Annual Management Report of Fund Performance

BMO NESBITT BURNS

BMO NESBITT BURNS INTERNATIONAL EQUITY FUND (the "Fund")

DECEMBER 31, 2011

Portfolio Manager: Pyrford International Limited, London, United Kingdom

This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the Fund. If the annual financial statements of the Fund do not accompany the mailing of this report, 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**. 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

Investment Objectives and Strategies

The principal investment objective of BMO Nesbitt Burns International Equity Fund is to achieve long-term capital growth consistent with the preservation of capital by investing primarily in equity securities of mid to large capitalization companies located outside of Canada and the United States 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 focusing on investments in countries that have attractive economic prospects in international markets. Country allocation decisions are made by formulating earnings projections and valuation estimates for each market.

Factors considered in this process include, but are not limited to, trends in corporate return on equity, government and central bank policy, employment growth and productivity, inflation and interest rates and debt levels. Each country is ranked according to attractiveness and an appropriate country allocation is determined.

Individual securities are then selected based on their return potential and current valuation relative to the market. Factors considered in this process include, but are not limited to, the dividend yield, long-term earnings per share growth and management of the company. The stock selection universe is generally focused on companies that are considered to be medium to large capitalization companies in their respective countries.

Risk

No changes affecting the overall level of risk associated with investing in the Fund were made during the period. The risks of this Fund remain as discussed in the Fund's most recent simplified prospectus or its amendments.

Results of Operations

The Fund's Class A units returned -1.54%, net of expenses, whereas the Morgan Stanley Capital International Index, Europe, Australasia, Far East, (MSCI EAFE) returned -9.59% for the 12 month period ended December 31, 2011.

Stock selection was the main contributor to this relative performance although country allocation was positive too. The most significant areas of positive relative stock selection were Sweden 41.8%, Taiwan 21.3%, UK 16.3%, the Eurozone 15.1%, Norway 14.0% and Malaysia 11.5%.

The most positive elements of country allocation were the underweight positions in Japan and the overweight position in Malaysia. The overweight positions in Hong Kong, Taiwan and Israel detracted from relative performance over the period as did the underweight in the UK.

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Currency allocation was slightly negative; the key negative contribution being the underweight exposure to the Japanese Yen. The hedge in place against the Australian dollar was also a negative contributor.

Country allocations to Switzerland, Malaysia and Israel were increased and the allocation to the Eurozone was reduced during the year.

The portfolio remained significantly underweight Japan and the UK throughout the period under review. The overweight positions were in the Asia-excluding Japan region, namely in Hong Kong, Malaysia, Singapore and Taiwan which continue to enjoy superior economic fundamentals and growth prospects.

Markets began the year somewhat optimistically, shrugging off the potential negative impact of natural disasters in Australia, New Zealand and Japan to produce positive returns in the first and second quarters. By the summer, however the economic stresses within the Eurozone began to dominate and were the main driver of the markets negative returns during the third and fourth quarters.

The average dividend yield in the portfolio continues to be higher than that of the benchmark, debt to equity lower and return on equity higher.

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 expects the current global economic recovery to be patchy and unpredictable. As 2011 progressed governments around the world set about trying to restore their own balance sheets through the only means open to them – increasing taxes and cutting public spending. This reality of falling disposable incomes is a real obstacle to economic growth and will take years to overcome.

The threat of sovereign defaults amongst the Eurozone members was a theme carried over from 2010. Portugal became the third member country to formally request financial assistance but markets repeatedly signalled that others were at risk of following, forcing the yield on Italian government bonds above 7% in November. In attempts to control the contagion governments changed in Italy and Spain as well as Greece. The authorities continued to try to defend the European banking system with the U.S. Federal Reserve Board ("the Fed") reducing the cost of dollar liquidity and the European Central Bank offering unlimited three year loans to the sector. However, without substantial debt reduction, these measures are likely to provide only temporary relief. The Fund continues to have no exposure to the European banking sector and Eurozone exposure is concentrated in countries which are in relative economic health (Germany, Netherlands and France).

Much of Asia grappled with the effects of natural disasters during 2011. Floods in Australia and Thailand and earthquakes in New Zealand and Japan have all had far-reaching impacts.

China continues to be cited as the potential saviour of the rest of the global economy but during 2011 leaders there focussed more on domestic issues. Cooling measures were applied to an extremely overheated real estate market and for the first time, unrest amongst a now shrinking labour force was widely reported. These and other effects left China's stock markets amongst the world's worst performing during 2011. The Fund has exposure to the long-term growth potential of China both through companies operating there as well as selling to it, but it is absent from those sectors most at risk of an abrupt slowdown.

Falls during the second half of 2011 have restored some value to international markets but they still remain above long-term averages and well above the lows of early 2009. The Portfolio Manager therefore remains defensive. The focus of stock selection remains value and quality with emphasis on high dividend yields, strong balance sheets and returns on equity which are sustainable even during times of economic stress.

Transition to International Financial Reporting Standards

In March 2011, the Canadian Accounting Standards Board ("AcSB") amended their mandatory requirement for all Canadian publicly accountable enterprises to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), permitting investment companies, which includes mutual funds, to defer the adoption of IFRS. On December 12, 2011, the AcSB decided to extend by one year the deferral from fiscal years beginning on or after January 1, 2013 to January 1, 2014.

The deferral of the mandatory IFRS changeover date to January 1, 2014 is to prevent Canadian investment companies and segregated accounts of life insurance enterprises from having to change their current accounting treatment for controlled investees while the IASB finalizes its proposed investment entities standard. The AcSB will continue to monitor the need to revise the IFRS changeover date for these entities. Under the current IFRS guidance, investment companies are required to consolidate their controlled investments. The IASB has issued an exposure draft that will exempt entities that qualify as investment entities from consolidating their controlled investments and requires such entities to record, with very limited exceptions, all of their investments at fair value through profit or loss account. This exposure draft is still under review. Canadian generally accepted accounting principles ("Canadian GAAP") permit investment companies to fair value their investments regardless of whether those investments are controlled.

The Fund has not elected to early adopt IFRS, therefore it will adopt IFRS effective January 1, 2014. The Fund expects to report its financial results for the six month period ending June 30, 2014 prepared on an IFRS basis. The Fund will also provide comparative data on an IFRS basis, including an opening balance sheet as at January 1, 2013.

Further revisions by the AcSB to the IFRS adoption date for investment companies are possible.

The Manager has not identified any changes that will impact Net Asset Value (NAV) per unit as a result of the changeover to IFRS. However, this determination is subject to change as the Manager finalizes its assessment of potential IFRS differences and as new standards are issued by the IASB prior to the Fund's adoption of IFRS. The criteria contained within the IFRS Financial Instruments: Presentation standard (IAS 32) may require Unitholders' equity to be classified as a liability within the Fund's Statement of Net Assets, unless certain conditions are met. The Manager is currently assessing the Fund's Unitholder structure to confirm classification.

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, 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 (a "Related Party").

Portfolio Manager

BMO Nesbitt Burns Inc., as Manager of the Fund, has hired Pyrford International Limited (Pyrford), a Related Party, to provide investment advice and make investment decisions for the Fund's investment portfolio. Pyrford receives an investment advisory fee based on assets under management that is calculated daily and payable monthly. Pyrford 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 affiliates of the Manager. Unitholder services, such as fund accounting, record keeping and purchase/redemption order processing, are provided by the Bank of Montreal Ireland p.l.c. and BMO Asset Management Inc. ("BMO AM"), in its capacity as the Fund's Registrar. These expenses are paid by the Manager and charged to the Fund. The fees charged to the Fund during the period were as follows:

	December 31, 2011	December 31, 2010
Unitholder Servicing Fees	**$29,321**	$17,673

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 Pyrford 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.

		As a percentage of Management Fees	
	Annual Management Fee Rate*	**Dealer Compensation**	**General Administration Investment Advice and Profit**
	%	**%**	**%**
Class A Units	2.25	57.14	42.86
Class F Units	1.25	–	100.00

** No service fees are payable in respect of Class F units.*

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 Unit[1]

CLASS A	2011 ($)	2010 ($)	2009 ($)	2008[4] ($)	2007 ($)
Net Assets, beginning of year	10.81	10.60	10.11	10.00	–
Increase (decrease) from operations:					
Total revenue	0.43	0.37	0.26	0.05	–
Total expenses	(0.29)	(0.28)	(0.23)	(0.07)	–
Realized gains (losses) for the period	0.10	(0.09)	(0.08)	(0.09)	–
Unrealized gains (losses) for the period	(0.39)	0.30	0.77	0.23	–
Total increase (decrease) from operations[2]	**(0.15)**	0.30	**0.72**	**0.12**	**–**
Distributions:					
From income (excluding dividends)	0.01	–	0.12	–	–
From dividends	0.13	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
Total annual distributions[3]	**0.14**	**–**	**0.12**	**–**	**–**
Net Assets, end of period	**$10.50**	**$10.81**	**$10.60**	**$10.11**	**–**

CLASS F	2011 ($)	2010 ($)	2009 ($)	2008[4] ($)	2007 ($)
Net Assets, beginning of year	10.91	10.75	10.11	10.00	–
Increase (decrease) from operations:					
Total revenue	0.43	0.37	0.22	0.04	–
Total expenses	(0.17)	(0.18)	(0.14)	(0.04)	–
Realized gains (losses) for the period	0.11	(0.10)	0.03	(0.09)	–
Unrealized gains (losses) for the period	(0.46)	0.43	1.80	0.22	–
Total increase (decrease) from operations[2]	**(0.09)**	**0.52**	**1.91**	**0.13**	**–**
Distributions:					
From income (excluding dividends)	0.01	0.17	0.15	0.02	–
From dividends	0.23	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
Total annual distributions[3]	**–**	**0.17**	**0.15**	**0.02**	**–**
Net Assets, end of period	**$10.62**	**$10.91**	**$10.75**	**$10.11**	**–**

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

2) 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. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

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

4) The information shown in this column is for the period beginning October 31, 2008 (the class' inception date) and ending December 31, 2008.

Ratios and Supplemental Data

CLASS A	2011	2010	2009	2008	2007
Total net assets (000's)[1]	$3,096	$2,990	$1,535	$1,023	–
Number of units outstanding[1]	294,841	276,660	144,594	100,971	–
Management expense ratio[2]	2.48%	2.45%	2.36%	2.14%	–
Management expense ratio before waivers or management absorptions[2]	2.48%	2.45%	2.36%	2.14%	–
Portfolio turnover rate[3]	19.57%	24.00%	26.10%	4.18%	–
Trading expense ratio[4]	0.17%	0.34%	0.45%	–	–
Net asset value per unit	**$10.50**	**$10.81**	**$10.62**	**$10.13**	**–**

CLASS F	2011	2010	2009	2008[5]	2007
Total net assets (000's)[1]	$11,533	$9,464	$5,562	$10	–
Number of units outstanding[1]	1,085,945	867,254	516,595	1,002	–
Management expense ratio[2]	1.40%	1.36%	1.30%	0.88%	–
Management expense ratio before waivers or management absorptions[2]	1.40%	1.36%	1.30%	0.88%	–
Portfolio turnover rate[3]	19.57%	24.00%	26.10%	4.18%	–
Trading expense ratio[4]	0.17%	0.33%	0.43%	–	–
Net asset value per unit	**$10.62**	**$10.91**	**$10.77**	**$10.13**	**–**

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.*

5) *The information shown in this column is for the period beginning October 31, 2008 (the class' inception date) and ending December 31, 2008.*

PAST PERFORMANCE

General

The Fund's performance information assumes that all distributions made by the Fund in the periods shown were used to purchase additional units of the Fund and is based on the net asset value of the Fund.

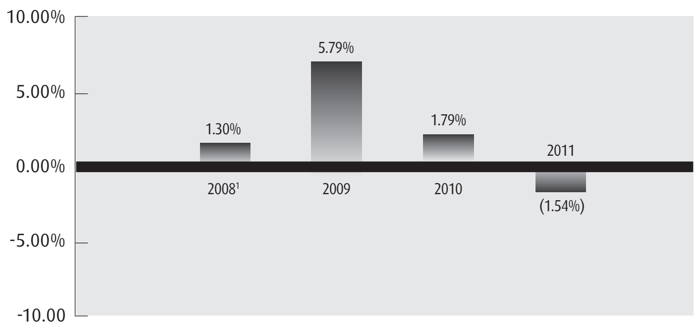
The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. Please remember, how the Fund has performed in the past does not indicate how it will perform in the future.

The Fund offers more than one class and the class returns may differ for a number of reasons, including if the class was not issued and outstanding for the entire reporting period and because of the different levels of management fees payable by each class.

Year-by-Year Returns

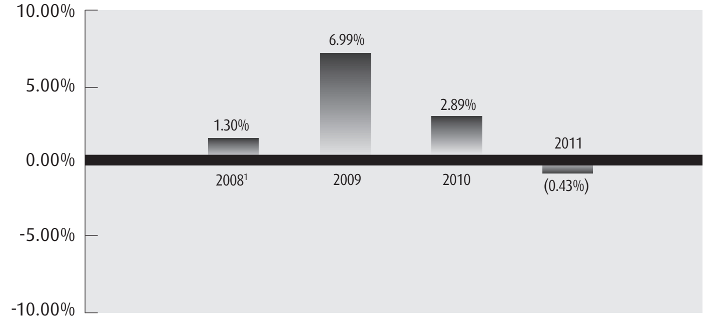
The following bar charts show the performance for each class of the Fund for each of the financial years shown. The charts show in percentage terms how much an investment made on the first day of each financial year would have increased or decreased by the last day of the financial year.

CLASS A



[1] For the period beginning October 31, 2008 to December 31, 2008.

CLASS F



[1] For the period beginning October 31, 2008 to December 31, 2008.

Annual Compound Returns

This chart compares the historical annual compound returns of the Fund with the MSCI-EAFE.

Class A	BMO Nesbitt Burns International Equity Fund[1]	MSCI-EAFE
Since Inception[2]	2.28%	2.27%
One Year	(1.54%)	(9.59%)
Three Years	1.97%	1.90%
Class F		
Since Inception[2]	3.41%	2.27%
One Year	(0.43%)	(9.59%)
Three Years	3.11%	1.90%

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

[2] *The inception date for Class A and Class F is October 31, 2008.*

A commentary on the market and/or information regarding the relative performance of the Fund as compared to its benchmark can be found under the Results of Operations section of this report.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2011

Portfolio Allocation	% of Net Asset Value
United Kingdom	13.8
Switzerland	13.0
Australia	10.1
Japan	8.2
France	7.7
Germany	7.3
Hong Kong	7.2
The Netherlands	7.2
Malaysia	4.0
Singapore	3.9
Cash/Receivables/Payables	3.8
Belgium	3.0
Israel	2.8
Taiwan	2.7
Spain	2.0
Ireland	1.3
Norway	1.0
Sweden	1.0

Top 25 Holdings	% of Net Asset Value
Cash/Receivables/Payables	3.8
Nestle SA	3.1
Roche Holding AG	3.1
Total SA	2.8
Novartis AG	2.7
Vodafone Group plc	2.2
Sanofi-Aventis	2.1
Power Assets Holdings Limited	2.1
Royal Dutch Shell NV, A shares	2.1
Teva Pharmaceutical Industries Limited	2.0
Colruyt SA	1.9
Telefonica SA	1.9
QBE Insurance Group Limited	1.8
Woolworths Limited	1.7
Air Liquide SA	1.7
Wincor Nixdorf AG	1.7
Koninklijke KPN NV	1.7
Reed Elsevier NV	1.7
Brambles Limited	1.6
Hang Seng Bank Limited	1.6
Malayan Banking Berhad	1.6
Glaxosmithkline plc	1.6
Royal Dutch Shell plc, B Shares	1.6
Telstra Corp Limited	1.5
Telekom Malaysia Berhad	1.5
Top holdings as a percentage of total net asset value	51.1
Total Net Asset Value	**$14.6 million**

The summary of investment portfolio may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

BMO Nesbitt Burns Inc.
1 First Canadian Place, 54th Floor, P.O. Box 150
Toronto, Ontario M5X 1H3
www.bmonesbittburns.com
contact.centre@bmonb.com
1-800-361-1392

BMO Nesbitt Burns®