

BMO Nesbitt Burns Group of Funds

Semi-Annual Financial Statements

BMO NESBITT BURNS U.S. STOCK SELECTION FUND

BMO NESBITT BURNS

JUNE 30, 2011

BMO NESBITT BURNS U.S. STOCK SELECTION FUND (unaudited)

STATEMENT OF NET ASSETS (ALL AMOUNTS IN CANADIAN DOLLARS)

As at	June 30, 2011	December 31, 2010
ASSETS		
Cash	873,178	996,946
Investments at fair value (note 2)	39,051,979	32,645,419
Income receivable	16,119	12,533
Subscriptions receivable	76,891	140,079
Total assets	40,018,167	33,794,977
LIABILITIES		
Accrued expenses	31,823	26,454
Redemptions payable	57,881	89,667
Total liabilities	89,704	116,121
Net assets representing unitholders' equity (note 2)	39,928,463	33,678,856
Net assets representing unitholders' equity		
Class A units	4,769,181	4,785,142
Class F units	35,159,282	28,893,714
Net assets per unit (note 2)		
Class A units	\$6.54	\$6.25
Class F units	\$6.14	\$5.83

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

BMO NESBITT BURNS U.S. STOCK SELECTION FUND (unaudited)

STATEMENT OF OPERATIONS (ALL AMOUNTS IN CANADIAN DOLLARS)

For the periods ended	June 30, 2011	June 30, 2010
INCOME		
Dividends	287,904	200,850
Interest	1,207	5
Securities lending revenue	865	403
Withholding tax	(38,438)	(29,190)
	251,538	172,068
EXPENSES		
Management fees (note 5(a))	129,898	98,685
Audit fees	5,720	6,040
Independent Review Committee fees	1,059	1,039
Custody fees	1,352	2,258
Legal and filing fees	5,947	7,496
Unitholder servicing fees (note 5(b))	65,106	43,509
Printing and stationery fees	5,871	2,394
Commission and other portfolio transaction costs (note 5(b))	14,634	11,703
	229,587	173,124
Net investment gain/(loss) for the period	21,951	(1,056)
Realized gain on investments	602,469	261,479
Realized gain/(loss) on foreign exchange	23,133	(24,735)
Change in unrealized appreciation/(depreciation) in value of investments	1,163,426	(2,000,789)
Unrealized gain/(loss) on foreign exchange	1,385	(4,023)
Increase/(decrease) in net assets from operations	1,812,364	(1,769,124)
Increase/(decrease) in net assets from operations		
Class A units	222,458	(327,439)
Class F units	1,589,906	(1,441,685)
Increase/(decrease) in net assets from operations per unit (note 2)		
Class A units	\$0.30	(\$0.36)
Class F units	\$0.30	(\$0.35)

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

BMO NESBITT BURNS U.S. 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		Total	
	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)	4,785,142	5,636,702	28,893,714	19,398,446	33,678,856	25,035,148
Increase/(decrease) in net assets from operations	222,458	(327,439)	1,589,906	(1,441,685)	1,812,364	(1,769,124)
UNIT TRANSACTIONS:						
Proceeds from sale of units	362,472	80,712	6,784,311	6,071,511	7,146,783	6,152,223
Amount paid on units redeemed	(600,891)	(688,055)	(2,108,649)	(1,542,682)	(2,709,540)	(2,230,737)
Total unit transactions	(238,419)	(607,343)	4,675,662	4,528,829	4,437,243	3,921,486
Net assets – end of period (note 2)	4,769,181	4,701,920	35,159,282	22,485,590	39,928,463	27,187,510

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

BMO NESBITT BURNS U.S. STOCK SELECTION FUND (unaudited)**STATEMENT OF INVESTMENT PORTFOLIO** (ALL AMOUNTS IN CANADIAN DOLLARS)

As at June 30, 2011

	Number of Shares	Cost* (\$)	Fair Value (\$)
EQUITIES			
Consumer Discretionary – 11.5%			
Autoliv Inc.	8,350	607,146	631,851
Comcast Corporation – Class A	16,400	401,205	400,644
Directv-Class A	22,900	805,604	1,122,406
Macy's Inc.	16,850	319,847	474,854
Target Corporation	8,200	454,007	370,908
Time Warner Cable Inc.	10,500	722,470	790,391
TJX Companies Inc.	16,150	711,444	817,733
		4,021,723	4,608,787
Consumer Staples – 10.3%			
Dr Pepper Snapple Group	12,600	475,666	509,536
Energizer Holdings Inc.	4,650	301,698	324,198
Herbalife Limited	16,950	379,080	942,756
Philip Morris International	8,350	541,488	537,468
Wal-Mart Stores Inc.	16,260	928,807	832,869
Walgreen Company	23,900	920,571	979,179
		3,547,310	4,126,006
Energy – 12.1%			
Chevron Corporation	8,250	742,819	817,632
CNOOC Limited ADR	2,450	384,702	556,227
ConocoPhillips	14,040	854,510	1,017,462
Exxon Mobile Corporation	15,950	1,267,349	1,251,251
Marathon Oil Corporation	15,670	511,131	795,392
National Oilwell Varco Inc.	5,450	229,652	410,724
		3,990,163	4,848,688
Financials – 14.0%			
Allied World Assurance AG	10,950	651,980	607,559
American Financial Group Inc.	30,710	833,527	1,057,372
Ameriprise Financial, Inc.	14,450	873,794	803,428
Capital One Financial Corporation	11,950	486,952	595,506
JPMorgan Chase & Company	17,310	759,161	682,977
The Travelers Companies, Inc.	16,600	949,811	934,656
Wells Fargo & Company	33,760	986,681	913,303
		5,541,906	5,594,801
Health Care – 12.8%			
Amerigroup Corporation	8,950	407,580	607,767
Amgen Inc.	13,240	817,845	744,834
Astrazeneca plc ADR	16,700	819,113	805,960
Forest Laboratories Inc.	25,300	785,719	959,919
Humana Inc.	13,500	678,151	1,048,246
Eli Lilly and Company	14,550	549,239	526,509
Pfizer Inc.	20,300	404,241	403,118
		4,461,888	5,096,353
Industrials – 11.7%			
Alaska Air Group Inc.	11,400	667,238	752,369
Emerson Electric Company	6,255	267,921	339,215
General Electric Company	38,340	791,138	696,647
Joy Global Inc.	6,150	317,803	564,903
Northrop Grumman Corporation	7,300	432,350	488,258
Siemens AG Sponsored ADR	4,550	572,973	603,165

* 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.

BMO NESBITT BURNS U.S. STOCK SELECTION FUND (unaudited)

STATEMENT OF INVESTMENT PORTFOLIO (ALL AMOUNTS IN CANADIAN DOLLARS)

As at June 30, 2011

Security	Number of Shares	Cost* (\$)	Fair Value (\$)
Industrials – 11.7% (cont'd)			
URS Corporation	6,500	329,353	280,534
United Technologies Corporation	11,210	695,370	956,816
		4,074,146	4,681,907
Information Technology – 15.8%			
Apple Inc.	3,850	1,116,616	1,245,942
Hewlett-Packard Company	15,810	732,646	555,026
Intel Corporation	30,950	670,839	660,873
International Business Machines Corporation	5,220	636,713	863,455
Microsoft Corporation	34,620	1,029,277	867,453
Novellus Systems Inc.	11,600	412,953	404,321
Oracle Corporation	32,925	749,019	1,044,406
Sandisk Corporation	16,450	619,556	658,406
		5,967,619	6,299,882
Materials – 4.8%			
Crown Holdings Inc.	17,150	477,545	642,261
Domtar Corporation	8,350	666,920	762,795
Freeport-McMoRan Copper & Gold Inc.	9,900	349,695	504,901
		1,494,160	1,909,957
Telecommunication Services – 1.6%			
AT&T Inc.	20,505	615,482	620,770
		615,482	620,770
Utilities – 3.2%			
The AES Corporation	46,250	566,364	567,832
NV Energy, Inc.	47,050	673,882	696,996
		1,240,246	1,264,828
Total Investments – 97.8%		34,954,643	39,051,979
Other Assets less Liabilities – 2.2%			876,484
Net Assets – 100%			39,928,463

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

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

	June 30 2011	December 31 2010
Consumer Discretionary	11.5%	11.8%
Consumer Staples	10.3%	8.9%
Energy	12.1%	11.8%
Financials	14.0%	15.7%
Health Care	12.8%	10.3%
Industrials	11.7%	10.1%
Information Technology	15.8%	19.4%
Materials	4.8%	5.1%
Telecommunication Services	1.6%	1.8%
Utilities	3.2%	2.0%
Other Assets less Liabilities	2.2%	3.1%
	100.0%	100.0%

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

BMO NESBITT BURNS U.S. STOCK SELECTION FUND (unaudited)

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1. THE FUND

BMO Nesbitt Burns U.S. 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 February 17, 2000, 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.

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.

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

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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 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 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.

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(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. All investments and derivative instruments, denominated in foreign currencies are identifiable on the Statement of Investment Portfolio. 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.

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.

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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 February 17, 2000. The Fund is authorized to issue an unlimited number of units in each of Class A and F. The launch date for each class is as disclosed below.

Unit Class	Launch Date
Class A Units	February 17, 2000
Class F 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	765,952	960,825
Issued for cash	55,764	13,561
Redeemed during the period	(92,647)	(117,622)
Units issued and outstanding, end of period	729,069	856,764
Class F		
Units issued and outstanding, beginning of period	4,955,047	3,585,506
Issued for cash	1,118,560	1,119,638
Redeemed during the period	(348,148)	(286,990)
Units issued and outstanding, end of period	5,725,459	4,418,154

(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	6.54	6.54	6.25	6.25
Class F Units	6.14	6.14	5.83	5.83

(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 (\$)
12,233,002	2,170,683	1,829,678	171,952	169,053

(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	1,202	7,380	1,202	7,008

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 ended June 30, 2011 (\$)	Period ended June 30, 2010 (\$)
Unitholder servicing	50,994	30,645

(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 U.S. 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.

June 30, 2011

Currency risk

As at June 30, 2011, approximately 97% (December 31, 2010 – 97%) of the Fund's Net Assets were exposed to currency risk. As at the periods ended June 30, 2011 and December 31, 2010, if the Canadian Dollar had strengthened or weakened by 5% in relation to the U.S. Dollar, with all other factors remaining constant, Net Assets could possibly have increased or decreased, respectively, by approximately \$1,936,276 (December 31, 2010 – \$1,638,307). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

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 98% (December 31, 2010 – 97%) 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 \$3,905,198 (December 31, 2010 – \$3,264,542). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Credit risk

As at June 30, 2011 and December 31, 2010, 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 \$
1,958,659	2,071,477

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