

Annual Management Report of Fund Performance

BMO NESBITT BURNS BALANCED PORTFOLIO FUND

DECEMBER 31, 2008

Portfolio Manager: Jones Heward Investment Counsel Inc., Toronto, Ontario

This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the investment fund. You can get a copy of the 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 or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objectives and Strategies

The principal investment objective of BMO Nesbitt Burns Balanced Portfolio Fund is to achieve long-term capital growth consistent with the preservation of capital by investing primarily in other mutual funds that have long-term growth potential or that pay or are expected to pay above-average distributions.

The Fund seeks to achieve its investment objective by investing primarily in securities of mutual funds that are recommended by BMO Capital Markets' team of research analysts.

The Fund's underlying equity mutual funds will primarily invest in securities of Canadian and foreign companies with market capitalizations in excess of \$1 billion. These underlying mutual funds may also invest in preferred shares and unit trusts such as royalty income trusts, real estate investment trusts and business trusts.

The Fund's underlying fixed income mutual funds will primarily invest in fixed income securities including government and corporate bonds, high yield bonds and debentures issued by Canadian governments and

corporations, and asset and mortgage-backed securities issued by Canadian entities. These underlying mutual funds may also invest in government bonds denominated in U.S. dollars, which may, from time to time include U.S. Treasury Bonds.

Risk

No changes affecting the overall level of risk of investing in the Fund were made in the one-year period ended December 31, 2008. The risks of this Fund remain as discussed in the Simplified Prospectus.

Results of Operations

The BMO Nesbitt Burns Balanced Portfolio Fund's net asset value decreased by 17.6% to \$45.9 million from \$55.8 million at December 31, 2007.

The Fund's Class A units returned -17.6%, net of expenses for the one year period ending December 31, 2008.

During January 2008, the Portfolio Manager liquidated its holding in GGOF Canadian Diversified Monthly Income Fund, Class I and reallocated half in a Canadian Fixed Income Fund and the other half toward Canadian and Global Equity Funds. The resulting asset mix was kept relatively constant throughout the year, with an overweight, relative to the benchmark in equities and an underweight to fixed income, which negatively impacted performance.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE (cont.)

The TD Canadian Bond Fund, Class O (29.9% of the Fund) returned approximately 3.6% for the period, underperforming the DEX Universe Bond Index (DEX) return of 6.4% but positively contributing to the overall return. Widening credit spreads (spread between government and corporate bonds) combined to the TD Canadian Bond Fund's significant exposure to mid-term corporate bonds was the largest detractor to performance. The allocation to real return bond was also a detractor as that asset class underperformed the broader bond market. The allocation to longer duration federal and agency securities was one of the main positive factors over the period.

The Capital International Global Equity Fund, Series I (14.4% of the Fund) returned approximately -26.4% for the period, which slightly underperformed the MSCI World Index (C\$) return of -26.1% and detracted from overall performance. Results benefited from relatively low exposure to bank stocks, which came under broad selling pressure due to the global credit crisis and low exposure to materials companies, which suffered from a global drop-off in demand for commodities. Some of the fund's consumer discretionary stocks, which were impacted by falling consumer confidence and spending, and the fund's energy stocks, affected by oil price plummeting on the back of lower global demand, were the main detractors to performance. Throughout the year, the fund marginally increased its holdings in Europe and the Pacific Basin and trimmed exposure to Japan and emerging markets. In sector terms, the fund became slightly more defensive, with increased exposure to Health Care and Consumer Staples companies and less invested in the Consumer Discretionary, Information Technology and Materials sectors.

The Mackenzie Cundill Value Fund, Series O (15.9% of the Fund) returned approximately -23.6% over the period, outperformed the MSCI World Index (C\$) return of -26.1% which added value to the overall performance. The fund combined a largest overweight to Japanese equities to an underweight in U.S. Equity, which added value over the period. With very little natural resources exposure the fund's performance improved during the second half of the year. Most of the currency exposure versus developed market exposure was hedged to the Canadian dollar, which also resulted in a negative impact as the fund did not take all benefit from the decline in the Canadian dollar versus these currencies.

The CI Harbour Fund, Class I (25.0% of the Fund) returned approximately -22.7% for the period, outperformed the S&P/TSX Composite Index (S&P/TSX) return of -33.0% which added value to overall performance. The large foreign content, on average over 40.0% of the equity exposure, and the strategic

use of cash had a positive impact on performance. The cash position was lowered during the last quarter resulting in an equity exposure of 90.6% at the end of the year versus 77.8% at the end of September. The Portfolio Manager of the CI Harbour Fund has added many domestics and international names across multiple sectors that are believed to be attractively priced.

The Synergy Canadian Corporate Class, I Shares (9.9% of the Fund) returned approximately -32.1% for the period, slightly outperformed the S&P/TSX return of -33.0% which positively impacted overall performance. During the period, stock selection particularly in the Materials, Energy and Financials sectors detracted from performance. However, this was more than offset by the sector allocation and in particular the foreign content allocation, which added value through currencies appreciation versus the Canadian dollar. The stocks that contributed the most positive returns included Eldorado Gold Corp., Kinross Gold Corp. and Agnico Eagles Mines Ltd., while Research in Motion Ltd, Toronto Dominion Bank and Manulife Financial Corp. were the largest detractors. The Synergy Canadian Corporate Class continues to be more broadly diversified than the S&P/TSX with an underweight in Energy, Financials and Materials and a foreign content of approximately 29.0% of its assets as of the end of the period.

For further information on the performance and composition of the Fund, please refer to the Past Performance and Summary of Investment Portfolio section of this document.

Recent Developments

Virtually the only asset class to show strong gains were government bonds, with the strongest performance by U.S. Treasury bonds. For comparison, consider that in Canada, the DEX Long Term Government of Canada Bond Index rose 12.9% in 2008, while the Barclay's (formerly Lehman Brothers) Long-Term Treasury Index gained 24.0%, both in local currency terms. Any 'risky' security (such as stocks or corporate bonds) was likely to have performed very poorly in 2008. It was not just the equity markets that suffered in the bear market of 2008: Investment-grade corporate debt and high yield corporate debt markets suffered mightily, as did the preferred share markets.

The height of the U.S. economy was reached in December 2007., so the U.S. economy has been in recession for over a year and at their worst levels, made on November 20, 2008, both the S&P/TSX and the S&P 500 Total Return Index were each more than 50% below their highs, making this bear market considerably worse than average. Since then, although many economic

indicators continue to deteriorate, some other measures appear to indicate that the multiple actions taken by central banks and governments around the world are beginning to tame the credit crisis while corporate and high yield bond spreads are narrowing and volatility subsiding.

The Portfolio Manager believes that this may be the early signs of a bottoming process and that the relative attractiveness of equities, with earnings yield and often dividend yields exceeding government bonds yield, as improved around the world and particularly in the U.S. equity market. The economic downturn is expected to last longer than most in the past with many Economists not expecting a recovery before the end of 2009 or later. Consequently, the Portfolio Manager is favouring developed market large-cap equities, which are believed to be better positioned to handle the economic weakness and a lowered exposure to the economically sensitive resource sector.

In this context, the Portfolio Manager has recently decreased the Fund's exposure to global equity funds and lowered the cash weighting in order to increase the U.S. Equity exposure of the Fund. A new position was initiated through an investment in CI American Value Corporate Class, a quality offering with broad sector diversification and an experienced management team.

Multi-Class Structure

In addition to Class A units, which are available to all investors, the Manager began offering Class F units on October 31, 2008. Class F units are designed for investors who are participants in programs that do not require the payment of sales charges by investors or the payment of services fees to Investment Advisors but who are charged an annual fee by their Investment Advisors.

Adoption of New Accounting Policies – Financial Instruments Disclosure and Presentation

On January 1, 2008, the Fund adopted CICA Handbook Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation". The new standards replaced Section 3861, "Financial Instruments – Disclosure and Presentation". The new disclosure standards increase the emphasis on the disclosure of risks associated with financial instruments and how those risks are managed. The previous requirements related to presentation of financial instruments have been carried forward unchanged. Adoption of the new standards does not impact the daily price of the fund's securities for subscription and redemption purposes, nor for the calculation of net asset value.

CICA Handbook section 1535 – Capital Disclosure

The Fund adopted the new accounting standard, section 1535 (capital disclosure) during the year. Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. This standard applies to financial statements relating to fiscal years beginning on or after October 1, 2007. The adoption of this standard results in additional disclosures relating to the redeemable units of the Fund but does not affect the Fund's results or financial positions.

Related Party Transactions

From time to time, BMO Nesbitt Burns Inc. as the Manager 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 to the Manager of the Fund.

Portfolio Manager

The Manager has hired Jones Heward Investment Counsel Inc. (JHIC), an affiliate of the Manager, to provide investment advice and make investment decisions for the Fund's investment portfolio. JHIC receives an investment advisory fee based on assets under management that is paid monthly. JHIC is paid by the Manager and not by the Fund.

Buying and Selling Securities

During the period, the Fund held mutual fund securities of the GGOF Canadian Diversified Monthly Income Fund. GGOF is an affiliate of the Manager. No sales or redemption fees were payable in relation to purchases or redemptions of securities of the GGOF Canadian Diversified Monthly Income Fund.

Distribution Services

BMO Nesbitt Burns Inc. sells units of the Fund through its sales representatives who are agents to the Manager, not the Fund. The Manager pays 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 the sales representative at the time of purchase or switch and when the account or registered tax plan is established.

Unitholder Services

The Fund is provided with certain facilities and services by affiliates of the Manager. Unitholder services, such as fund accounting, record keeping and processing orders, are provided by Bank of Montreal Ireland plc and JHIC (the Registrar). These expenses are paid by the Manager and charged to the Fund. The fees charged to the Fund during the year ended December 31 were as follows:

	2008	2007
Unitholder Servicing Fees	\$115,638	\$126,401

FINANCIAL HIGHLIGHTS**Management Fees**

BMO Nesbitt Burns Inc. is the Manager and principal distributor of the Fund. The Manager is responsible for the day-to-day management and administration of the fund. The principal distributor markets and distributes the Fund directly through BMO Nesbitt Burns Inc. sales representatives.

The Manager monitors and evaluates the performance of the Fund, pays for the investment management services of the Portfolio Manager and provides all administrative services required by the Fund. As compensation for its services the Manager is entitled to receive a fee payable monthly, calculated based on the daily Net Asset Value of the Fund. The Manager is entitled to charge at the maximum annual rate of 2.25% for Class A units, 1.25% for Class F units, but has set the annual management fee at 2.10% for Class A units and 1.10% for Class F units.

The Fund holds securities of other mutual funds. There are fees and expenses payable by the underlying mutual funds in addition to the fees and expenses payable by the Fund. There are no management fees or incentive fees that are payable by the Fund that, to a reasonable person, would duplicate a fee payable by the underlying mutual fund for the same service. There are no sales fees or redemption fees that are payable by the Fund in relation to its purchases or redemptions of the securities of an underlying mutual fund if the underlying mutual fund is managed by the Manager or an affiliate or associate of the Manager. There are no sales fees or redemption fees that are payable by the Fund in relation to purchases or redemptions of securities of the underlying mutual funds that, to a reasonable person, would duplicate a fee payable by an investor in the Fund.

The management fees charged to the Fund during the year ended December 31, 2008 amounted to \$1,175,678 (2007 – \$1,166,751). Approximately 48% of the management fees were used to pay for the distribution of securities and servicing of unitholders of the Fund through BMO Nesbitt Burns Inc. sales representatives. The remaining portion of the management fees were used to pay for portfolio management, general administration, product development, marketing and sales support services and any profit.

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 past 5 years. This information is derived from the Fund's audited annual financial statements. The following tables are not intended to be a reconciliation of beginning to ending Net Assets per unit. Please see cover page for information about how you can obtain the Fund's annual financial statements. For classes of units that were not in existence at the beginning of a period, "Net assets, beginning of period" reflects the net assets as at the inception date of those classes during the applicable period.

Net Assets per Unit

A CLASS UNITS	2008 (\$)	2007 (\$)	2006 (\$)	2005 (\$)	2004 (\$)
Net Assets, beginning of year	11.89	12.27 ¹	11.52	10.32	10.00
Increase (decrease) from operations:					
Total revenue	0.44	0.77	0.51	0.46	0.19
Total expenses ²	(0.29)	(0.32)	(0.31)	(0.30)	(0.05)
Realized gains (losses) for the period	(0.16)	(0.06)	0.45	-	-
Unrealized gains (losses) for the period	(2.08)	(0.24)	0.46	1.23	0.25
Total increase (decrease) from operations³	(2.10)	0.15	1.11	1.39	0.39
Distributions:					
From income (excluding dividends)	-	0.56	0.08	-	-
From dividends	0.19	-	-	-	0.06
From capital gains	-	-	0.26	-	-
Return of capital	0.16	-	-	-	-
Total Annual Distributions⁴	0.35	0.56	0.34	-	0.06
Net assets at December 31	\$9.44	\$11.89	\$12.27	\$11.52	\$10.32

F CLASS UNITS	October 31, to December 31, 2008	2007	2006	2005	2004
	(\$)	(\$)	(\$)	(\$)	(\$)
Net Assets, beginning of period	10.00	-	-	-	-
Increase (decrease) from operations:					
Total revenue	0.46	-	-	-	-
Total expenses ²	(0.02)	-	-	-	-
Realized gains (losses) for the period	(0.02)	-	-	-	-
Unrealized gains (losses) for the period	0.13	-	-	-	-
Total increase (decrease) from operations³	0.54	-	-	-	-
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	0.18	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	0.25	-	-	-	-
Total Annual Distributions⁴	0.43	-	-	-	-
Net assets at December 31	\$9.75	-	-	-	-

¹⁾ 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.

²⁾ Prior to 2007, commissions and other fund transaction costs were not included in expenses as they were included in realized and unrealized gains/(losses).

³⁾ Net asset value 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.

⁴⁾ Distributions were paid in cash or reinvested in additional shares of the Fund, or both, where applicable.

Ratios and Supplemental Data

A CLASS UNITS

	2008	2007	2006	2005	2004
Total net asset value (000's) ¹	\$45,943	\$55,813	\$47,065	\$24,977	\$2,060
Number of units outstanding ¹	4,868,557	4,694,464	3,836,584	2,168,368	199,560
Management Expense Ratio ²	2.60%	2.59%	2.65%	2.78%	3.18%
Management expense ratio before waiver or management absorptions ²	2.60%	2.59%	2.65%	3.16%	7.79%
Portfolio turnover rate ³	28.77%	21.78%	19.90%	0.20%	0.20%
Trading expense ratio ⁴	0.13%	-	-	-	-
Net asset value per unit⁵	\$9.44	\$11.89	\$12.27	\$11.52	\$10.32

F CLASS UNITS

	2008	2007	2006	2005	2004
Total net asset value (000's) ¹	\$49	-	-	-	-
Number of units outstanding ¹	5,014	-	-	-	-
Management Expense Ratio ²	1.52%	-	-	-	-
Management expense ratio before waiver or management absorptions ²	1.52%	-	-	-	-
Portfolio turnover rate ³	28.77%	-	-	-	-
Trading expense ratio ⁴	0.13%	-	-	-	-
Net asset value per unit⁵	\$9.75	-	-	-	-

¹⁾ This information is provided as at December 31 of the period shown, as applicable.

²⁾ 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.

³⁾ 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.

⁴⁾ 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. The trading expense ratio is provided from 2005 onwards.

⁵⁾ This information is derived from the Fund's audited annual financial statements. The net assets per unit presented in the financial statements differs from the net asset value calculated for portfolio pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

PAST PERFORMANCE

General

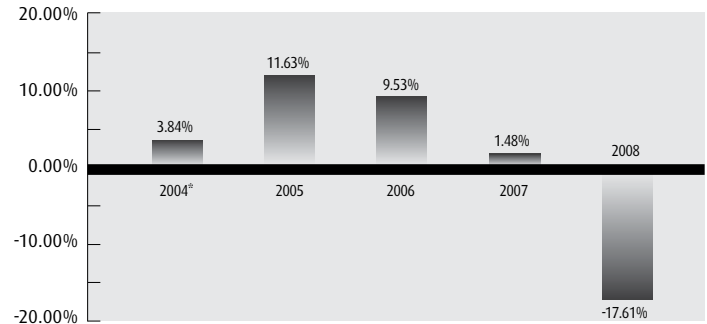
The Fund's performance assumes all distributions made by the Fund in the periods shown were used to purchase additional units of the Fund. If you hold the Fund outside a registered plan, you will be taxed on these distributions. Distributions of income the Fund earns and capital gains it realizes are taxable in the year received whether received in cash or reinvested in additional units. Income tax considerations are discussed in the Simplified Prospectus. Please consult your tax adviser regarding your personal tax situation.

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

Year-by-Year Returns

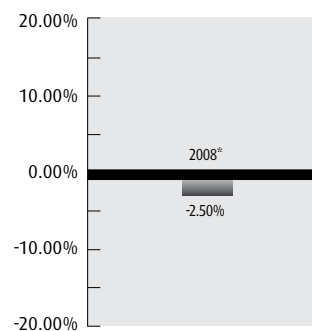
The bar charts that follow show the performance of each class of the Fund for, in the case of A Class units, each financial year since inception. For F Class units, the information is shown for the period beginning October 31, 2008 (the inception date of Class F) to December 31, 2008. The chart shows, in percentage terms, how much your investment on the first day of each financial year would have grown or decreased by the last day of each financial year.

A CLASS UNITS



* The Fund's return for 2004 reflects the return from November 1 to December 31.

F CLASS UNITS



* The Fund's return for 2008 reflects the return from October 31, to December 31.

Annual Compound Returns

This chart compares the historical annual compound returns of the Fund with the DEX Universe Bond Index (DEX), the S&P/TSX Composite Index (S&P/TSX), the Wilshire 5000 Total Return Index (Wilshire 5000), the Morgan Stanley Capital International – Europe, Australasia, Far East Index (MSCI-EAFE) and with a blended return of 45% DEX, 25% S&P/TSX, 15% Wilshire 5000, 10% MSCI-EAFE and 5% 91-Day Canada T-Bill.

DEX is a broad measure of total return on Canadian bonds that mature in more than one year. It was formerly known as the Scotia Capital Universe Bond Index prior to October 2007.

The S&P/TSX reflects the price movements of a floating list of companies on the Toronto Stock Exchange that meet the S&P criteria for inclusion in the index.

The Wilshire 5000 represents the broadcast index for the U.S. equity market weighted by market capitalization, and measures the performance of all publicly traded U.S. headquartered securities.

The MSCI-EAFE is a free float-adjusted market capitalization index that is designed to measure developed market equity performance. The index includes 21 country indices, excluding the U.S. and Canada.

	Since Inception [†]	One Year	Three Years
BMO Nesbitt Burns Balanced Portfolio Fund*	1.44%	(17.61%)	(2.89%)
DEX	5.42%	6.41%	4.71%
S&P/TSX	2.77%	(33.00%)	(4.80%)
Wilshire 5000	(2.88%)	(22.88%)	(7.10%)
MSCI-EAFE	0.61%	(30.04%)	(5.56%)
Blended Benchmark	4.47%	(8.77%)	1.41%

As of December 31, 2008 the Fund's Class A units underperformed the DEX for the one year, three-year and since inception periods.

As of December 31, 2008 the Fund's Class A units outperformed the S&P/TSX for the one-year and three-year periods and underperformed the DEX for the since inception period.

As of December 31, 2008 the Fund's Class A units outperformed the Wilshire 5000 for the one-year, three-year and since inception periods.

As of December 31, 2008 the Fund's Class A units outperformed the MSCI-EAFE for the one-year, three-year and since inception periods.

As of December 31, 2008 the Fund's Class A units underperformed the blended benchmark for the one-year, three-year and since inception periods.

* The Fund's return is after the deduction of expenses, while the benchmarks do not include any cost of investing.

† The inception date for the Fund is November 1, 2004.

SUMMARY OF INVESTMENT PORTFOLIO

Portfolio Allocation

As at December 31, 2008

	Net Asset Value (%)
Canadian Equity	50.8%
Canadian Bond Fund	29.9%
International Equity	14.4%
Other Assets less Liabilities	4.9%
	100.0%

Top 25 Holdings

As at December 31, 2008

	Net Asset Value (%)
TD Canadian Bond Fund, Class O	29.9%
CI Harbour Fund, Class I	25.0%
Mackenzie Cundill Value Fund, Class O	15.9%
Capital International Global Equity Fund, Series I	14.4%
Synergy Canadian Corporate Class, I Shares	9.9%
Cash and Cash Equivalents	4.9%
Total Net Asset Value	\$45,991,846

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available.

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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