

This semi-annual management report of fund performance contains financial highlights, but does not contain either semi-annual or annual financial statements of the Fund. If the semi-annual financial statements of the fund do not accompany the mailing of this report, you can get a copy of the semi-annual financial statements 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, M5K 1H3 or by visiting our website at www.bmonesbittburns.com or SEDAR at 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

For the six month period ending June 30, 2009, the Fund's Class A units returned 6.9%, net of expenses whereas the blended benchmark of 55.0% S&P/TSX Composite Index (TSX) and 45.0% DEX Universe Bond Index (DEX) returned 11.0%.

The tone for riskier assets, such as equities and corporate bonds improved in the first half of 2009. Expectations that the worst was behind us not only saw equity markets and credit markets improve, but saw volatility decline. Corporate bond issuers that had been "locked-out" of the market for many months were able to issue new debt and shore up their balance sheets with new capital. The stock market was much improved, in particular in the Financial sector which had been under tremendous pressure for most of 2008. The increased appetite for risk saw the equity market out-perform the bond market and the bond market out-perform cash. The Fund has maintained a defensive posture throughout 2009 and while the Portfolio Manager has been encouraged by recent economic and financial market performance, it is not fully convinced that the recovery is here to stay. As a result the Fund has maintained an asset mix that is neutral to bonds, over-weight cash and

under-weight equities relative to the Fund's benchmarks. The ownership of cash over equities has detracted from performance as equities have dramatically out-performed cash for the first half of 2009.

To combat economic uncertainty a whole raft of new government spending has been proposed to offset the spending no longer provided by the private sector. Additionally, the United States (U.S.) has introduced all manner of government programs designed to help the economy and the financial system. For its part, the U.S. Federal Reserve Board in an effort to promote liquidity in financial markets has expanded its balance sheet and drastically increased the money supply. Concerns that all the proposed spending on stimulus projects and new government programs would fuel a need for large borrowing combined with massive new money creation, promoted fears that inflation would fast become a problem. As increased inflationary expectations drove interest rates materially higher, the Fund's under-weight interest rate exposure relative to the benchmark was a positive contributor to performance as the Fund was less sensitive than its benchmark to the increase in yields.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE (cont.)

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 that current concerns over inflation are excessive given the amount of capacity available, the reluctance of consumers to borrow (credit expansion) and poor labour markets which will diminish prospects for robust wage growth. Additionally, the need for consumers to “de-leverage” (increase their savings rate) will present a challenge to future economic growth. The combination of benign inflation and an economic recovery that will take time, should serve to keep interest rates low for the foreseeable future. The Portfolio Manager will look to add interest rate sensitivity to the Fund in this environment in the anticipation that yields have some room to move lower given the expectations over future economic prospects and lack of inflationary pressures.

Given the tremendous performance of corporate bonds this year and the Portfolio Manager's expectations that the economy will take time to recover it has become less favourably disposed to corporate credit. The Portfolio Manager made efforts to reduce the Fund's exposure to corporate bonds and given the economic expectations, it believes further reductions to credit exposure may be warranted.

Before the Portfolio Manager is convinced that the great performance in the equity market so far this year is sustainable, a further improvement in credit markets, a decrease in the amount of capacity available, and volatility in equity markets will have to remain low. As a result the Portfolio Manager will maintain the asset mix posture of keeping the Fund's equity exposure under-weight to that of its benchmark.

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

On April 29, 2009, Charles W. White resigned from his position as Chair of the Fund's Independent Review Committee (IRC). On May 28, 2009, the Fund's Independent Review Committee appointed Louise Vaillancourt-Châtillon to act as Chair.

The current members of the Fund's Independent Review Committee are Allen B. Clarke, Kenneth W. McArthur, John K. McBride, R. Jamie Plant and Louise Vaillancourt-Châtillon (Chair).

Transition to International Financial Reporting Standards

Canadian publicly accountable enterprises, which include mutual 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, for financial years beginning on or after January 1, 2011. Effective January 1, 2011, the Fund will

adopt IFRS as the basis for preparing its financial statements. The Fund will issue its financial results for the annual period ended December 31, 2011 prepared in accordance with IFRS. It will also provide comparative data on an IFRS basis, including an opening statement of net assets as at January 1, 2010.

In order to meet the requirement to changeover to IFRS, the Manager is following an orderly transition plan. Due to anticipated changes to IFRS prior to transition, the Manager is not in a position to determine the impact on the Fund's financial statements.

Adoption of Future Accounting Standards

The Accounting Standards Board of the Canadian Institute of Chartered Accountants (“CICA”) recently issued an amendment to CICA Handbook Section 3862: Financial Instruments-Disclosures. The new financial reporting standards are effective for annual financial statements relating to fiscal years ending after September 30, 2009.

The amendments to the existing standard require classification of the Fund's assets and liabilities into three levels based on the method used to value the assets or liabilities. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the fund's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investment. For example, Canadian government bonds are generally high-quality and liquid; however, they may be reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

The Fund has a financial year ending December 31, 2009, and as such, these changes will not be reflected until the annual financial statements are prepared for December 31, 2009.

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 Bank of Montreal Group of Companies, 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 Jones Heward Investment Counsel Inc. (JHIC), a Related Party, 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 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 JHIC, in its capacity as the Fund's Registrar. 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:

	Six-month ended June 30, 2009	Six-month ended June 30, 2008
Unitholder Servicing Fees	\$28,875	\$42,610

Buying and Selling Securities

Investing in Bank of Montreal Common Shares and Trading in Debt Securities with BMO Nesbitt Burns Inc., Trading as Principal.

During the period, BMO Nesbitt Burns Inc. relied on the approval and standing instructions provided by the Fund's Independent Review Committee (IRC) with respect to the following related party transactions (collectively, Related Party Investments):

- (a) investments in and/or continued investments in common shares of Bank of Montreal (BMO), an affiliate of BMO Nesbitt Burns Inc.; and
- (b) trades in debt securities in the secondary market with BMO Nesbitt Burns Inc., who is trading with the Fund as principal.

In accordance with the IRC's approval and standing instructions, in making a decision to cause the Fund to make a Related Party Investment, BMO Nesbitt Burns Inc. and the Portfolio Manager of the Fund are required to comply with the BMO Nesbitt Burns Inc.'s policy and procedures pertaining to the Related Party Investment and report to the IRC on a quarterly basis, describing each instance that BMO Nesbitt Burns Inc. and/or the Portfolio Manager relied on the IRC's standing instructions and their compliance or non-compliance with the policy and procedures. The policy and procedures are designed to, among other things, ensure the Related Party Investment (i) is made free from any influence of BMO, BMO Nesbitt Burns Inc. or their associates or affiliates and without taking into account any considerations relevant to BMO, BMO Nesbitt Burns Inc. or their 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.

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 the Fund's Portfolio Manager 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.

	Annual Management Fee Rate %	As a percentage of Management Fees	
		Dealer Compensation %	General Administration Investment Advice and Profit %
Class A Units	1.40	71.43	28.57
Class F Units	0.50	-	-

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 Unit¹

CLASS A	Period ended	Periods ended December 31				
	June 30, 2009 (\$)	2008 (\$)	2007 (\$)	2006 (\$)	2005 (\$)	2004 (\$)
Net Assets, beginning of period	11.70	14.90	14.68 ²	14.10	12.51	11.54
Increase (decrease) from operations:						
Total revenue	0.22	0.46	0.41	0.51	0.42	0.35
Total expenses ³	(0.10)	(0.24)	(0.26)	(0.27)	(0.24)	(0.26)
Realized gains (losses) for the period	(0.49)	(0.40)	1.08	1.22	0.26	0.18
Unrealized gains (losses) for the period	1.17	(2.94)	(0.32)	(0.07)	1.30	0.82
Total increase (decrease) from operations⁴	0.80	(3.13)	0.91	1.39	1.74	1.09
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	0.15	0.21	0.14	0.25	0.17	0.06
From capital gains	-	-	0.53	0.48	-	-
Return of capital	-	-	-	-	-	-
Total Annual Distributions⁵	0.15	0.21	0.67	0.73	0.17	0.06
Net assets at end of period	\$12.38	\$11.70	\$14.90	\$14.78	\$14.10	\$12.51

CLASS F	Period ended June 30, 2009 (\$)	October 31 to December 31, 2008 (\$)
Net Assets, beginning of period	11.88	12.10
Increase (decrease) from operations:		
Total revenue	0.22	0.09
Total expenses ³	(0.04)	(0.02)
Realized gains (losses) for the period	(0.36)	(0.56)
Unrealized gains (losses) for the period	1.60	0.33
Total increase (decrease) from operations⁴	1.42	(0.16)
Distributions:		
From income (excluding dividends)	0.19	-
From dividends	-	0.03
From capital gains	-	-
Return of capital	-	-
Total Annual Distributions⁵	0.09	0.03
Net assets at end of period	\$12.63	\$11.88

¹⁾ This information is derived from the Fund's audited and unaudited financial statements. The net assets per unit presented in the financial statements differs from the net asset value calculated for Fund pricing purposes. An explanation of these differences can be found in the notes to the Fund's financial statements.

²⁾ 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.

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

⁴⁾ 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.

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

Ratios and Supplemental Data

CLASS A	Period ended		Periods ended December 31			
	June 30, 2009	2008	2007	2006	2005	2004
Total net asset value (000's) ¹	\$49,612	\$47,312	\$56,231	\$56,675	\$51,135	\$47,486
Number of units outstanding ¹	4,003,786	4,034,893	3,737,357	3,834,228	3,625,680	3,795,135
Management Expense Ratio ²	1.71%	1.75%	1.73%	1.82%	1.83%	2.15%
Management expense ratio before waiver or management absorptions ²	1.71%	1.75%	1.73%	1.82%	1.83%	2.15%
Portfolio turnover rate ³	33.12%	125.01%	111.09%	112.02%	43.84%	85.40%
Trading expense ratio ⁴	0.00%	-	-	-	-	-
Net asset value per unit⁵	\$12.39	\$11.73	\$14.93	\$14.78	\$14.10	\$12.51

CLASS F	Period ended	
	June 30, 2009	October 31 to December 31, 2008
Total net asset value (000's) ¹	\$88	\$16
Number of units outstanding ¹	6,949	1,330
Management Expense Ratio ²	0.75%	0.98%
Management expense ratio before waiver or management absorptions ²	0.75%	0.98%
Portfolio turnover rate ³	33.12	125.01%
Trading expense ratio ⁴	0.00%	-
Net asset value per unit⁵	\$12.64	\$11.90

¹⁾ This information is provided as at June 30 or 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 and unaudited 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

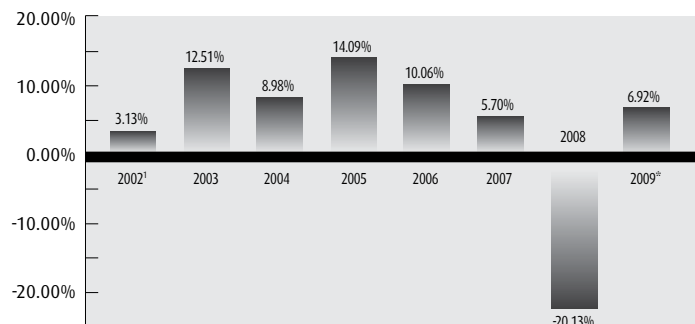
General

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 this Fund outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional units. The amount of the reinvested taxable distributions is added to the adjusted cost base of the units that you own. This would decrease your capital gains or increase your capital loss when you later redeem from the Fund, thereby ensuring that you are not taxed on this amount again. Please consult your tax adviser regarding your personal tax situation. 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 the Fund's performance in the past does not indicate how it will perform in the future.

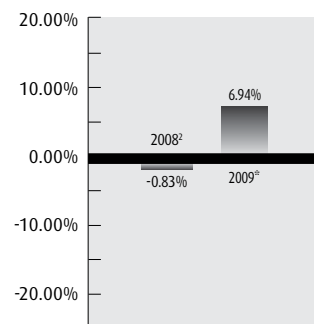
Year-by-Year Returns

The following bar charts show the performance for each class of the Fund for each of the financial years shown and for the six-month period ended June 30, 2009. 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



^{*} For the six-month period ended June 30, 2009.

¹ For the period beginning November 1, 2002 to December 31, 2002.

² For the period beginning October 31, 2008 to December 31, 2008.

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2009

Portfolio Allocation	% of Net Asset Value
Government and Government Guaranteed Bonds	19.9
Financials	16.0
Energy	15.0
Provincial Government Bonds	12.9
Corporate Bonds	11.5
Materials	8.4
Industrials	3.7
Money Market Investments – Government and Government Guaranteed	3.6
Telecommunication Services	2.9
Consumer Discretionary	2.4
Information Technology	1.6
Consumer Staples	1.4
Cash/Receivables/Payables	0.7

Top 25 Holdings	% of Net Asset Value
Government of Canada, 4.000%, September 1, 2010	6.3
Toronto-Dominion Bank	5.0
Bank of Montreal	4.2
EnCana Corporation	4.0
Suncor Energy Inc.	3.8
Nexen Inc.	3.6
BCE Inc.	2.7
Government of Canada, 4.000%, June 1, 2017	2.5
Barrick Gold Corporation	2.4
Manulife Financial Corporation	2.1
Kreditanstalt Fuer Wiederauf, 4.950%, October 14, 2014	2.0
Government of Canada, 3.750% June 1, 2019	2.0
Province of Quebec, 5.500%, December 1, 2014	2.0
Government of Canada, 6.000%, June 1, 2011	1.9
Export Development Bank of Canada, 5.800%, December 3, 2012	1.9
Sun Life Financial Inc.	1.8
Potash Corporation of Saskatchewan Inc.	1.7
Bank of Nova Scotia, 4.990%, March 27, 2018	1.7
Power Financial Corporation	1.7
Celtic Explorations Limited	1.7
Thompson Reuters Corporation	1.6
Kinross Gold Corporation	1.6
Goldcorp Inc.	1.6
Research In Motion Limited	1.5
Province of Ontario Treasury Bill, August 19, 2009	1.4
Top holdings as a percentage of total net asset value	62.7
Total Net Asset Value	\$49.7 million

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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