual funds with very unique structures. We would argue that the BMG Funds are one such example of these unique mutual funds.

Physical bullion has unique attributes that attract fewer risk categories than most investment products. BMS feels that there are certain qualitative factors that play an important role when analyzing the risk associated with investments in physical bullion.

BMS has always attempted to provide both investors and advisors with more disclosure than required in order to make informed decisions.   BMS believes that there will be mutual funds for which a simple analysis using standard deviation will not provide investors with the whole story and will in fact obscure the true risks involved in investing in that mutual fund.

If you have any questions do not hesitate to contact me.

Sincerely,

Bullion Management Services Inc.

"***Nick Barisheff***"

Nick Barisheff
President & CEO
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