

BMO Nesbitt Burns Group of Funds

Semi-Annual Financial Statements

BMO NESBITT BURNS CANADIAN STOCK SELECTION FUND

BMO NESBITT BURNS

JUNE 30, 2011

BMO NESBITT BURNS CANADIAN STOCK SELECTION FUND (unaudited)

STATEMENT OF NET ASSETS (ALL AMOUNTS IN CANADIAN DOLLARS)

As at	June 30, 2011	December 31, 2010
ASSETS		
Cash	1,252,001	325,107
Investments at fair value (note 2)	401,313,021	438,555,475
Income receivable	911,720	956,539
Due from broker	-	706,176
Subscriptions receivable	163,953	150,190
Total assets	403,640,695	440,693,487
LIABILITIES		
Due to broker	1,592,470	-
Accrued expenses	574,353	633,001
Redemptions payable	1,049,768	683,919
Total liabilities	3,216,591	1,316,920
Net assets representing unitholders' equity (note 2)	400,424,104	439,376,567
Net assets representing unitholders' equity		
Class A units	348,166,143	387,711,973
Class F units	6,799,394	6,255,500
Class I units	45,458,567	45,409,094
Net assets per unit (note 2)		
Class A units	\$23.21	\$23.41
Class F units	\$24.12	\$24.19
Class I units	\$24.01	\$23.99

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, 2011	June 30, 2010
INCOME		
Dividends	4,894,513	4,922,521
Interest	26,396	9,651
Securities lending revenue	18,327	4,344
	4,939,236	4,936,516
EXPENSES		
Management fees (note 5(a))	3,153,116	3,114,515
Audit fees	4,838	6,301
Independent Review Committee fees	1,651	1,694
Custody fees	6,253	4,201
Legal and filing fees	5,032	7,851
Unitholder servicing fees (note 5(b))	431,180	455,459
Printing and stationery fees	30,762	26,253
Commission and other portfolio transaction costs (note 5(b))	103,063	50,121
	3,735,895	3,666,395
Net investment income for the period	1,203,341	1,270,121
Net realized gain on investments	22,348,109	15,965,704
Gain on foreign exchange	576	1,053
Change in unrealized depreciation in value of investments	(25,897,482)	(33,602,680)
Unrealized gain on foreign exchange	88	530
Decrease in net assets from operations	(2,345,368)	(16,365,272)
(Decrease)/increase in net assets from operations		
Class A units	(2,358,424)	(14,885,335)
Class F units	(23,919)	(209,509)
Class I units	36,975	(1,270,428)
(Decrease)/increase in net assets from operations per unit (note 2)		
Class A units	(\$0.15)	(\$0.78)
Class F units	(\$0.09)	(\$0.84)
Class I units	\$0.02	(\$0.66)

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 2011	June 30 2010	June 30 2011	June 30 2010	June 30 2011	June 30 2010
Net assets – beginning of period (note 2)	387,711,973	411,348,466	6,255,500	3,834,742	45,409,094	39,779,393
(Decrease)/increase in net assets from operations	(2,358,424)	(14,885,335)	(23,919)	(209,509)	36,975	(1,270,428)
UNIT TRANSACTIONS:						
Proceeds from sale of units	8,139,610	14,343,996	1,408,634	2,620,553	2,138,806	2,034,895
Amount paid on units redeemed	(45,327,016)	(50,631,555)	(840,821)	(802,113)	(2,126,308)	(1,707,924)
Total unit transactions	(37,187,406)	(36,287,559)	567,813	1,818,440	12,498	326,971
Net assets – end of period (note 2)	348,166,143	360,175,572	6,799,394	5,443,673	45,458,567	38,835,936

For the periods ended	Total	
	June 30 2011	June 30 2010
Net assets – beginning of period (note 2)	439,376,567	454,962,601
Decrease in net assets from operations	(2,345,368)	(16,365,272)
UNIT TRANSACTIONS:		
Proceeds from sale of units	11,687,050	18,999,444
Amount paid on units redeemed	(48,294,145)	(53,141,592)
Total unit transactions	(36,607,095)	(34,142,148)
Net assets – end of period (note 2)	400,424,104	404,455,181

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, 2011

	Number of shares	Cost* (\$)	Fair Value (\$)
MONEY MARKET INVESTMENTS			
Government and Government Guaranteed – 4.5%			
Canadian Government Treasury Bills	10,100,000	10,076,772	10,083,456
Province of New Brunswick Treasury Bill	3,000,000	2,992,110	2,996,581
Province of Ontario Treasury Bill	5,000,000	4,988,050	4,990,326
		18,056,932	18,070,363
Total Money Market Investments – 4.5%		18,056,932	18,070,363
Money Market instruments which are grouped by issuer earn interest at rates ranging from 0.05% to 0.32% and mature between July 6, 2011 and October 13, 2011.			
EQUITIES			
Consumer Discretionary – 6.2%			
Groupe Aeroplan Inc.	110,000	1,475,694	1,463,000
Magna International Inc.	219,000	10,647,152	11,398,950
The Thompson Reuters Corporation	333,400	14,005,224	12,055,744
		26,128,070	24,917,694
Consumer Staples – 2.7%			
Alimentation Couche-Tard Inc., Class B	255,000	5,713,110	7,145,100
George Weston Limited	53,400	4,568,655	3,717,174
		10,281,765	10,862,274
Energy – 25.8%			
ARC Energy Trust	104,000	2,038,044	2,596,880
Canadian Natural Resources Limited	347,800	3,461,601	14,019,818
Celtic Explorations Limited	842,300	5,375,041	17,949,413
Cenovus Energy Inc.	336,400	7,201,442	12,214,684
Crescent Point Energy Corporation	100,000	4,431,574	4,457,000
EnCana Corporation	260,200	6,247,047	7,727,940
Enerflex Limited	94,800	1,150,658	1,175,520
Nikko Resources Limited	49,100	4,182,210	2,936,180
NuVista Energy Limited	200,000	1,898,275	1,814,000
Peyto Exploration & Development Corporation	160,000	3,015,900	3,433,600
ShawCor Limited, Class A	49,900	1,431,852	1,470,054
Storm Resources Limited	93,327	314,171	466,635
Suncor Energy Inc.	506,429	8,906,814	19,082,245
Talisman Energy Inc.	710,800	11,114,740	14,045,408
		60,769,369	103,389,377
Financials – 29.2%			
Bank of Montreal	100,600	4,124,501	6,159,738
Bank of Nova Scotia	315,000	17,335,197	18,298,350
Brookfield Asset Management Inc., Class A	50,700	1,593,858	1,619,865
Canadian Imperial Bank of Commerce	86,000	5,856,794	6,544,600
Great-West Lifeco Inc.	275,000	7,374,835	6,996,000
Home Capital Group Inc.	38,900	2,028,557	2,007,240
IGM Financial Inc.	87,300	2,924,472	4,406,904

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

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

STATEMENT OF INVESTMENT PORTFOLIO

 (ALL AMOUNTS IN CANADIAN DOLLARS)

As at June 30, 2011

	Number of shares	Cost* (\$)	Fair Value (\$)
Financials – 29.2% (cont'd)			
Intact Financial Corporation	49,850	1,313,547	2,750,225
Manulife Financial Corporation	524,000	11,866,963	8,923,720
National Bank of Canada	10,000	783,355	781,100
Power Financial Corporation	308,800	4,903,671	9,174,448
Royal Bank of Canada	305,000	16,804,028	16,771,950
Toronto-Dominion Bank	397,700	17,107,405	32,511,975
		94,017,183	116,946,115
Industrials – 4.7%			
CAE Inc.	265,600	2,928,681	3,447,488
Canadian National Railway Company	24,300	676,041	1,870,857
Canadian Pacific Railway Limited	145,800	7,789,567	8,755,290
Finning International Inc.	149,000	1,470,693	4,247,990
Hanfeng Evergreen Inc.	100,000	452,000	447,000
		13,316,982	18,768,625
Information Technology – 1.0%			
Research In Motion Limited	139,000	8,316,832	3,864,199
		8,316,832	3,864,199
Materials – 19.4%			
AbitibiBowater Inc.	195,000	5,344,575	3,783,000
Agrium Inc.	103,000	3,012,077	8,708,650
Alamos Gold Inc.	361,800	5,182,612	5,752,620
Barrick Gold Corporation	205,325	6,349,783	8,966,543
Eldorado Gold Corporation	280,000	3,734,399	3,967,600
Goldcorp Inc.	275,100	10,627,190	12,797,652
HudBay Minerals Inc.	200,000	3,285,475	2,876,000
Kinross Gold Corporation	380,000	6,545,996	5,776,000
Potash Corporation of Saskatchewan Inc.	322,700	11,860,807	17,719,457
Quadra FNX Mining Limited	193,850	2,428,524	2,772,055
Teck Resources Limited	90,000	3,776,615	4,396,500
		62,148,053	77,516,077
Telecommunication Services – 6.7%			
BCE Inc.	450,171	14,384,719	17,029,969
Rogers Communications Inc., Class B	40,000	1,612,147	1,522,400
Telus Corporation	158,800	7,448,925	8,425,928
		23,445,791	26,978,297
Total Equities – 95.7%		298,424,045	383,242,658
Total Investments – 100.2%		316,480,977	401,313,021
Other Assets less Liabilities – (0.2%)			(888,917)
Net Assets – 100%			400,424,104

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

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

STATEMENT OF INVESTMENT PORTFOLIO (ALL AMOUNTS IN CANADIAN DOLLARS)

As at June 30, 2011

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

	June 30 2011	December 31 2010
Consumer Discretionary	6.2%	5.2%
Consumer Staples	2.7%	2.7%
Energy	25.8%	28.1%
Financials	29.2%	26.9%
Industrials	4.7%	6.4%
Information Technology	1.0%	1.8%
Materials	19.4%	22.5%
Money Market Investments	4.5%	-
Telecommunication Services	6.7%	6.2%
Other Assets less Liabilities	(0.2%)	0.2%
	100.0%	100.0%

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

BMO NESBITT BURNS CANADIAN STOCK SELECTION FUND (unaudited)

June 30, 2011

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 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 management fees or operating expenses 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 period(s) ended June 30, 2011 and June 30, 2010, except for the comparative information in the Statement of Net Assets and the related notes, which are as at December 31, 2010. Financial information provided for a fund established during the period(s) is presented from the date of inception as noted in Note 8(a). Financial information provided for a class established during the period(s) is presented from the launch date as noted in Note 8(a).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("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 open 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 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 and Latin America are valued for financial statement purposes at their bid prices for long positions and ask prices for short positions. 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. Procedures are in place to fair value securities traded in countries outside of North America and Latin 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.

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.

The Fund classifies its financial instruments into three levels based on the inputs used to value the financial instruments. Level 1 securities are valued based on the quoted prices in active markets for identical securities. Level 2 securities are valued based on significant observable market inputs, such as quoted prices from similar securities and quoted prices in inactive markets. Level 3 securities are valued based on significant unobservable inputs that reflect the Manager's determination of assumptions that market participants might reasonably use in valuing the securities. Refer to note 8(f) for the relevant disclosure.

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.

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.

Income recognition

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

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Translation of foreign currencies

The fair value of investments and other assets and liabilities in foreign currencies is translated into the Fund's functional currency 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 "Net realized gain (loss) on investments" and unrealized foreign exchange gains (losses) are included 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 "Gain (loss) on foreign exchange" and "Unrealized gain (loss) on foreign exchange" 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 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, 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.

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

Income receivable, subscriptions receivable, and due from broker are designated as loans and receivables and recorded at cost or amortized cost. Amounts due to broker, accrued expenses, redemptions and distributions payable are designated as financial liabilities and reported at amortized cost. Financial liabilities are generally settled within three months of issuance. Other assets and liabilities are short-term in nature, and are carried at 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 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 fair 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 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 NAV typically utilizes closing price to determine fair 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**(a) 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. 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. 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 2010 are included in Note 8(c).

(b) Harmonized sales taxes

Effective July 1, 2010, goods and services tax ("GST") was replaced by the harmonized sales tax ("HST") in certain provinces and is imposed at higher rates than the GST. The applicable HST is being paid by the Fund, which has resulted in an overall increase in expenses incurred by the Fund since the effective date of implementation.

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

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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, 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 unitholder servicing expenses include expenses incurred in the administration of the Fund that were paid to Bank of Montreal Ireland plc and BMO Asset Management Inc.

Refer to Note 8(d) for related party fees charged to the Fund for the periods ended June 30, 2011 and 2010.

(c) Initial investments

In order to establish a new fund, the Manager makes initial investments in the Fund. Pursuant to the policies of the Canadian Securities Administrators, an initial investor cannot redeem its investments until an additional \$500,000 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, 2011 and December 31, 2010, 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 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 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, the purchase or redemption of units of other BMO 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(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. A 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(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 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(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, 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(e).

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. 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, if any. The proportion of illiquid securities to 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 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 to fiscal years beginning on or after January 1, 2013.

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June 30, 2011

The AcSB has deferred the mandatory IFRS adoption date to coincide with a new consolidation standard for investment companies that the IASB is planning to publish. Under the current IFRS guidance, investment companies are required to consolidate their controlled investments. The IASB has announced that their new standard will propose that investment companies be exempted from consolidating their controlled investments and account for them at fair value. Canadian GAAP permits investment companies to fair value their investments regardless of whether those investments are controlled.

The Fund has not elected to early adopt, therefore it will adopt IFRS effective January 1, 2013. The Fund expects to report its financial results for the six month period ended June 30, 2013 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, 2012. 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.

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 2011	June 30 2010
Class A		
Units issued and outstanding, beginning of period	16,560,614	19,925,558
Issued for cash	340,177	694,465
Redeemed during the period	(1,899,670)	(2,438,419)
Units issued and outstanding, end of period	15,001,121	18,181,604
Class F		
Units issued and outstanding, beginning of period	258,598	181,853
Issued for cash	57,259	123,475
Redeemed during the period	(33,946)	(37,750)
Units issued and outstanding, end of period	281,911	267,578
Class I		
Units issued and outstanding, beginning of period	1,893,200	1,917,061
Issued for cash	87,158	97,586
Redeemed during the period	(86,881)	(81,855)
Units issued and outstanding, end of period	1,893,477	1,932,792

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

	June 30, 2011		December 31, 2010	
	Net Asset Value per Unit (\$)	Net Assets per Unit (\$)	Net Asset Value per Unit (\$)	Net Assets per Unit (\$)
Class A Units	23.26	23.21	23.45	23.41
Class F Units	24.16	24.12	24.23	24.19
Class I Units	24.05	24.01	24.02	23.99

(c) Income taxes

As at the tax year ended December 2010, 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		
		2014 (\$)	2015 (\$)	2026 and thereafter (\$)
85,568	-	-	-	-

(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, 2011		As at December 31, 2010	
	Number of Units	Fair Value of units (\$)	Number of Units	Fair Value of units (\$)
Class A Units	-	-	-	-
Class F Units	1,396	33,672	1,396	33,769
Class I Units	1,399	33,590	1,399	33,562

Unitholder servicing, commissions and other portfolio transaction costs

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

	Period ending June 30, 2011 (\$)	Period ending June 30, 2010 (\$)
Unitholder servicing	325,954	329,405

June 30, 2011

(e) 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, 2011 and December 31, 2010 the Fund did not have any significant exposure to currency risk.

Interest rate risk

As at June 30, 2011 and December 31, 2010, the Fund did not have any significant exposure to interest rate risk.

Other market risk

As at June 30, 2011, approximately 96% (December 31, 2010 – 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 \$38,324,266 (December 31, 2010 – \$43,855,548). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Credit risk

As at June 30, 2011, 5% (December 31, 2010 – 0%) 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.

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) Fair Value Hierarchy

There was no significant change in the composition of the Fund's financial instrument levels as at June 30, 2011 compared to the classification as at December 31, 2010. Please refer to the December 31, 2010 audited annual financial statements for the disclosure of the Fund's financial assets and liabilities into the fair value levels classification.

(g) Securities lending

The Fund had assets involved in securities lending transactions outstanding as at June 30, 2011:

Aggregate Value of Securities on Loan	Aggregate Value of Collateral Received for the Loan
\$	\$
13,290,721	14,056,266

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