

Annual Management Report of Fund Performance

BMO NESBITT BURNS CANADIAN STOCK SELECTION 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 Canadian Stock Selection Fund is to achieve long-term capital growth consistent with the preservation of capital by investing primarily in equity securities of large Canadian companies that have long-term growth potential or that pay or are expected to pay above-average dividends.

The Fund seeks to achieve its investment objective by investing primarily in common shares of Canadian companies that are recommended by BMO Capital Markets' team of research analysts. The Fund is oriented primarily toward investments in Canadian companies with market capitalizations in excess of \$1 billion.

A majority of the Fund's assets will be invested in a diversified portfolio of shares of Canadian companies that, on a sectoral basis, will tend to reflect the sector weightings of the major industry sectors comprising the S&P/TSX Composite Index (TSX) or other similar indices, and that the portfolio manager believes will offer potential for consistently high growth.

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 Canadian Stock Selection Fund's net asset value declined by 36.5% to \$384.2 million from \$605.2 million at December 31, 2007.

The Fund's Class A units returned -34.1%, net of expenses, whereas the S&P/TSX returned -33.0% for the one year period ending December 31, 2008.

In 2008, global equity markets had their worst performance since the Great Depression. In Canadian currency, the TSX lost 33.0%, S&P 500 Index lost 22.9%, United Kingdom FTSE lost 39.5%, and Japan Nikkei lost 12.7%. Only in 1931 and 1937 did the S&P 500 Index fall more than in 2008. Over the past year, even with a high quality and diversified portfolio, this storm could not be avoided and the Fund's Class A units ended the year down 34.1%.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE (cont.)

Valuations have plunged in 2008 reflecting the extraordinary year of failures and bankruptcies, including the collapse of Lehman Brothers Inc. The restriction of credit availability and the collapse of investor confidence brought a sharp decline in economic activity. Globally, government bailouts for many financial institutions became a reality. This was a negative contributor to the Fund.

For the year, all sectors of the TSX lost money. The best performing sectors were Consumer Staples, Utilities and Telecommunications Services, returning -6.0%, -20.0% and -25.0% respectively. Gold, as a sub-sector, managed to finish up 4.0% in 2008. Consequently, four of the top 10 best performing large cap stocks were gold stocks: Kinross Gold Corporation, Agnico-Eagle Mines Limited, Goldcorp Inc. and Barrick Gold Corporation (Barrick) returning 23.0%, 15.0%, 13.0% and 7.0%. Only three stocks are currently in the portfolio and were there for the entire period, positively contributing to performance. Three consumer stocks also made the top 10: Metro Inc., George Weston Limited (Weston) and Loblaw Companies Limited, returning 40.0%, 11.0% and 3.0%. In this sector, the Fund only held Weston, which added to performance.

EnCana Corporation (EnCana) and Barrick were the largest positions in the Fund and although EnCana outperformed the market, it was, as with most energy stocks, a negative contributor to the Fund's performance. Suncor Energy Inc., another large weighting in the Fund, underperformed the market as the price of oil collapsed and was another negative contributor. Overall, the Fund's small overweight in energy relative to the TSX weighting detracted from performance and underperformed the benchmark.

Unfortunately for the Fund, for the second year in a row, it was also overweight in the insurance sector and underweight utilities relative to the TSX weightings. Insurance stocks fell 41.7% in 2008 and utility stocks fell only 20.5%. This was a negative contributor to the Fund.

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

Many uncertainties still remain entering 2009 and future government actions will impact future earnings and valuations.

It appears globally that the job markets, housing markets and industrial production remain in a downtrend. As an example, the 2008 U.S. economy had its worst year for job losses since 1945. Chinese, German and Japanese exports for November

and December 2008 have fallen dramatically. The Canadian economy held up well for much of 2008 but is now also starting to contract.

The Portfolio Manager expects weak economic data to persist throughout the year and fiscal and monetary policies to become increasingly aggressive to prevent deflationary forces. Ultimately, the central banks and governments will succeed.

Historically stock markets tend to recover in response to a turn in economic and earnings momentum rather than waiting for growth itself to resume. The first year of a turnaround is characterized by both rising corporate earnings and a rapid price/earnings multiple expansions. The Portfolio Manager will continue to monitor market developments throughout the year and look for opportunities as they arise.

Multi-Class Structure

In addition to Class A units, which are available to all investors, the Manager began offering Class F units and Class I 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. Class I units are special purpose units for use within managed asset programs and are available only to institutional investors and other investment funds. Such investors enter into a separate Class I agreement with the Manager and negotiate and pay a separate fee to the Manager.

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.

Buying and Selling Securities

Investing in Bank of Montreal Common Shares

During the period, the Manager relied on the approval and standing instruction provided by the Fund's Independent Review Committee (IRC) to enable the Fund to invest in and/or continue to invest in common shares of Bank of Montreal (BMO), an affiliate of the Manager. In accordance with the IRC's standing instruction, in making a decision to cause the Fund to invest in and/or continue to invest in BMO common shares, the Manager and Portfolio Manager are required to comply with the Manager's policy and procedures pertaining to investing in securities of a related issuer and report to the IRC on a quarterly basis, describing each instance that the Manager and/or Portfolio Manager relied on the IRC's standing instruction and their compliance or non-compliance with the policy and procedures. The policy and procedures are designed to ensure, among other things, that the decision to invest in and/or continue to invest in BMO common shares (i) is made free from any influence of BMO or its associates or affiliates and without taking into account any considerations relevant to BMO or its affiliates or associates, (ii) represents the business judgment of the Portfolio Manager, uninfluenced by considerations other than the best interests of the Fund, and (iii) achieves a fair and reasonable result for 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.

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 p.l.c. 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	\$779,142	\$1,181,323

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 2.00% for Class A units, 1.00% for Class F units, but has set the annual management fee at 1.50% for Class A units and 0.50% for Class F units.

The management fees charged to the Fund's Class A and Class F units during the year ended December 31, 2008 amounted to \$8,532,917 (2007 – \$9,849,030). Approximately 67% 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. For Class I units, a separate Class I fee is negotiated and paid directly by each Class I investor to the Manager.

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	25.27	24.53 ¹	21.52	17.79	16.01
Increase (decrease) from operations:					
Total revenue	0.53	0.54	0.55	0.41	0.31
Total expenses ²	(0.41)	(0.48)	(0.42)	(0.36)	(0.38)
Realized gains (losses) for the period	(0.06)	3.23	2.31	1.14	0.27
Unrealized gains (losses) for the period	(8.69)	(1.35)	0.58	2.51	1.58
Total increase (decrease) from operations³	(8.63)	1.94	3.02	3.70	1.78
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	1.12	-	-	-
Return of capital	-	-	-	-	-
Total Annual Distributions⁴	-	1.12	-	-	-
Net assets at December 31	\$16.63	\$25.27	\$24.54	\$21.52	\$17.79

F CLASS UNITS	October 31, to December 31, 2008	2007	2006	2005	2004
	(\$)	(\$)	(\$)	(\$)	(\$)
Net Assets, beginning of period	18.29	-	-	-	-
Increase (decrease) from operations:					
Total revenue	0.14	-	-	-	-
Total expenses ²	(0.02)	-	-	-	-
Realized gains (losses) for the period	(1.05)	-	-	-	-
Unrealized gains (losses) for the period	4.52	-	-	-	-
Total increase (decrease) from operations³	3.58	-	-	-	-
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total Annual Distributions⁴	-	-	-	-	-
Net assets at December 31	\$16.87	-	-	-	-

I CLASS UNITS	October 31, to December 31, 2008	2007	2006	2005	2004
	(\$)	(\$)	(\$)	(\$)	(\$)
Net Assets, beginning of period	18.29	-	-	-	-
Increase (decrease) from operations:					
Total revenue	0.11	-	-	-	-
Total expenses ²	-	-	-	-	-
Realized gains (losses) for the period	(0.82)	-	-	-	-
Unrealized gains (losses) for the period	1.97	-	-	-	-
Total increase (decrease) from operations³	1.26	-	-	-	-
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total Annual Distributions⁴	-	-	-	-	-
Net assets at December 31	\$19.55	-	-	-	-

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	\$383,789	\$605,188	\$634,503	\$630,726	\$610,699
Number of units outstanding ¹	23,028,978	23,908,202	25,851,290	29,311,613	34,337,816
Management Expense Ratio ²	1.80%	1.83%	1.82%	1.84%	2.29%
Management expense ratio before waiver or management absorptions ²	1.80%	1.83%	1.82%	1.84%	2.29%
Portfolio turnover rate ³	36.22%	27.84%	15.74%	10.89%	11.70%
Trading expense ratio ⁴	-	-	-	-	0.01%
Net asset value per unit⁵	\$16.67	\$25.31	\$24.54	\$21.52	\$17.79

F CLASS UNITS

	2008	2007	2006	2005	2004
Total net asset value (000's) ¹	\$379	-	-	-	-
Number of units outstanding ¹	22,442	-	-	-	-
Management Expense Ratio ²	0.78%	-	-	-	-
Management expense ratio before waiver or management absorptions ²	0.78%	-	-	-	-
Portfolio turnover rate ³	36.22%	-	-	-	-
Trading expense ratio ⁴	-	-	-	-	-
Net asset value per unit⁵	\$16.91	-	-	-	-

I CLASS UNITS

	2008	2007	2006	2005	2004
Total net asset value (000's) ¹	\$27	-	-	-	-
Number of units outstanding ¹	1,367	-	-	-	-
Management Expense Ratio ²	-	-	-	-	-
Management expense ratio before waiver or management absorptions ²	-	-	-	-	-
Portfolio turnover rate ³	36.22%	-	-	-	-
Trading expense ratio ⁴	-	-	-	-	-
Net asset value per unit⁵	\$19.55	-	-	-	-

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

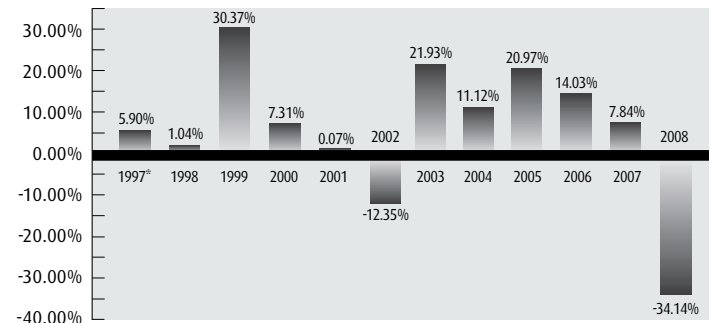
The Fund's performance assumes all distributions made by the Fund in the periods shown were used to purchase additional units of the Fund. If you hold the Fund outside a registered plan, you will be taxed on these distributions. Distributions of income the Fund earns and capital gains it realizes are 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

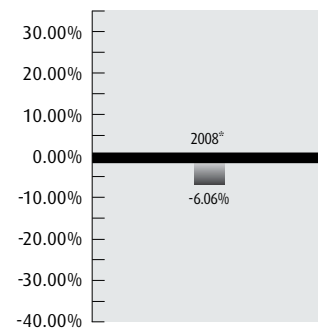
The bar charts that follow show the performance of each class of the Fund for, in the case of A Class units, each financial year since inception. For F Class units and I Class units, the information is shown for the period beginning October 31, 2008 (the inception date of Class F and Class I) to December 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



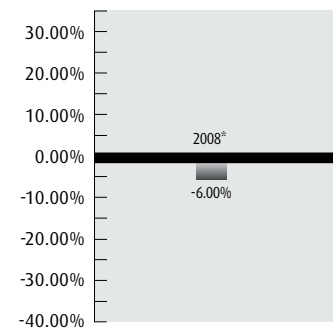
* The Fund's return for 1997 reflects the return from January 22 to December 31.

F CLASS UNITS



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

I 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 S&P/TSX Composite Index, which reflects changes in the performance of a floating list of companies on the Toronto Stock Exchange that meet the S&P criteria for inclusion in the index.

	BMO Nesbitt Burns Canadian Stock Selection Fund*	S&P/TSX Composite Index
Since Inception †	4.65%	5.28%
One Year	(34.14%)	(33.00%)
Three Years	(6.78%)	(4.80%)
Five Years	1.71%	4.16%
Ten Years	5.00%	5.34%

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

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

† The inception date for the Fund is January 22, 1997.

SUMMARY OF INVESTMENT PORTFOLIO

Portfolio Allocation

As at December 31, 2008

	Net Asset Value (%)
Energy	29.1%
Financials	29.0%
Materials	15.3%
Telecommunication Services	6.5%
Industrials	5.8%
Consumer Discretionary	4.8%
Money Market Investments	4.1%
Information Technology	2.9%
Consumer Staples	2.2%
Other Assets less Liabilities	0.3%
	100.0%

Top 25 Holdings

As at December 31, 2008

	Net Asset Value (%)
EnCana Corporation	9.4%
Barrick Gold Corporation	8.2%
Nexen Inc.	5.9%
Suncor Energy Inc.	5.9%
Toronto-Dominion Bank, The,	5.6%
BCE Inc.	4.9%
Manulife Financial Corporation	4.6%
The Thompson Corporation	4.5%
Canadian Natural Resources Limited	4.2%
Canadian Imperial Bank of Commerce	4.1%
Power Financial Corporation	4.1%
Agrium Inc.	3.5%
Sun Life Financial Inc.	3.5%
Bank of Nova Scotia	3.3%
Canadian National Railway Company	2.3%
Canadian Pacific Railway Limited	2.3%
Celtic Explorations Ltd.	2.0%
Talisman Energy Inc.	1.7%
Rogers Communications Inc.	1.6%
Great-West Lifeco Inc.	1.6%
Finning International Inc.	1.3%
George Weston Limited	1.3%
Goldcorp Inc.	1.0%
IGM Financial Inc.	1.0%
Kinross Gold Corporation	0.9%
Total Net Asset Value	\$384,194,583

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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