

## Semi-Annual Management Report of Fund Performance

BMO NESBITT BURNS U.S. STOCK SELECTION FUND ("the Fund")

JUNE 30, 2010

Portfolio Manager: Harris Investment Management Inc, Chicago, Illinois

This semi-annual management report of fund performance contains financial highlights, but does not contain semi-annual or annual financial statements of the Fund. If the semi-annual or annual financial statements of the Fund do not accompany the mailing of this report, you can get a copy of the semi-annual or annual financial statements at your request, and at no cost, by calling 1-800-361-1392, by writing to us at BMO Nesbitt Burns Inc., 1 First Canadian Place, 54th Floor, P.O. Box 150, Toronto, Ontario, M5X 1H3 or by visiting our website at [www.bmonesbittburns.com](http://www.bmonesbittburns.com) or SEDAR at [www.sedar.com](http://www.sedar.com). You may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Results of Operations

The Fund's Class A units returned -6.5% (\$C) net of expenses, whereas the S&P 500 Index (S&P 500) returned -5.5% (\$C) for the six month period ending June 30, 2010.

Similar to the previous year, the first half of 2010 was an extremely volatile period for the markets. The rally of 2009 continued in the first quarter, even with the sharp sell off in the month of February. The markets were rattled due to the uncertainty surrounding China's economic policy, new potential restrictions in the financial industry and debt troubles for Greece. Overlooking these worries however, investors were encouraged that many leading indexes signaled continued economic growth. This provided support for the markets, with investors expecting the U.S. economy to recover despite the weak housing situation. Concerns about the sustainability of the global economy's recovery, government financial regulation and fear of European sovereign debt defaults eventually caught up with the stock market, leaving the S&P 500 Index down more than 11.0% in the second quarter of 2010. This was the Index's worst quarterly performance since the final three months of 2008. The European turmoil was compounded with questions regarding China's ability to manage both its currency and expanding economy. On top of these international issues, the "flash crash" at the beginning of

May provided further questions regarding the stability of the U.S. stock market. While the bailout plans from EU provided temporary relief, macro concerns weighed on stock investors' minds, overshadowing almost any good earnings news.

During the first half of the year, the Fund slightly underperformed the S&P 500 benchmark by approximately six basis points. Overall stock selection had a positive effect on returns and sector allocation was the main cause for the small underperformance. The Fund was overweight Materials and Information Technology and underweight Consumer Staples and Telecommunication Services. Top performing names for the period included Coca-Cola Enterprises, Del Monte Foods and Ashland Inc. Detracting from performance were Western Digital, Microsoft and Noble Corp

*For information on the Fund's longer-term performance and composition, please refer to the Past Performance section and Summary of Investment Portfolio section of this report.*

### Recent Developments

The Portfolio Manager believes the markets will be carefully watching for signs of sustainable economic growth throughout

**MANAGEMENT DISCUSSION OF FUND PERFORMANCE** (cont.)

the second half of the year. Jobless claims, housing trends and consumer spending will all continue to be closely monitored. In addition to these domestic indicators, the markets will also focus on Europe and its ability to find financial stability amidst a number of country specific debt and currency issues. Earnings quality will continue to be an important signal for the markets. With these considerations, our investment process focuses on quality companies exhibiting improving fundamentals, attractive valuations and positive investor interest. The Portfolio Manager is confident that the consistent application of the Fund's disciplined investment process will produce strong results over the long term.

**Harmonized Sales Tax**

Certain fees and expenses paid by the Fund are subject to sales tax, such as the goods and services tax ("GST"). Prior to June 30, 2010, the Fund paid GST on management fees, administrative fees and most operating expenses. Beginning on July 1, 2010, GST was replaced by the harmonized sales tax ("HST") in certain provinces, which will be imposed at higher rates than the GST. Since the applicable HST will be paid by the Fund, it will increase the overall expenses incurred by the Fund.

**Change in the Composition of the Fund's Independent Review Committee**

Effective March 31, 2010, Kenneth W. McArthur and R. Jamie Plant retired from their position as an IRC member. The current members of the Fund's IRC are Allen B. Clarke, John K. McBride and Louise Vaillancourt-Châtillon (Chair). Additional information regarding the Fund's IRC is available in the Fund's most recent annual information form.

**Transition to International Financial Reporting Standards**

In 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that all Canadian publicly accountable enterprises, which include investment funds, will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for financial years commencing on or after January 1, 2011. However, in June 2010, the AcSB issued a proposal to defer the adoption of IFRS for investment companies, which include investment funds, by one year. This proposal could result in the Fund deferring its adoption of IFRS from January 1, 2011 to January 1, 2012. The AcSB is expected to finalize their proposal in September 2010.

In order to meet the requirement to transition to IFRS, the Manager established a committee for the development and implementation of a transition plan and to provide oversight of the transition to IFRS. The transition plan is comprised of

three phases: a diagnostic assessment to identify potential IFRS differences relative to current policies; implementation and education, which includes confirming actual IFRS differences relative to current policies; and completion of all integration requirements for any actual differences identified. The Fund's transition to IFRS remains on track: its diagnostic assessment to identify potential IFRS differences is completed, and the Committee is currently working through the second phase of the transition plan.

The diagnostic assessment of the Fund revealed the following:

The criteria contained within the IFRS Financial Instruments: Presentation standard (IAS 32) may require unitholders' equity to be classified as a liability within the Fund's statement of net assets, unless certain conditions are met. The Manager is currently assessing the Fund's unitholder structure to confirm classification.

The requirements contained within the IFRS Consolidated and Separate Financial Statements standard (IAS 27) may impact the accounting of certain investments held by the Fund. To the extent any of the Fund's investments in other funds are deemed to be controlled by the Fund, as determined under the criteria contained within IAS 27, the Fund will need to consolidate the financial statements of those investments within the Fund's financial statements. However, the IASB is planning to replace IAS 27 with a new standard. This new standard may be in effect prior to Fund's transition date, such that the IFRS may differ at transition date from its current form. The Manager is currently monitoring the IASB's project to replace IAS 27, and will amend its implementation plans accordingly.

Presentation changes to unitholders' equity and presenting certain investments held by the Fund on a consolidated basis will not have an impact on the Fund's results of operations or financial position. The diagnostic assessment did not reveal any other potential material differences between the Fund's current accounting policies and the requirements under IFRS. The Manager does not foresee any impact or change to the Fund's business arrangements or any accounting policy or implementation decisions that the Fund will need to make as a result of the changeover to IFRS.

The Manager has not identified any changes that will impact NAV per share as a result of the changeover to IFRS. However, this determination is subject to change as new standards are issued or interpretations of existing standards evolve.

## Related Party Transactions

BMO Nesbitt Burns Inc., an indirect, wholly-owned subsidiary of Bank of Montreal is the Manager, and principal distributor of the Fund. From time to time, BMO Nesbitt Burns Inc. may, on behalf of the Fund enter into transactions or arrangements with or involving other members of BMO Financial Group, or certain other persons or companies that are related or connected (a Related Party).

### Portfolio Manager

BMO Nesbitt Burns Inc., as Manager of the Fund, has hired Harris Investment Management, Inc. (HIM), a Related Party, to provide investment advice and make investment decisions for the Fund's investment portfolio. HIM receives an investment advisory fee based on assets under management that is paid quarterly. HIM is paid by BMO Nesbitt Burns Inc. and not by the Fund.

### Distribution Services

BMO Nesbitt Burns Inc. sells units of the Fund through its sales representatives. The Manager pays trailer fees to these sales representatives based on the amount of assets held in the investor's account and additionally, in some cases, on the amount of the initial purchase. There may be other fees and expenses payable in respect to the operation of the investor's account with BMO Nesbitt Burns Inc. that could affect the investment in units of the Fund, if the investor receives special services, such as switch fees and registered plan fees. The amount of these fees should be discussed with your sales representative at the time of purchase or switch and when your account or registered tax plan is established.

### Unitholder Services

The Fund is provided with certain facilities and services by Related Parties. Unitholder services, such as fund accounting, record keeping and purchase/redemption order processing, are provided by Bank of Montreal Ireland p.l.c. and BMO Asset Management Inc. ("BMO AM"), in its capacity as the Fund's Registrar. BMO AM was formerly known as Jones Heward Investment Counsel Inc. having changed its name on May 7, 2010. Fees associated with these services are paid by the Manager and charged to the Fund. The fees charged to the Fund during the period were as follows:

	<b>Six-month period ended June 30, 2010</b>	Six-month period ended June 30, 2009
<b>Unitholder Servicing Fees</b>	\$30,645	\$8,328

## FINANCIAL HIGHLIGHTS

### Management Fees

As Manager of the Fund, BMO Nesbitt Burns Inc. is responsible for the day-to-day management of the business and operations of the Fund. It monitors and evaluates the Fund's performance, pays for the investment advice provided by HIM and provides certain administrative services required by the Fund. As compensation for its services, BMO Nesbitt Burns Inc. is entitled to receive a management fee payable monthly, calculated based on the daily net asset value of each class of the Fund at the maximum annual rate set out in the below table.

	As a percentage of Management Fees		
	Annual Management Fee Rate* %	Dealer Compensation %	General Administration Investment Advice and Profit %
<b>Class A Units</b>	2.00	66.67	33.33
<b>Class F Units</b>	1.00	-	100.00

\* Because the Manager pays lower or no distribution, service or trailing fees on Class F units, Class F units have a lower management fee than Class A.

### Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the periods indicated.

### The Fund's Net Assets per Unit<sup>1</sup>

CLASS A	Period ended	Periods ended December 31				
	June 30, 2010	2009	2008	2007	2006	2005
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net Assets, beginning of year	5.87	5.48	6.84	7.37 <sup>2</sup>	6.53	6.47
<b>Increase (decrease) from operations:</b>						
Total revenue	0.03	0.06	0.11	0.11	0.10	0.09
Total expenses <sup>3</sup>	(0.06)	(0.12)	(0.13)	(0.16)	(0.14)	(0.14)
Realized gains (losses) for the period	0.05	(0.10)	(0.35)	(0.17)	(0.11)	(0.09)
Unrealized gains (losses) for the period	(0.38)	0.51	(1.00)	(0.20)	0.90	0.23
<b>Total increase (decrease) from operations<sup>4</sup></b>	<b>(0.36)</b>	<b>0.35</b>	<b>(1.37)</b>	<b>(0.42)</b>	<b>0.75</b>	<b>0.09</b>
<b>Distributions:</b>						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total annual distributions<sup>5</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, end of period</b>	<b>\$5.49</b>	<b>\$5.87</b>	<b>\$5.48</b>	<b>\$6.84</b>	<b>\$7.37</b>	<b>\$6.53</b>

CLASS F	Period ended	Periods ended December 31				
	June 30, 2010	2009	2008 <sup>6</sup>	2007	2006	2005
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net Assets, beginning of year	5.41	4.94	4.98	-	-	-
<b>Increase (decrease)</b>						
<b>from operations:</b>						
Total revenue	0.03	0.05	0.02	-	-	-
Total expenses	(0.03)	(0.06)	(0.01)	-	-	-
Realized gains (losses)						
for the period	0.05	(0.02)	(0.14)	-	-	-
Unrealized gains (losses)						
for the period	(0.40)	0.80	0.09	-	-	-
<b>Total increase (decrease)</b>						
<b>from operations<sup>4</sup></b>	<b>(0.35)</b>	<b>0.77</b>	<b>(0.04)</b>	-	-	-
<b>Distributions:</b>						
From income						
(excluding dividends)	-	-	-	-	-	-
From dividends	-	0.02	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total annual distributions<sup>5</sup></b>	<b>-</b>	<b>0.02</b>	-	-	-	-
<b>Net Assets, end of period</b>	<b>\$5.09</b>	<b>\$5.41</b>	<b>\$4.94</b>	-	-	-

<sup>1)</sup> This information is derived from the Fund's audited annual financial statements and unaudited June 30, 2010 semi-annual financial statements. The net assets per unit presented in the financial statements differs from the net asset value per unit calculated for Fund pricing purposes. An explanation of these differences can be found in the notes to the Fund's financial statements.

<sup>2)</sup> The provisions of Section 3855 have been applied retroactively without restatement of prior periods. Accordingly the opening Net Assets for the period ended December 31, 2007 has been adjusted.

<sup>3)</sup> Prior to 2007, commissions and other Fund transaction costs were not included in expenses as they were included in realized and unrealized gains/(losses).

<sup>4)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>5)</sup> Distributions were paid in cash or reinvested in additional units of the Fund, or both, where applicable.

<sup>6)</sup> The information shown in this column is for the period beginning October 31, 2008 (the class' inception date) and ending December 31, 2008.

## Ratios and Supplemental Data

CLASS A	Period ended	Periods ended December 31				
	June 30, 2010	2009	2008	2007	2006	2005
Total net asset value (000's) <sup>1</sup>	\$4,704	\$5,638	\$6,452	\$9,743	\$11,662	\$15,164
Number of units outstanding <sup>1</sup>	856,764	960,825	1,176,142	1,421,949	1,582,043	2,321,528
Management expense ratio <sup>2</sup>	2.10%	2.10%	2.00%	2.12%	2.12%	2.12%
Management expense ratio before waivers or management absorptions <sup>2</sup>	2.10%	2.10%	2.00%	2.12%	2.12%	2.12%
Portfolio turnover rate <sup>3</sup>	26.20%	54.60%	35.57%	49.73%	48.00%	39.39%
Trading expense ratio <sup>4</sup>	0.04%	0.12%	0.06	0.09	0.09	0.08
<b>Net asset value per unit<sup>5</sup></b>	<b>\$5.49</b>	<b>\$5.87</b>	<b>\$5.49</b>	<b>\$6.85</b>	<b>\$7.37</b>	<b>\$6.53</b>

CLASS F	Period ended	Periods ended December 31				
	June 30, 2010	2009	2008 <sup>6</sup>	2007	2006	2005
Total net asset value (000's) <sup>1</sup>	\$22,497	\$19,402	\$6	-	-	-
Number of units outstanding <sup>1</sup>	4,418,154	3,585,506	1,205	-	-	-
Management expense ratio <sup>2</sup>	0.97%	1.04%	0.95%	-	-	-
Management expense ratio before waivers or management absorptions <sup>2</sup>	0.97%	1.04%	0.95%	-	-	-
Portfolio turnover rate <sup>3</sup>	26.20%	54.60%	35.57%	-	-	-
Trading expense ratio <sup>4</sup>	0.04%	0.13%	0.05%	-	-	-
<b>Net asset value per unit<sup>5</sup></b>	<b>\$5.09</b>	<b>\$5.41</b>	<b>\$4.95</b>	-	-	-

<sup>1)</sup> This information is provided as at June 30 or December 31 of the period shown, as applicable.

<sup>2)</sup> Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. In the period a Fund is established, the management expense ratio is annualized from the date of inception to December 31.

Nesbitt Burns absorbed certain expenses or waived certain fees otherwise payable by a class. In doing so, Nesbitt Burns attempts to maintain the overall MER of the Fund at a relatively consistent level. Nesbitt Burns may discontinue the absorption or waiver at any time.

<sup>3)</sup> The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and 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 a Fund. The rate is calculated based on the lesser of purchases or sales of investments divided by the average market value of the portfolio investments, excluding short-term investments.

<sup>4)</sup> The trading expense ratio represents the total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

<sup>5)</sup> This information is derived from the Fund's audited financial statements and unaudited June 30, 2010 semi-annual financial statements. The net assets per unit presented in the financial statements differs from the net asset value per unit calculated for portfolio pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

<sup>6)</sup> The information shown in this column is for the period beginning October 31, 2008 (the class' inception date) and ending December 31, 2008.

## PAST PERFORMANCE

### General

The Fund's performance information assumes that all distributions made by the Fund in the periods shown were used to purchase additional units of the Fund and is based on the net asset value of the Fund.

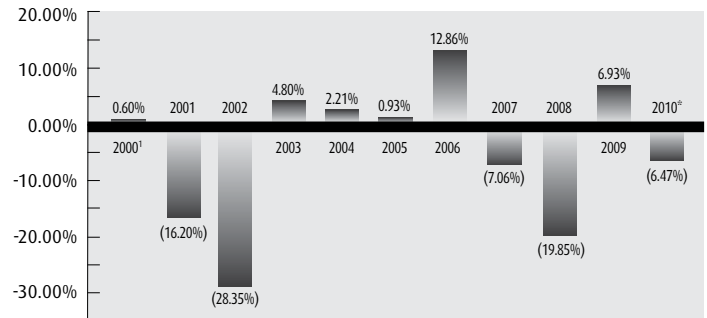
The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. Please remember, how the Fund has performed in the past does not indicate how it will perform in the future.

If a Fund offers more than one class, the class returns may differ for a number of reasons, including if the class was not issued and outstanding for the entire reporting period and because of the different levels of management fees payable by each class.

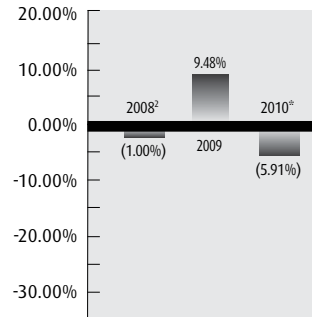
### Year-by-Year Returns

The following bar charts show the performance for each class of the Fund for each of the financial years shown. The charts show in percentage terms how much an investment made on the first day of each financial year would have increased or decreased by the last day of the financial year.

#### CLASS A



#### CLASS F



<sup>\*</sup> For the six-month period ended June 30, 2010.

<sup>1</sup> For the period beginning February 17, 2000 to December 31, 2000.

<sup>2</sup> For the period beginning October 31, 2008 to December 31, 2008.

**SUMMARY OF INVESTMENT PORTFOLIO**

As at June 30, 2010

<b>Portfolio Allocation</b>	<b>% of Net Asset Value</b>
Information Technology	19.7
Financials	16.1
Industrials	11.4
Energy	10.6
Health Care	10.5
Consumer Discretionary	10.5
Consumer Staples	9.7
Materials	4.3
Utilities	2.8
Cash/Receivables/Payables	2.6
Telecommunication Services	1.8

<b>Top 25 Holdings</b>	<b>% of Net Asset Value</b>
Oracle Corporation	3.4
Hewlett-Packard Company	3.0
Microsoft Corporation	3.0
Directv-Class A	2.9
Centerpoint Energy Inc	2.8
Wal-Mart Stores Inc.	2.8
Arch Capital Group Limited	2.8
United Technologies Corporation	2.7
Cash/Receivables/Payables	2.6
McDonald's Corporation	2.6
American Financial Group Inc.	2.6
Wells Fargo & Company	2.6
Apple Inc	2.5
TJX Companies Inc.	2.5
Amgen Inc	2.5
International Business Machines Corporation	2.4
Exxon Mobil Corporation	2.4
Medco Health Solutions, Inc.	2.3
Noble Corporation	2.1
Goldman Sachs Group Inc.	2.1
JPMorgan Chase & Company	2.0
General Electric Company	1.9
Forest Laboratories, Inc.	1.8
Del Monte Foods Company	1.8
AT&T Inc.	1.8
Top holdings as a percentage of total net asset value	61.9
<b>Total Net Asset Value</b>	<b>\$27.2 million</b>

*The summary of investment portfolio may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.*

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest and the risks detailed from time to time in BMO Nesbitt Burns Group of Funds' simplified prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, BMO Nesbitt Burns Inc. does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

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