

## Annual Management Report of Fund Performance

BMO NESBITT BURNS U.S. STOCK SELECTION FUND

DECEMBER 31, 2008

Portfolio Manager: Harris Investment Management Inc, Chicago, Illinois

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](http://www.bmonesbittburns.com) or SEDAR at [www.sedar.com](http://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 U.S. Stock Selection Fund is to achieve long-term capital growth consistent with the preservation of capital by investing primarily in equity securities of large U.S. 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 U.S. companies that are selected by Harris Investment Management, Inc. The Fund is oriented primarily towards investments in large U.S. companies primarily with market capitalizations in excess of U.S. \$1.5 billion.

A majority of the Fund's assets will be invested in a diversified portfolio of shares of U.S. companies that, on a sectoral basis, will tend to reflect the sector weightings of the major industry sectors of the companies comprising the S&P 500 Index.

### 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 U.S. Stock Section Fund's net asset value declined by 33.7% to \$6.5 million (\$C) from \$9.7 Million (\$C) at December 31, 2007.

The Fund's Class A units returned -19.9% (\$C), net of expenses, whereas the S&P 500 Total Return Index (S&P 500) returned -22.7% (\$C) for the one-year period ending December 31, 2008.

2008 was one for the record books as numerous extraordinary financial events unfolded and the year ended with the third worst annual return in the history of the S&P 500. Many of the themes that affected equity returns in late 2007 continued to negatively impact the markets including uncertainty surrounding the mortgage industry, volatile energy prices, and slowed consumer spending. The credit crisis gripping the economy intensified throughout the year, with a number of companies including Lehman Brothers Holdings Inc. filing for bankruptcy and many other corporations, from financials to auto manufacturers, desperately seeking government assistance to continue their challenged

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

operations. The combination of these many negative factors overwhelmed the capital markets delivering sizable losses for many asset classes.

The Fund outperformed the S&P 500 in 2008. The majority of the outperformance can be attributed to stock selection. The largest contributors to performance included AutoZone Inc., McDonald's Corp., and Occidental Petroleum Corp. with returns of 0.7%, 0.3% and 0.3% respectively. The most significant detractors from performance included Principal Financial Group Inc., Freeport-McMoran Copper & Gold Inc., and Goldman Sachs Inc. returning -2.5%, -2.4% and -1.9%, respectively.

For the year, within the S&P 500, defensive sectors such as Consumer Staples and Health Care with returns of -15.5% and -22.8% respectively, fared better than Financials, Materials, and Information Technology with returns of -55.3%, -45.7% and -43.2% respectively. Sector weighting modestly aided performance of the Fund with the portfolio underweight position in Financials (-0.5% relative to the S&P 500) and overweight positions in Telecommunication Services (1.2%) relative to the S&P 500 on average over the course of the year.

*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**

The Portfolio Manager believes that the current recession will last longer and recover slower than historical averages due to its global reach and financial system origins. Governments around the world continue to plan for sizable fiscal and monetary stimulus. In combination with the significant decline in oil prices (year-over-year) and the sizable stimulus being placed into the global economy, it is anticipated that economic activity will stabilize at some point in 2009. Although investors clearly remain quite cautious and tentative regarding the equity markets, we are entering a seasonally strong historical period for the markets with cash levels at historic highs.

The Portfolio Manager's investment process continues to focus on companies exhibiting improving fundamentals, attractive valuations and positive investor interest. We remain confident that the consistent application of our disciplined investment process will produce superior results over the long term.

**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 Harris Investment Management, Inc. (HIM), an affiliate of the Manager, 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 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 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
<b>Unitholder Servicing Fees</b>	\$17,207	\$35,132

**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 during the year ended December 31, 2008 amounted to \$117,819 (2007 – \$172,926). 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.

## 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	6.84	7.37 <sup>1</sup>	6.53	6.47	6.33
<b>Increase (decrease) from operations:</b>					
Total revenue	0.11	0.11	0.10	0.09	0.09
Total expenses <sup>2</sup>	(0.13)	(0.16)	(0.14)	(0.14)	(0.17)
Realized gains (losses) for the period	(0.35)	(0.17)	(0.11)	(0.09)	(0.17)
Unrealized gains (losses) for the period	(1.00)	(0.20)	0.90	0.23	0.36
<b>Total increase (decrease) from operations<sup>3</sup></b>	<b>(1.37)</b>	<b>(0.42)</b>	<b>0.75</b>	<b>0.09</b>	<b>0.11</b>
<b>Distributions:</b>					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total Annual Distributions<sup>4</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31</b>	<b>\$5.48</b>	<b>\$6.84</b>	<b>\$7.37</b>	<b>\$6.53</b>	<b>\$6.47</b>

F CLASS UNITS	October 31, to December 31, 2008 (\$)	2007 (\$)	2006 (\$)	2005 (\$)	2004 (\$)
Net Assets, beginning of period	4.98	-	-	-	-
<b>Increase (decrease) from operations:</b>					
Total revenue	0.02	-	-	-	-
Total expenses <sup>2</sup>	(0.01)	-	-	-	-
Realized gains (losses) for the period	(0.13)	-	-	-	-
Unrealized gains (losses) for the period	(0.09)	-	-	-	-
<b>Total increase (decrease) from operations<sup>3</sup></b>	<b>(0.04)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Distributions:</b>					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total Annual Distributions<sup>4</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31</b>	<b>\$4.94</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1)</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>2)</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>3)</sup> 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.

<sup>4)</sup> 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) <sup>1</sup>	\$6,452	\$9,743	\$11,662	\$15,164	\$25,117
Number of units outstanding <sup>1</sup>	1,176,142	1,421,949	1,582,043	2,321,528	3,879,773
Management Expense Ratio <sup>2</sup>	2.00%	2.12%	2.12%	2.12%	2.59%
Management expense ratio before waiver or management absorptions <sup>2</sup>	2.00%	2.12%	2.12%	2.12%	2.59%
Portfolio turnover rate <sup>3</sup>	35.57%	49.73%	48.00%	39.39%	35.20%
Trading expense ratio <sup>4</sup>	0.05%	0.06%	0.09%	0.09%	0.08%
<b>Net asset value per unit<sup>5</sup></b>	<b>\$5.49</b>	<b>\$6.85</b>	<b>\$7.37</b>	<b>\$6.53</b>	<b>\$6.47</b>

### F CLASS UNITS

	2008	2007	2006	2005	2004
Total net asset value (000's) <sup>1</sup>	\$6	-	-	-	-
Number of units outstanding <sup>1</sup>	1,205	-	-	-	-
Management Expense Ratio <sup>2</sup>	0.95%	-	-	-	-
Management expense ratio before waiver or management absorptions <sup>2</sup>	0.95%	-	-	-	-
Portfolio turnover rate <sup>3</sup>	35.57%	-	-	-	-
Trading expense ratio <sup>4</sup>	0.05%	-	-	-	-
<b>Net asset value per unit<sup>5</sup></b>	<b>\$4.95</b>	-	-	-	-

<sup>1)</sup> This information is provided as at 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. The trading expense ratio is provided from 2005 onwards.

<sup>5)</sup> 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

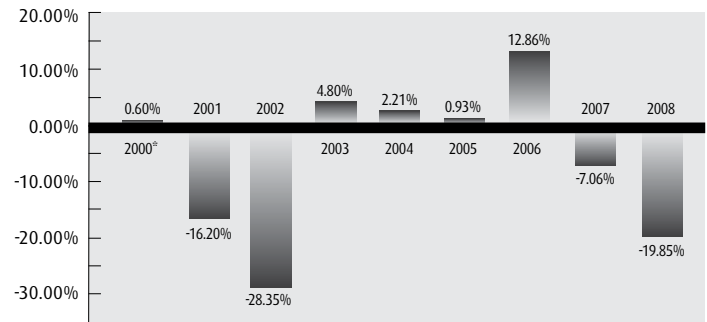
The Fund's performance assumes all distributions made by the Fund in the periods shown were used to purchase additional units of the Fund. If you hold the Fund outside a registered plan, you will be taxed on these distributions. Distributions of income the Fund earns and capital gains it realizes are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

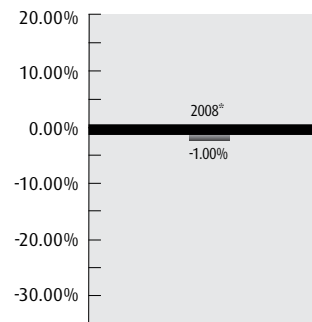
The bar charts that follow show the performance of each class of the Fund for, in the case of A Class units, each financial year since inception. For F Class units, the information is shown for the period beginning October 31, 2008 (the inception date of Class F) to December 31, 2008. The chart shows, 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 2000 reflects the return from February 17 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 S&P 500 Index (C\$), which reflects changes in the performance of the 500 U.S. based publicly traded companies in the index, including all dividends and interest payments received.

	<b>BMO Nesbitt Burns U.S. Stock Selection Fund*</b>	<b>S&amp;P 500 Index</b>
Since Inception	(6.39%)	(4.77%)
One Year	(19.85%)	(22.67%)
Three Years	(5.62%)	(6.88%)
Five Years	(2.81%)	(3.31%)

As of December 31, 2008 the Fund's Class A units outperformed the S&P 500 Index (C\$) for the one-year, three-year and five-year periods and underperformed the S&P 500 Index (C\$) since inception.

\* 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 February 17, 2000.

## SUMMARY OF INVESTMENT PORTFOLIO

### Portfolio Allocation

As at December 31, 2008

	<b>Net Asset Value (%)</b>
Health Care	15.4%
Information Technology	14.5%
Consumer Staples	13.8%
Financials	12.4%
Energy	11.7%
Industrials	10.2%
Consumer Discretionary	9.5%
Telecommunication Services	5.0%
Other Assets less Liabilities	3.1%
Utilities	2.8%
Materials	1.6%
	<b>100.0%</b>

### Top 25 Holdings

As at December 31, 2008

	<b>Net Asset Value (%)</b>
Exxon Mobil Corporation	4.1%
Procter & Gamble Company, The,	3.9%
Autozone Inc.	3.7%
United Technologies Corporation	3.5%
ConocoPhillips	3.4%
Medco Health Solutions, Inc.	3.3%
Arch Capital Group Ltd.	3.0%
Wal-Mart Stores Inc.	2.9%
Hewlett-Packard Company	2.9%
Emerson Electric Co.	2.8%
McDonald's Corporation	2.8%
Wyeth	2.7%
International Business Machines Corporation	2.7%
Oneok Inc.	2.7%
Oracle Corporation	2.6%
Northern Trust Corporation	2.5%
Embarq Corporation	2.5%
AT&T Inc.	2.4%
Amgen Inc.	2.3%
MetLife, Inc.	2.3%
JPMorgan Chase & Co.	2.1%
Marathon Oil Corporation	2.0%
Supervalu Inc.	2.0%
Western Union Company	1.8%
Microsoft Corporation	1.8%
<b>Total Net Asset Value</b>	<b>\$6,457,862</b>

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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