

BMO Nesbitt Burns Group of Funds

Semi-Annual Financial Statements

BMO NESBITT BURNS CANADIAN STOCK SELECTION FUND

BMO NESBITT BURNS

JUNE 30, 2012

BMO NESBITT BURNS CANADIAN STOCK SELECTION FUND (unaudited)

STATEMENT OF NET ASSETS (ALL AMOUNTS IN CANADIAN DOLLARS)

As at	June 30, 2012	December 31, 2011
ASSETS		
Cash	1,957,902	392,288
Investments at fair value	282,088,107	330,213,865
Income receivable	882,651	916,592
Due from broker	1,415,582	-
Subscriptions receivable	12,338	45,590
Total assets	286,356,580	331,568,335
LIABILITIES		
Due to Broker	1,065,055	-
Accrued expenses	384,306	479,521
Redemptions payable	944,300	422,155
Total liabilities	2,393,661	901,676
Net assets representing unitholders' equity	283,962,919	330,666,659
Total net assets representing unitholders' equity		
Class A units	240,215,532	285,227,655
Class F units	4,733,685	5,369,143
Class I units	39,013,702	40,069,861
Net assets per unit		
Class A units	\$18.90	\$19.26
Class F units	\$19.63	\$19.89
Class I units	\$19.41	\$19.60

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

STATEMENT OF OPERATIONS (ALL AMOUNTS IN CANADIAN DOLLARS)

For the periods ended	June 30, 2012	June 30, 2011
INCOME		
Dividends	4,253,271	4,894,513
Interest	54,028	26,396
Securities lending revenue	22,459	18,327
	4,329,758	4,939,236
EXPENSES		
Management fees (note 5(a))	2,249,631	3,153,116
Audit fees	4,569	4,838
Independent Review Committee fees	1,423	1,651
Custody fees	8,091	6,253
Legal and filing fees	6,975	5,032
Unitholder servicing fees (note 5(b))	297,560	431,180
Printing and stationery fees	31,563	30,762
Commission and other portfolio transaction costs	216,409	103,063
	2,816,221	3,735,895
Net investment income for the period	1,513,537	1,203,341
Net realized gain on investments	14,685,334	22,348,109
(Loss)/gain on foreign exchange	(33,968)	576
Change in unrealized depreciation in value of investments	(20,627,392)	(25,897,482)
Change in unrealized gain on foreign exchange	5,582	88
Decrease in net assets from operations	(4,456,907)	(2,345,368)
(Decrease)/increase in net assets from operations		
Class A units	(4,066,412)	(2,358,424)
Class F units	(60,289)	(23,919)
Class I units	(330,206)	36,975
(Decrease)/increase in net assets from operations per unit (note 2)		
Class A units	(\$0.30)	(\$0.15)
Class F units	(\$0.23)	(\$0.09)
Class I units	(\$0.16)	\$0.02

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

BMO NESBITT BURNS CANADIAN STOCK SELECTION FUND (unaudited)

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

For the periods ended	Class A Units		Class F Units		Class I Units	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011	June 30 2012	June 30 2011
Net assets – beginning of period	285,227,655	387,711,973	5,369,143	6,255,500	40,069,861	45,409,094
(Decrease)/increase in net assets from operations	(4,066,412)	(2,358,424)	(60,289)	(23,919)	(330,206)	36,975
UNIT TRANSACTIONS:						
Proceeds from sale of units	4,010,362	8,139,610	613,532	1,408,634	1,711,523	2,138,806
Amount paid on units redeemed	(44,956,073)	(45,327,016)	(1,188,701)	(840,821)	(2,437,476)	(2,126,308)
Total unit transactions	(40,945,711)	(37,187,406)	(575,169)	567,813	(725,953)	12,498
Net assets – end of period (note 2)	240,215,532	348,166,143	4,733,685	6,799,394	39,013,702	45,458,567

For the periods ended	Total	
	June 30 2012	June 30 2011
Net assets – beginning of period	330,666,659	439,376,567
Decrease in net assets from operations	(4,456,907)	(2,345,368)
UNIT TRANSACTIONS:		
Proceeds from sale of units	6,335,417	11,687,050
Amount paid on units redeemed	(48,582,250)	(48,294,145)
Total unit transactions	(42,246,833)	(36,607,095)
Net assets – end of period (note 2)	283,962,919	400,424,104

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

BMO NESBITT BURNS CANADIAN STOCK SELECTION FUND (unaudited)

STATEMENT OF INVESTMENT PORTFOLIO (ALL AMOUNTS IN CANADIAN DOLLARS)

As at June 30, 2012

	Par Value	Cost (\$)	Fair Value (\$)
MONEY MARKET INVESTMENTS			
Government and Government Guaranteed – 1.8%			
Canadian Government Treasury Bill, 0.955%, July 19, 2012	350,000	349,114	349,836
Canadian Government Treasury Bill, 1.045%, August 02 2012	250,000	249,343	249,771
Canadian Government Treasury Bill, 1.019%, August 16, 2012	550,000	548,516	549,296
Canadian Government Treasury Bill, 0.930%, September 13, 2012	1,000,000	997,510	998,120
Canadian Government Treasury Bill, 0.898%, October 25, 2012	3,000,000	2,991,090	2,991,458
		5,135,573	5,138,481
Total Money Market Investments – 1.8%		5,135,573	5,138,481
	Number of shares	Cost* (\$)	Fair Value (\$)
EQUITIES			
Consumer Discretionary – 3.0%			
Magna International Inc.	27,500	1,248,027	1,102,200
Thomson Reuters Corporation	198,400	8,334,243	5,737,728
Tim Hortons Inc.	30,000	1,571,200	1,610,100
		11,153,470	8,450,028
Consumer Staples – 4.5%			
Alimentation Couche-Tard Inc., Class B	191,300	4,612,118	8,484,155
George Weston Limited	50,000	2,093,240	2,045,500
Shoppers Drug Mart Corporation	38,400	3,107,554	2,221,056
		9,812,912	12,750,711
Energy – 23.8%			
Canadian Natural Resources Limited	42,800	425,982	1,168,012
Cenovus Energy Inc.	349,300	11,548,948	11,299,855
Crescent Point Energy Corporation	75,300	3,323,117	2,855,376
MEG Energy Corporation	103,600	4,030,392	3,756,536
Peyto Exploration & Development Corporation	215,000	4,308,400	4,128,000
Storm Resources Limited	19,422	65,381	29,133
Suncor Energy Inc.	673,429	16,260,763	19,825,750
Talisman Energy Inc.	370,800	4,886,196	4,327,236
TransCanada Corporation	343,000	14,604,850	14,618,660
Veresen Inc.	460,000	6,575,627	5,552,200
		66,029,656	67,560,758
Financials – 30.8%			
Bank of Montreal	107,600	5,267,530	6,047,120
Bank of Nova Scotia	328,000	17,818,820	17,275,760
Brookfield Asset Management Inc., Class A	275,200	8,245,827	9,260,480
Canadian Imperial Bank of Commerce	56,000	3,813,726	4,006,800
Great-West Lifeco Inc.	255,000	6,838,483	5,627,850
IGM Financial Inc.	67,300	2,254,490	2,692,000

* For the purpose of the Statement of Investment Portfolio, cost includes commissions and other portfolio transaction costs (note 2).

Where applicable, distributions received from holdings as a return of capital are used to reduce the adjusted cost base of the securities in the portfolio.

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

STATEMENT OF INVESTMENT PORTFOLIO (ALL AMOUNTS IN CANADIAN DOLLARS)

As at June 30, 2012

	Number of shares	Cost* (\$)	Fair Value (\$)
Financials – 30.8% cont'd			
Intact Financial Corporation	54,850	1,613,547	3,464,875
Intact Financial Corporation Subscription Receipts	19,200	1,204,800	1,213,056
Manulife Financial Corporation	934,000	14,271,291	10,330,040
National Bank of Canada	55,000	3,959,696	4,002,350
Royal Bank of Canada	120,000	6,493,231	6,259,200
Toronto-Dominion Bank	217,700	9,364,551	17,346,336
		81,145,992	87,525,867
Health Care – 3.0%			
Human Genome Sciences Inc.	645,000	6,664,639	8,615,569
		6,664,639	8,615,569
Industrials – 5.1%			
CAE Inc.	105,600	1,164,415	1,040,160
Canadian Pacific Railway Limited	144,800	8,311,516	10,784,704
Finning International Inc.	109,000	1,174,092	2,560,410
		10,650,023	14,385,274
Information Technology – 2.6%			
CGI Group Inc., Class A	180,000	3,771,045	4,390,200
Softchoice Corporation	253,800	2,924,860	3,111,588
		6,695,905	7,501,788
Materials – 17.4%			
Agrium Inc.	103,000	4,193,314	9,260,730
Alamos Gold Inc.	521,800	8,227,911	8,270,530
Aurico Gold Inc.	370,000	4,115,190	3,004,400
Barrick Gold Corporation	101,125	3,907,880	3,869,043
Eldorado Gold Corporation	370,000	4,926,493	4,621,300
Goldcorp Inc.	31,700	1,254,246	1,211,891
Kinross Gold Corporation	920,000	11,008,226	7,645,200
Potash Corporation of Saskatchewan Inc.	217,700	8,432,014	9,668,057
Resolute Forest Products	195,000	5,344,575	1,885,650
		51,409,849	49,436,801
Telecommunication Services – 7.3%			
BCE Inc.	174,971	5,591,006	7,334,784
Bell Aliant Inc.	109,000	2,763,056	2,782,770
Telus Corporation	173,800	8,375,232	10,605,276
		16,729,294	20,722,830
Total Equities – 97.5%		260,291,740	276,949,626
Total Investments – 99.3%		265,427,313	282,088,107
Other Assets less Liabilities – 0.7%			1,874,812
Total Net Asset Value – 100%			283,962,919

* For the purpose of the Statement of Investment Portfolio, cost includes commissions and other portfolio transaction costs (note 2).

Where applicable, distributions received from holdings as a return of capital are used to reduce the adjusted cost base of the securities in the portfolio.

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

STATEMENT OF INVESTMENT PORTFOLIO (ALL AMOUNTS IN CANADIAN DOLLARS)

As at June 30, 2012

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

	June 30, 2012	December 31, 2011
Money Market Investments	1.8%	0.3%
Consumer Discretionary	3.0%	4.0%
Consumer Staples	4.5%	3.6%
Energy	23.8%	27.2%
Financials	30.8%	30.8%
Health Care	3.0%	-
Industrials	5.1%	7.3%
Information Technology	2.6%	0.5%
Materials	17.4%	18.9%
Telecommunication Services	7.3%	7.3%
Other Assets less Liabilities	0.7%	0.1%
	100.0%	100.0%

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

BMO NESBITT BURNS CANADIAN STOCK SELECTION FUND (unaudited)

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1. THE FUND

BMO Nesbitt Burns Canadian Stock Selection Fund (the "Fund") is an open-ended mutual fund trust established under the laws of the province of Ontario and is governed by a Master Declaration of Trust dated January 22, 1997, amended October 31, 2008. The Fund is authorized to issue an unlimited number of units in an unlimited number of classes. Each class is intended for different kinds of investors and has different management fees. Refer to Note 8(a) for the classes issued in this Fund and the respective launch dates, and Note 8(d) for management fee rates for each class.

BMO Nesbitt Burns Inc. (the "Manager") is responsible for the management of the Fund. The Manager is a wholly-owned subsidiary of the Bank of Montreal.

Class A units are available to all investors.

Class F units are available for purchase by investors who are enrolled in dealer sponsored wrap programs or flat fee accounts. Instead of paying a commission on each transaction, these investors pay an annual fee to the Manager based on the value of their assets.

Class I units are available for purchase by institutional investors who make the required minimum investments and have entered into an agreement with the Manager. No fees are charged to the Fund in respect of the Class I units as each investor or dealer negotiates a separate fee with the Manager.

The information provided in these unaudited financial statements is for the periods ended June 30, 2012 and 2011, except for the comparative information in the Statement of Net Assets and the related notes, which are as at December 31, 2011. Financial information provided for a class established during the period(s) is presented from the launch date as noted in Note 8(a), as applicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), including estimates and assumptions made by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported periods. Actual results could differ from estimates.

Valuation of investments

Canadian GAAP requires the use of bid prices for long positions and ask prices for short positions in the fair valuation of investments traded in an active market, rather than the use of closing prices currently used for the purpose of determining Net Asset Value ("NAV"). For investments that are not traded in an active market, Canadian GAAP requires the use of valuation techniques, incorporating factors that market participants would consider in setting a price.

The NAV is the fair value of the total assets of a fund less the fair value of its total liabilities at a Valuation Date (the "Valuation Date" is each day on which the Toronto Stock Exchange is opened for trading) determined in accordance with Part 14 of National Instrument 81-106 – Investment Fund Continuous Disclosure ("NI 81-106") for the purpose of processing unitholder transactions. For financial statement purposes, valuations are determined in accordance with Canadian GAAP. This may result in a difference between the Net Assets per unit for each class and the NAV per unit for each class. Refer to Note 8(b) for details of the comparison between NAV per unit and Net Assets per unit for each class.

Investments are deemed to be held for trading. Investments are recorded at their fair value with the change between this amount and average cost being recorded as unrealized appreciation (depreciation) in value of investments in the Statement of Operations.

Securities listed on a recognized public securities exchange in North America are valued for financial statement purposes at their bid prices for long positions and ask prices for short positions. Procedures are in place to fair value securities traded in countries outside of North America daily, to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market. The Manager uses fair value pricing when the price of a security held in the Fund is unavailable, unreliable or not considered to reflect the current value, and may determine another value which it considers to be fair and reasonable using the services of third-party valuation service providers, or using a valuation technique that, to the extent possible, makes maximum use of inputs and assumptions based on observable market data including volatility, comparable companies and other applicable rates or prices.

For bonds, debentures, asset-backed securities and other debt securities, the fair value represents the bid price provided by independent security pricing services. Short-term investments are included in the Statement of Investment Portfolio at their fair value. Mutual Fund units held as investments are valued at their respective NAVs on each Valuation Date, as these values are the most readily and regularly available.

Investment transactions

Investment transactions are accounted for on the trade date. Realized gains (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 net realized gains (losses), unrealized appreciation (depreciation) in value, and transaction costs are attributable to investments and derivative instruments which are deemed held for trading, and are included in the Statement of Operations.

Client brokerage commissions, where applicable, are used as payment for order execution services or research services. The portfolio advisers or the Manager may select brokers, including their affiliates, who charge commission in excess of that charged by other brokers ("soft dollars") if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. It is the Manager's objective that over time, all clients receive benefits from client brokerage commissions.

Transaction costs, such as brokerage commissions (if any), 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.

Income recognition

Interest income is recognized on accrual basis. Dividend income and distributions from investment trust units are recognized on the ex-dividend date and ex-distribution date respectively.

Translation of foreign currencies

The fair value of investments and other assets and liabilities denominated in foreign currencies are translated into the Fund's functional currency, the Canadian Dollar, at the rates of exchange prevailing at the period-end date. Purchases and sales of investments, and 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 investments" and unrealized foreign exchange gains

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(losses) are included in "Change in unrealized appreciation (depreciation) in value of investments" in the Statement of Operations. Realized and unrealized foreign exchange gains (losses) on assets (other than investments) and liabilities are included in "Realized/unrealized gain (loss) on foreign exchange", respectively, in the Statement of Operations.

Securities lending

The 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, where applicable, 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, 2012 and December 31, 2011, where applicable, are disclosed in Note 8 (g).

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 weighted 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 and is included in "Interest" in the Statement of Operations, if any.

Other assets and liabilities

Income receivable, subscriptions receivable, and due from broker are designated as loans and receivables and recorded at cost or amortized cost. Similarly, amounts due to broker, accrued expenses and redemptions payable are designated as financial liabilities and reported at cost or amortized cost. Other assets and liabilities are short-term in nature, and are carried at cost or amortized cost, which 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 NAV per unit of a particular class. The NAV per unit of a class for the purposes of subscription or redemption is computed by dividing the NAV of the Fund attributable to the class (that is, the total value of the 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 Assets 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 Canadian GAAP purposes while NAV typically utilizes closing price to determine value for the purchase and redemption of units. See Note 8(b) for details of the comparison between NAV per unit and Net Assets per unit for each class.

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 NAV of each class.

Capital

The capital of the Fund is represented by issued and redeemable units with no par value. The units are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's NAV per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units except as disclosed in Note 8(a), if any. The relevant movements in capital 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. TAXES

Income taxes

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) (the "Tax Act"). Distributions of all net taxable income and sufficient amounts of net realized capital gains for each taxation year will be paid to unitholders. Part of the Fund's net income and net realized capital gain not paid or payable, is subject to income tax. 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. 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.

Non-capital losses that arose in 2004 and 2005 are available to be carried forward for ten years and applied against future taxable income. Non-capital losses that arose in 2006 and thereafter 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 2011 are included in Note 8(c), if applicable.

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 related 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).

The Manager may, in some years and in certain cases, absorb a portion of management fees or other operating expenses of the Fund or class of the Fund. The decision to absorb these expenses is reviewed periodically and determined at the discretion of the Manager, without notice to unitholders.

(b) Unitholder servicing

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

Refer to Note 8(d) for related party fees charged to the Fund for the periods ended June 30, 2012 and 2011.

(c) Initial investments

In order to establish a new fund, the Manager makes an initial investment in the Fund. Pursuant to the policies of the Canadian Securities Administrators, an initial investor cannot redeem its investments until an additional \$500,000

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has been received from other investors with respect to the same class of units. Refer to Note 8(d) for the investment in units of the Fund held by the Manager as at June 30, 2012 and December 31, 2011 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 the 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 the Bank of Montreal Group of Companies, BMO Harris Investment Management Inc., BMO Asset Management Inc., BMO InvestorLine Inc., HIM Money Inc., BMO Trust Company, Pyrford International Ltd. or other investment funds offered by BMO, 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, the purchase or redemption of units of other BMO Mutual Funds or the provision of services to the Manager.

6. FINANCIAL INSTRUMENT RISK

The Fund may be exposed to a variety of financial risks that 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 managers 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. Investments in foreign markets 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(f).

(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, short-term investments 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(f).

(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 as such they are not subject to other market risk. The Fund's exposure to other market risk, if any, is further discussed in Note 8(f).

(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, if any, 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(f).

The Fund may enter into securities lending transactions with approved counterparties. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient approved credit rating and the market value of collateral held by the Fund must be at least 102% of the fair value of securities loaned, if any, as disclosed in Note 8(g).

(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 of. 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 securities to the NAV 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.

7. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In March 2011, the Canadian Accounting Standards Board ("AcSB") amended its 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 include 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. Under IFRS 10 Consolidated Financial Statements, 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 GAAP permits investment companies to fair value their investments regardless of whether those investments are controlled. The AcSB will continue to monitor the need to revise the IFRS changeover date for these entities.

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 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 IAS 32 Financial Instruments:

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Presentation standard 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.

8. FUND SPECIFIC INFORMATION**(a) Fund and Unit Class information**

The Fund's inception date was January 22, 1997. The Fund is authorized to issue an unlimited number of units in each of Class A, F and I. The launch date for each class is as disclosed below.

Unit Class	Launch Date
Class A Units	January 22, 1997
Class F Units	October 31, 2008
Class I Units	October 31, 2008

The number of units of each class that have been issued and are outstanding are disclosed in the table below.

Change in units	June 30 2012	June 30 2011
Class A		
Units issued and outstanding, beginning of period	14,808,854	16,560,614
Issued for cash	204,263	340,177
Redeemed during the period	(2,302,192)	(1,899,670)
Units issued and outstanding, end of period	12,710,925	15,001,121
Class F		
Units issued and outstanding, beginning of period	269,959	258,598
Issued for cash	30,016	57,259
Redeemed during the period	(58,824)	(33,946)
Units issued and outstanding, end of period	241,151	281,911
Class I		
Units issued and outstanding, beginning of period	2,044,840	1,893,200
Issued for cash	86,196	87,158
Redeemed during the period	(121,459)	(86,881)
Units issued and outstanding, end of period	2,009,577	1,893,477

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

	June 30, 2012		December 31, 2011	
	Net Asset Value per Unit (\$)	Net Assets per Unit (\$)	Net Asset Value per Unit (\$)	Net Assets per Unit (\$)
Class A Units	18.96	18.90	19.31	19.26
Class F Units	19.69	19.63	19.94	19.89
Class I Units	19.47	19.41	19.64	19.60

(c) Income Taxes

As at the tax year ended December 15, 2011, the Fund has the following available non-capital and capital losses for income tax purposes, if applicable:

Total Capital Losses (\$)	Total Non-Capital Losses (\$)	Non-Capital Losses that expire in		
		2014 (\$)	2015 (\$)	2026 and thereafter (\$)
171,136	-	-	-	-

(d) Related party transactions**Management fees**

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

Unit Class	Management Fees (%)
Class A Units	2.00
Class F Units	1.00

Initial investments

The manager held the following investments in units of the Fund:

Unit Class	As at June 30, 2012		As at December 31, 2011	
	Number of Units	Fair Value of units (\$)	Number of Units	Fair Value of units (\$)
Class A Units	-	-	-	-
Class F Units	1,529	30,014	1,529	30,412
Class I Units	1,554	30,163	1,554	30,458

Unitholder servicing

The related party fees charged relating to unitholder servicing are as follows:

	Period ending June 30, 2012 (\$)	Period ending June 30, 2011 (\$)
Unitholder servicing	207,162	325,954

(e) Brokerage Commissions and Soft Dollars

Brokerage commissions paid on securities transactions for brokerage services provided to the Fund for the periods are as follows:

	June 30, 2012 \$	June 30, 2011 \$
Total Brokerage Amounts Paid	216,409	103,063
Total Brokerage Amounts Paid to Related Parties	-	-

There were no ascertainable soft dollars or client brokerage commissions paid or payable to dealers by the Fund during the periods.

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(f) Financial instrument risk

The Fund's objective is to achieve long-term capital growth consistent with the preservation of capital by investing primarily in equity securities of large Canadian companies that have long-term growth potential or that pay, or are expected to pay, above-average dividends.

No changes to the Fund's objective or strategy, which would have had an affect on the overall level of risk of investing in the Fund, were made during the period.

Currency risk

The Fund invested primarily in Canadian securities. As at June 30, 2012 and December 31, 2011, the Fund did not have any significant exposure to currency risk.

Interest rate risk

As at June 30, 2012 and December 31, 2011, the Fund did not have any significant exposure to interest rate risk.

Other market risk

As at June 30, 2012, approximately 98% (December 31, 2011 – 100%) of the Fund's Net Assets were traded on respective stock exchanges. If equity prices on the respective stock exchanges had increased or decreased by 10% as at the periods ended, with all other factors remaining constant, Net Assets could possibly have increased or decreased, respectively, by approximately \$27,694,963 (December 31, 2011 – \$32,916,508). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Credit risk

As at June 30, 2012, 1.8% (December 31, 2011 – 0.3%) of the Fund's Net Assets were invested in debt securities issued or guaranteed by the federal or provincial governments of Canada. Therefore the Fund did not have any significant exposure to credit risk.

(g) Securities lending

The Fund had assets involved in securities lending transactions outstanding as at June 30, 2012 and December 31, 2011 as follows:

	June 30, 2012 \$	December 31, 2011 \$
Aggregate Fair Value of Securities on Loan	37,364,074	5,281,865
Aggregate Fair Value of Collateral for Loan	39,453,286	5,569,426

(h) Fair Value Hierarchy

There was no significant change in the composition of the Fund's financial instruments levels as at June 30, 2012 compared to the classification as at December 31, 2011. Please refer to the December 31, 2011 audited annual financial statements for the disclosure of the Fund's financial assets and liabilities into the fair value levels classification.

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