

BMO NESBITT BURNS

BMO Nesbitt Burns Group of Funds

Semi-Annual Financial Statements

BMO NESBITT BURNS BOND FUND

JUNE 30, 2009

STATEMENT OF NET ASSETS (ALL AMOUNTS IN CANADIAN DOLLARS)*As at*

	June 30, 2009	December 31, 2008
ASSETS		
Cash	407,999	175,201
Investments at fair value (note 2)	56,112,283	54,250,760
Interest and dividends receivable	421,874	464,942
Subscriptions receivable	197,508	13,212
Total assets	57,139,664	54,904,115
LIABILITIES		
Accrued expenses	70,745	71,525
Redemptions payable	53,396	47,824
Total liabilities	124,141	119,349
Net assets representing unitholders' equity (note 2)	57,015,523	54,784,766
Total net assets representing unitholders' equity		
Class A units	56,228,467	54,774,413
Class F units	787,056	10,353
Units issued and outstanding		
Class A units	5,334,851	5,272,360
Class F units	74,258	1,003
Net assets per unit (note 2)		
Class A units	\$10.54	\$10.39
Class F units	\$10.60	\$10.32

The accompanying notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS (ALL AMOUNTS IN CANADIAN DOLLARS)*For the period ended*

	June 30, 2009	June 30, 2008
INCOME		
Interest	1,311,304	1,364,695
Securities lending revenue	2,896	2,690
	1,314,200	1,367,385
EXPENSES		
Management fees (note 5(a))	187,121	199,495
Audit fees	5,713	6,583
Independent Review Committee fees	1,370	2,372
Custodian fees	3,536	2,811
Legal and filing fees	6,642	3,656
Unitholder servicing fees (note 5(b))	51,430	55,934
Printing and stationery	3,623	5,454
	259,435	276,305
Net investment income for the period	1,054,765	1,091,080
Net realized (loss)/gain on sale of investments	(261,243)	69,123
Change in unrealized appreciation/(depreciation) in value of investments	1,165,127	(181,301)
Increase in net assets from operations	1,958,649	978,902
Increase in net assets from operations		
Class A units	1,943,757	978,902
Class F units	14,892	-
Increase in net assets from operations per unit (note 2)		
Class A units	\$0.37	\$0.18
Class F units	\$0.59	\$0.00

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS (ALL AMOUNTS IN CANADIAN DOLLARS)

For the period ended

	Class A Units		Class F Units	
	June 30 2009	June 30 2008	June 30 2009	June 30 2008
Net assets – beginning of period (note 2)	54,774,413	59,180,835	10,353	–
Increase in net assets from operations	1,943,757	978,902	14,892	–
UNIT TRANSACTIONS:				
Proceeds from sale of units	5,838,765	4,608,403	763,174	–
Reinvested distributions	1,086,443	1,135,541	5,384	–
Amount paid on units redeemed	(6,268,736)	(7,571,797)	(1,363)	–
Total unit transactions	656,472	(1,827,853)	767,195	–
DISTRIBUTIONS TO UNITHOLDERS FROM:				
Net investment income	(1,146,175)	(1,218,483)	(5,384)	–
Total distributions paid to unitholders	(1,146,175)	(1,218,483)	(5,384)	–
Net assets – end of period (note 2)	56,228,467	57,113,401	787,056	–
Change in Units				
Units issued and outstanding, beginning of period	5,272,360	5,636,743	1,003	–
Issued for Cash	556,758	434,687	72,876	–
Issued for reinvestment of distributions	103,624	107,615	509	–
	5,932,742	6,179,045	74,388	–
Redeemed during the period	(597,891)	(715,217)	(130)	–
Units issued and outstanding, end of period	5,334,851	5,463,828	74,258	–

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INVESTMENT PORTFOLIO (ALL AMOUNTS IN CANADIAN DOLLARS)

As at June 30, 2009

Description	Par Value	Cost (\$)	Fair Value (\$)
MONEY MARKET INVESTMENTS			
Government and Government Guaranteed – 4.0%			
Government of Canada Treasury Bill, September 3, 2009	2,300,000	2,298,758	2,299,176
.		2,298,758	2,299,176
Total Money Market Investments – 4.0%		2,298,758	2,299,176
Government and Government Guaranteed Bonds – 32.2%			
Canada Housing Trust, 4.050%, March 15, 2011	4,515,000	4,481,092	4,720,929
Canada Mortgage Acceptance Corporation, 3.798%, June 15, 2010	71,289	71,322	71,158
Export Development Canada, 5.800%, December 3, 2012	950,000	1,055,051	1,056,675
Government of Canada, 4.000%, June 1, 2010	170,000	188,785	181,635
Government of Canada, 4.000%, September 1, 2010	1,000,000	1,007,590	1,039,680
Government of Canada, 6.000%, June 1, 2011	562,000	614,038	612,603
Government of Canada, 3.750%, June 1, 2012	854,000	910,829	899,962
Government of Canada, 5.250%, June 1, 2013	25,000	26,900	27,777
Government of Canada, 4.500%, June 1, 2015	1,124,000	1,189,970	1,232,927
Government of Canada, 4.000%, June 1, 2017	974,000	1,065,898	1,036,190
Government of Canada, 3.750%, June 1, 2019	5,084,000	5,371,056	5,248,518
Government of Canada, 8.000%, June 1, 2023	1,533,000	2,271,817	2,230,270
		18,254,348	18,358,324
Provincial Government Bonds – 32.8%			
Alberta Capital Finance Authority, 4.350%, June 15, 2016	2,000,000	1,944,540	2,086,760
British Columbia Municipal Finance Authority, 5.100%, November 20, 2018	1,115,000	1,110,852	1,166,078
Hydro-Quebec, 6.500%, February 15, 2035	1,920,000	2,341,728	2,324,390
Province of British Columbia, 5.620%, August 17, 2028	500,000	557,980	540,165
Province of Manitoba, 5.250%, December 3, 2012	965,000	1,018,422	1,050,441
Province of New Brunswick, 6.375%, June 15, 2010	600,000	636,446	632,220
Province of Newfoundland, 5.600%, October 17, 2033	1,000,000	993,980	1,066,340
Province of Ontario, 4.200%, March 8, 2018	1,332,000	1,343,692	1,341,284
Province of Ontario, 5.600%, June 2, 2035	2,655,000	2,951,534	2,922,199
Province of Ontario, 4.700%, June 2, 2037	270,000	262,683	265,086
Province of Quebec, 5.500%, December 1, 2014	3,780,000	3,928,812	4,191,604
Province of Saskatchewan, 5.500%, June 17, 2019	1,000,000	984,470	1,098,820
		18,075,139	18,685,387

STATEMENT OF INVESTMENT PORTFOLIO CONTINUED (ALL AMOUNTS IN CANADIAN DOLLARS)

As at June 30, 2009

Description	Par Value	Cost (\$)	Fair Value (\$)
Corporate Bonds – 29.4%			
407 International Inc., 5.960%, December 3, 2035	900,000	899,370	931,194
Bank of Nova Scotia, 4.560%, October 30, 2013	435,000	434,870	454,693
Bank of Nova Scotia, 4.990%, March 27, 2018	1,915,000	1,914,655	1,996,196
Canadian Imperial Bank of Commerce, 5.000%, September 10, 2012	640,000	633,990	677,357
Canadian Imperial Bank of Commerce, 4.550%, March 28, 2016	1,871,000	1,859,548	1,934,034
Canadian Tire Corporation, 5.220%, October 1, 2010	566,000	565,909	585,623
Glacier Credit Card, 4.274%, November 20, 2009	1,000,000	1,000,000	1,007,240
Great-West LifeCo Inc., 6.670%, March 21, 2033	1,619,000	1,894,380	1,669,756
Honda Canada, 4.727%, May 9, 2011	577,000	577,000	582,539
IGM Financial Inc., 6.580%, March 7, 2018	330,000	371,339	352,107
IGM Financial Inc., 7.450%, May 9, 2031	294,000	360,088	320,928
IGM Financial Inc., 7.110%, March 7, 2033	235,000	278,717	247,481
John Deere Limited, 5.250%, October 18, 2010	725,000	724,623	749,621
Kreditanstalt Fuer Wiederauf, 4.950%, October 14, 2014	1,864,000	1,923,249	1,987,844
Manulife Bank, 4.680%, September 12, 2016	618,000	586,773	600,622
Royal Bank of Canada, 5.200%, August 15, 2012	645,000	647,864	686,660
Royal Bank of Canada, 4.710%, December 22, 2014	1,000,000	979,234	1,048,610
Sunlife Financial Group, 4.800%, November 23, 2035	659,000	662,150	648,911
Terassen Gas Inc., 6.000%, October 2, 2037	281,000	279,991	287,980
		16,593,750	16,769,396
Total Bonds – 94.4%		52,923,237	53,813,107
Total Investments – 98.4%		55,221,995	56,112,283
Other Assets less Liabilities – 1.6%			903,240
Total Net Assets – 100.0%			57,015,523

THE FUND'S INVESTMENT PORTFOLIO IS CONCENTRATED IN THE FOLLOWING SEGMENTS AS AT:

	June 30 2009	December 31 2008
Money Market Investments	4.0%	0.4%
Bonds and Debentures – Canada	90.9%	94.9%
Bonds and Debentures – Foreign	3.5%	3.7%
Other Assets less Liabilities	1.6%	1.0%
	100.0%	100.0%

The accompanying notes are an integral part of these financial statements.

June 30, 2009

1. THE FUND

The Fund is an open-ended mutual fund trust established under the laws of the province of Ontario. BMO Nesbitt Burns Inc. (the “Manager”) is responsible for the management of the Fund.

The information provided in these unaudited financial statements is for the six month period(s) ended as at June 30, 2009 and 2008 except for the comparative information presented in the Statement of Net Assets which is as at December 31, 2008. Financial information for the Fund or class established during the period(s) is presented from the date of inception as noted in note 8(a).

Independent review committee

On May 1, 2007, the Independent Review Committee (“IRC”) for the Fund was established pursuant to National Instrument 81-107 (“NI 81-107”) Independent Review Committee for Investment Funds. On September 12, 2007, the IRC became operational. The IRC provides independent oversight regarding actual and perceived conflicts of interest involving the Fund and performs all other functions required of an independent review committee under NI 81-107.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported periods. Actual results could differ from estimates. Certain prior period balances have been reclassified to conform with the current period presentation.

**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 Assets. Refer to Note 6 and Note 8 for new disclosures relating to adoption of the new requirements.

Capital Disclosures

On January 1, 2008 the Fund adopted CICA Handbook Section 1535, which 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 Funds but does not affect the Funds’ results or financial positions. The disclosure requirements pertaining to Section 1535 are contained in Note 3.

Valuation of investments

The CICA Handbook Section 3855, “Financial Instruments – Recognition and Measurement” (“Section 3855”), requires the

fair value of financial instruments traded in active markets to be measured based on a security’s bid price.

The Canadian Securities Administrators (“CSA”) allows investment funds to calculate the daily Net Asset Value for the purpose of processing unitholder transactions (“Net Asset Value”) using fair value measures as defined in National Instrument 81-106 (“NI 81-106”).

The Net Asset Value calculated in accordance with Section 3855 is referred to as “Net Assets” from hereon forward.

Investments are categorized as held for trading in accordance with Section 3855, “Financial Instruments – Recognition and Measurement”. Investments are recorded at their fair value with the difference between this amount and cost being recorded as unrealized appreciation or depreciation in value of investments in the Statement of Operations. In the case of securities listed on stock exchanges, the fair value means the latest bid price. For bonds and debentures, the fair value means the bid price provided by independent security pricing services. Short-term investments are included in the Statement of Investment Portfolio at their cost including applicable foreign exchange translation. This value, together with accrued interest, approximates fair value using current bid price. Investments for which reliable quotations are not readily available are valued at their fair value as determined by the Manager using a valuation technique that requires the use of inputs and assumptions based on observable market data including volatility, comparable companies and other applicable rates and prices.

Investment transactions

Investment transactions are accounted for on the trade date. Realized gains and losses from the sale of investments and unrealized appreciation (depreciation) in the value of investments are calculated with reference to the average cost of the related investments which exclude brokerage commissions and other trading expenses. All income, net realized gains (losses), unrealized appreciation (depreciation) in value, and transaction costs are attributable to investments and derivative instruments.

Transaction Costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are expensed and included in “Commissions and other portfolio transaction costs” in the Statement of Operations.

Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis. Cost includes commission and other portfolio transaction costs.

Income recognition

Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

Distributions received from trust units are recorded as income, capital gains or a return of capital, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information. Amounts recorded as a return of capital reduce the cost of the investment in the trust unit.

June 30, 2009

Distributions received from Mutual Fund units are recognized by the Fund in the same form in which they were received from the underlying funds.

Translation of foreign currencies

The fair value of investments and other assets and liabilities in foreign currencies are translated into the Fund's functional currency at the rates of exchange prevailing at the period-end date. Purchases and sales of investments, income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) on completed transactions are included in realized gain (loss) on sale of investments and unrealized gains (losses) are included in unrealized appreciation (depreciation) in value of investments in the Statement of Operations. Realized and unrealized exchange gains (losses) on assets (other than investments) and liabilities are included in "Gain (loss) on foreign exchange" in the Statement of Operations.

Securities lending

A Fund may engage in securities lending pursuant to the terms of an agreement which includes restrictions as set out in Canadian securities legislation. Collateral held is government Treasury Bills and qualified Notes.

Income from securities lending is included in the Statement of Operations and is recognized when earned. The securities on loan continue to be displayed in the Statement of Investment Portfolio. The market value of the securities loaned and collateral held is determined daily. Aggregate values of securities on loan and related collateral held in trust as at June 30, 2009, where applicable, are disclosed in Note 8(f).

Increase or decrease in net assets from operations per unit

"Increase (decrease) in net assets from operations per unit" of a class in the Statement of Operations represents the increase (decrease) in net assets from operations attributable to the class, divided by the average number of units of the class outstanding during the period.

Short-term trading penalty

To discourage excessive trading, the Fund may, at the Manager's sole discretion, charge a short-term trading penalty. This penalty is paid directly to the Fund.

Cash

Cash is comprised of cash on deposit and cash equivalents and is deemed to be held for trading carried at fair value.

Other assets and liabilities

Interest and dividends receivable, subscriptions receivable, receivable for margin on futures, due from broker, are designated as loans and receivables and recorded at cost or amortized cost. Amounts due to broker, accrued expenses and redemptions payable are designated as financial liabilities and reported at amortized cost. Other assets and liabilities are short-term in nature and amortized cost approximates fair value.

3. UNIT VALUATION

Units of the Fund are offered for sale on a continuous basis and may be purchased or redeemed on any valuation date at the Net Asset Value of a particular class. A valuation date is each day on which the Toronto Stock Exchange is open for business. The Net Asset Value per unit of a class for the purposes of subscription or redemption is computed by dividing the Net Asset Value of the Fund attributable to the class (that is, the total assets attributable to the class less the liabilities attributable to the class) by the total number of units of the class of the Fund outstanding at such time. This amount may be different from the Net Asset per unit of a class calculation, which is presented on the Statement of Net Assets. Generally, any differences are due to valuing actively traded securities at bid prices for GAAP purposes while Net Asset Value typically utilizes closing price to determine fair value for the purchase and redemption of units. See Note 8(b) for the Net Asset Value per unit as of June 30, 2009 and December 31, 2008 for each class of the Fund.

Expenses directly attributable to a class are charged to that class. Other expenses, income, realized and unrealized gains and losses from investment transactions are allocated proportionately to each class based upon the relative Net Asset Value of each class.

The capital of the Fund is represented by issued redeemable units with no par value. They are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's Net Asset Value per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown on the Statement of Changes in Net Assets. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 6, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

4. INCOME TAXES

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act, and accordingly, is not subject to tax on its net taxable income for the tax year which ends in December, including net realized capital gains, which is paid or payable to its unit holders as at the end of the tax year. However, such part of the Fund's net income and net realized capital gains as is not so paid or payable, is subject to income tax. Income tax on net realized capital gains not paid or payable is generally recoverable by virtue of refunding provisions contained in tax legislation, as redemptions occur. It is the intention of the Fund to distribute all of its income and sufficient net realized capital gains so that the Fund will not be subject to income tax.

Non-capital losses that arose in taxation years before 2004 are available to be carried forward for seven years and applied against future taxable income. Non-capital losses that arose in 2004 and 2005 are available to be carried forward for ten years. Non-capital losses that arose in 2006 and after are available to be carried forward for twenty years. Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years.

The Fund's available non-capital and capital losses for income tax purposes as of the tax year ended December 2008 are included in Note 8(c).

June 30, 2009

5. RELATED PARTY TRANSACTIONS

(a) Management Fees

The Manager is responsible for the day-to-day management of the Fund and its investment portfolio in compliance with the Fund's constating documents. The Manager monitors and evaluates the performance of the Fund, pays for the investment management services of the investment advisors 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 at the maximum annual rates included in Note 8(d).

(b) Securityholder servicing, commissions and other portfolio transaction costs

The Fund is provided with certain facilities and services by the Manager and its affiliates. A portion of the securityholder servicing expenses include expenses incurred in the administration of the Fund that were paid to Bank of Montreal.

Refer to Note 8(d) for related party fees charged to the Fund for the periods ended June 30, where applicable.

(c) Initial investments

In order to establish a new fund, or class of a fund, BMO Nesbitt Burns Inc., the Manager, may make an initial investment in the fund or class. Refer to Note 8(d) for the investment in units of the Fund held by BMO Nesbitt Burns Inc. as at June 30, 2009, where applicable.

(d) Other related party transactions

From time to time, the Manager 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 to the Manager of the Fund. These transactions or arrangements may include transactions or arrangements with or involving Bank of Montreal, BMO Harris Investment Management Inc., Jones Heward Investment Counsel Inc., BMO InvestorLine Inc., HIM Money Inc., BMO Trust Company, Harris Investment Management Inc. or other mutual funds, and may involve the purchase or sale of portfolio securities through or from a member of Bank of Montreal Group of Companies, the purchase or sale of securities issued or guaranteed by a member of Bank of Montreal Group of Companies, a fund entering into forward contracts with a member of Bank of Montreal Group of Companies acting as counterparty, the purchase or redemption of units of other BMO funds or the provision of services to the Manager.

6. FINANCIAL INSTRUMENT RISK

A fund may be exposed to a variety of financial risks. A fund's exposure to financial risks are concentrated in its investment holdings, including derivative instruments. The Statement of Investment Portfolio groups securities by asset type, geographic region and/or market segment. The Fund's risk management practice includes the monitoring of compliance to investment guidelines. The Manager manages the potential effects of these financial risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's positions, market events and diversify investment portfolios within the constraints of the investment guidelines.

(a) Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. All investments and derivative instruments, denominated in foreign currencies are identifiable on the Statement of Investment Portfolio. Equities in foreign markets and foreign bonds are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency in determining fair value. The Fund may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies. The Fund's exposure to currency risk, if any, is further discussed in Note 8(e).

(b) Interest rate risk

Interest rate risk is the risk that the fair value of the Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The Fund's exposure to interest rate risk is concentrated in its investment in debt securities (such as bonds, money market instruments and debentures) and interest rate derivative instruments, if any. Other assets and liabilities are short-term in nature and/or non-interest bearing. The Fund's exposure to interest rate risk, if any, is further discussed in Note 8(e).

(c) Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. Other assets and liabilities are monetary items that are short term in nature and are not subject to other market risk. The Fund's exposure to other market risk, if any, is further discussed in Note 8(e).

(d) Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Fund's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying amount. The Fund's exposure to credit risk, if any, is further discussed in Note 8(e).

(e) Liquidity risk

The Fund's exposure to liquidity risk is concentrated in the daily cash redemptions of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund retains sufficient cash and cash equivalent positions to maintain liquidity. The Fund may, from time to time, enter into over the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. Securities for which a market quotation could not be obtained and may be illiquid are identified on the Statement of Investment Portfolio. The proportion of illiquid assets to the total Net Assets of the Fund is monitored by the Manager to ensure it does not exceed the regulatory limit and does not significantly affect the liquidity required to meet the Fund's financial obligations.

June 30, 2009

7. 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 semi-annual period ended June 30, 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 requirements to changeover to IFRS, the Manager is following an orderly transition plan. Due to anticipated changes in IFRS prior to transition, the Manager is not in a position to determine the impact on the Fund's financial statements.

8. FUND SPECIFIC INFORMATION

(a) Fund and Unit Class information

The Fund's inception date was February 17, 2000. The Fund may issue an unlimited number of units in each of Class A and F.

Unit Class	Launch Date
Class A Units	February 17, 2000
Class F Units	October 31, 2008

(b) Reconciliation of Net Asset Value per Unit to Net Assets per Unit

Unit Class	June 30, 2009		
	Net Asset Value per Unit	Section 3855 Adjustment	Net Assets per Unit
Class A Units	10.54	-	10.54
Class F Units	10.60	-	10.60

Unit Class	December 31, 2008		
	Net Asset Value per Unit	Section 3855 Adjustment	Net Assets per Unit
Class A Units	10.39	-	10.39
Class F Units	10.32	-	10.32

(c) Income Taxes

As at the tax year ended December 2008, the Fund has the following available non-capital and capital losses for income tax purposes:

Total Capital Losses (\$)	Total Non-Capital Losses (\$)	Non-Capital Losses That Expire in		
		2009 (\$)	2010 (\$)	2011 and thereafter (\$)
471,966	-	-	-	-

(d) Related party transactions

Management and Administration Fees

The Manager is entitled to receive the following fees payable monthly, calculated at the following maximum annual rates:

Unit Class	Management Fees (%)	Administration Fees (%)
Class A Units	0.75	0.25
Class F Units	0.25	0.25

Securityholder servicing, commissions and other portfolio transaction costs

The related party fees charged relating to securityholder servicing, commissions and other portfolio transaction costs are as follows:

Unit Class	June 30, 2009	June 30, 2008
	Securityholder Servicing (\$)	Securityholder Servicing (\$)
Class A Units	37,790	53,699
Class F Units	139	-

Initial investments

As at June 30, 2009, BMO Nesbitt Burns Inc. held the following investments in units of the Fund:

Unit Class	Units held by BMO Nesbitt Burns Inc.	Value of units held as at June 30, 2009 (\$)
Class A Units	-	-
Class F Units	1,010	10,706

(e) Financial instrument risk

The Fund's objective was to achieve superior investment returns consistent with the preservation of capital and liquidity by investing in a portfolio of relatively low-risk liquid securities consisting primarily of Canadian federal, provincial and municipal government and corporate bonds, as well as asset and mortgage-backed securities issued by Canadian entities. No changes affecting the overall level of risk of investing in the Fund were made during the period. The risks of this Fund remain as discussed in the most recent Simplified Prospectus.

Currency risk

The Fund invested primarily in Canadian bonds. As at June 30, 2009 and December 31, 2008, the Fund did not have any significant exposure to currency risk.

Interest rate risk

The following tables summarize the Fund's exposure to interest rate risk categorized by the earlier of contractual repricing or maturity dates.

June 30, 2009

**Interest Rate Exposure
as at June 30, 2009**

<1 year (\$)	1-3 years (\$)	3-5 years (\$)	5-10 years (\$)	>10 years (\$)	Total (\$)
4,009,794	9,190,958	3,953,603	25,503,229	13,454,699	56,112,283

All amounts in CA\$

**Interest Rate Exposure
as at December 31, 2008**

<1 year (\$)	1-3 years (\$)	3-5 years (\$)	5-10 years (\$)	>10 years (\$)	Total (\$)
2,789,250	12,022,319	4,561,536	17,724,063	17,153,592	54,250,760

All amounts in CA\$

As at June 30, 2009, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, Net Assets could possibly have increased or decreased, respectively, by approximately \$24,339 (December 31, 2008 – \$26,829). The Fund's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Other market risk

The Fund's significant market risk exposures have been discussed in previous sections. As at June 30, 2009 and December 31, 2008, the Fund was not exposed to other market risk.

Credit risk

The Fund's credit risk exposure grouped by credit ratings are listed in the following table.

Credit Risk	As a % of Net Assets as at	
	June 30, 2009	December 31, 2008
AAA	44.1	45.8
AA	16.7	39.1
A	31.5	13.1
BBB	1.0	1.0
Below BBB/Not rated	1.1	-
Total	94.4	99.0

Credit risk associated with securities lending is considered minimal as the value of cash or securities held as collateral must be at least 102% of the fair value of securities loaned, as shown below.

(f) Securities lending

The Fund had assets involved in securities lending transactions outstanding as follows:

	June 30, 2009 (\$)	December 31, 2008 (\$)
Aggregate Fair Value of Securities on Loan	16,652,201	9,533,542
Aggregate Fair Value of Collateral for Loan	17,633,015	10,240,931

9. 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.

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