Semi-Annual Management Report of Fund Performance

BMO NESBITT BURNS

BMO NESBITT BURNS BALANCED PORTFOLIO FUND (the "Fund")

FOR THE PERIOD ENDED JUNE 30, 2013

Manager: BMO Nesbitt Burns (the "Manager")
Portfolio Manager: BMO Asset Management Inc. (the "Portfolio Manager" or "BMO AM"), Toronto, Ontario

This semi-annual management report of fund performance contains financial highlights, but does not contain semi-annual or annual financial statements of the Fund. If the semi-annual or annual financial statements of the Fund do not accompany the mailing of this report, you can get a copy of the semi-annual or annual financial statements at your request, and at no cost, by calling 1-800-361-1392, by writing to us at BMO Nesbitt Burns Inc., 1 First Canadian Place, 37th Floor, P.O. Box 150, Toronto, Ontario, M5X 1H3 or by visiting our website at **www.bmonesbittburns.com** or SEDAR at **www.sedar.com**. You may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record and/ or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

The Fund's Class A units returned 5.6%, net of expenses. The Fund outperformed its blended benchmark, 5% 91 Day Government of Canada T-Bill Index, 25% Dex Universe Bond Index (the "Dex"), 25% S&P/TSX Composite Index ("S&P/TSX"), 15% Wilshire 5000 Index ($C) and 10% MSCI EAFE Index ($C) ("MSCI EAFE"), which returned 2.8%. The Fund's net asset value increased by 1.0% from $41.4 million to $41.8 million for the six month period ended June 30, 2013.

Global equity markets rallied strongly in the first half of 2013, with the MSCI World Index ($C) ("MSCI World") up 15.3% for the period, on the back of improving fundamental data in the U.S., robust corporate earning and central banks maintaining significant stimulus measures. However, not all was smooth as volatility appeared in the second quarter, driven by uncertainty caused by the potential of the U.S. Federal Reserve (the "Fed"), 'tapering' its bond purchase program, Eurozone's fiscal woes and slowing growth in China.

The U.S. led the rally, with the S&P 500 Total Return Index ($C) ("S&P 500") up 20.6%. International equities, as represented by the MSCI EAFE, also experienced significant gains returning 10.7%. Canadian equities lagged considerably with the S&P/TSX actually declining 0.9% during the period, largely as a result of the heavy weight in the underperforming Materials sector, particularly gold. Emerging Market equities also experienced negative returns, with the MSCI Emerging Markets Index ($C) ("MSCI Emerging Markets") losing 4.0%.

Canadian fixed-income, as represented by the DEX, lost 1.7% in the first two quarters of 2013. Continued pressure on interest rates pushed 10-year yields above 2.50% for the first time since 2011. Not only did benchmark yields sell-off, but the widening of credit spreads also contributed to most fixed income indices generating substantial losses.

In May 2013, the Portfolio Manager increased the weight to international equities from 0 to 5%, reducing Canadian equities by an equivalent amount. The Portfolio Manager sees a contrarian value opportunity in developed Europe, where economic growth and credit markets are stabilizing and equities are very inexpensive. Conversely, the Portfolio Manager has a less constructive view on Canadian equities due to a pessimistic view on commodities. This change, however, did not result in a reallocation in the Fund as the global equity, and to a lesser extent Canadian equity funds, have international exposure.

The TD Canadian Bond Fund, Class O ("TD") (24.6% of the Fund) returned -1.4% for the period performing in line with the DEX, which returned -1.7%. TD benefited from its significant exposure to corporate bonds as well as its allocation to commercial mortgage backed securities both on an absolute and relative basis. The higher coupons paid by corporate bonds provided some protection against rising rates. TD also benefited from its defensive positioning. TD's duration, a measure of

BMO Nesbitt Burns®

a bond's sensitivity to changes in interest rates, was lower than that of the Dex which also contributed to positive relative performance. Exposure to long-dated Government of Canada bonds detracted from overall performance as this sector was the worst performing segment of the bond market.

Manulife Strategic Income Fund, Class I ("Manulife") (9.9% of the Fund) returned 2.8% for the period outperforming the Barclays Capital Multiverse Bond Index, which returned 1.0%. A primary contributor to Manulife's outperformance was its overweighting in the initial months of the period in U.S. high-yield corporate bonds, led by its overweighting in strong performing, lower rated bonds within the sector. Additionally, a timely transition away from some of those fixed coupon high-yield positions into floating rate loans, which outperformed amid concerns about the possible tapering of the Fed's Quantitative Easing program ("QE"), also proved beneficial. Tactical management of Manulife's U.S. dollar exposure was a plus as that currency rallied versus the Canadian dollar during the period. Exposure to the Australian and New Zealand dollars modestly detracted as those currencies underperformed.

Sionna Canadian Equity Fund, Class I ("Sionna") (14.9% of the Fund) retuned 4.7% outperforming S&P/TSX, which returned -0.9%. Positive returns were driven by contributions from holdings in the Financials and Consumer Staples sectors while relative outperformance was due to an underweight and stock selection in the Materials sector. Sionna's performance benefitted from its overweight position in Methanex Corporation, the low cost producer of methanol. Sionna's overweight position in Central Fund of Canada Limited ("Central Fund") detracted from performance during the period. Central Fund, which has direct exposure to gold and silver, hurt performance as the price of both metals fell significantly during the quarter.

CI Synergy Canadian Corporate Class, I Shares (15.1% of the Fund) returned 7.5% for the period outperforming the S&P/TSX, which returned -0.9%. Value was added from an underweight allocation to the Materials Sector and overweight allocation to the Consumer Discretionary Sector.

CI American Value Corporate Class, I Shares (11.2% of the Fund) returned approximately 21.8% outperforming the S&P 500, which returned 20.6% for the period. Stock selection in the Financials, Industrials and Information Technology contributed positively to performance. Stock selection in the Energy and Telecommunication sectors detracted modestly from performance.

Dynamic American Value Fund, Series O ("Dynamic") (11.0% of the Fund) returned approximately 11.6% underperforming the S&P 500, which returned 20.6%. All sectors other than Materials were positive contributors to Dynamic's performance during the period. At the end of the period Dynamic had exited all Materials positions and did not have exposure to the sector. Dynamic's collective Materials allocation earned a negative return while those of the benchmark were positive. The top three sector contributors to Dynamic's performance during the period were Financials, Consumer Discretionary, and Information Technology. At the end of the period Dynamic was overweight Financials and Consumer Discretionary. It was relatively underweight Information Technology compared to the S&P 500. Stock selection in the Financials and Health Care was a negative contributor to performance. Currency hedging also had a negative impact.

Capital International Global Equity, Series I ("CI GE") (4.1% of the Fund) returned 14.7% for the period underperforming the MSCI World, which returned 15.3%. Top contributors to CI GE's results included SOFTBANK Corp. (Japan), Gilead Sciences Inc. (U.S.) and Virgin Media Inc. (U.S.). Overall, CI GE's Consumer Discretionary holdings were key contributors to its returns and, although trimmed slightly during the period, remain the portfolio's largest sector weighting. Health Care companies, such as U.S. biotechnology company Gilead Sciences Inc. and Denmark-based Novo Nordisk A/S, made important contributions to it's returns over the period. Individual holdings that declined the most included Rackspace Hosting Inc. (a cloud-based online storage service), Glencore Xstrata plc (one of the world's largest global diversified natural resource companies), Nikon Corporation (a Japanese company that manufactures equipment used to produce semiconductor wafers and liquid-crystal display (LCD) panels, as well as cameras and optical instruments), Apple Inc. (U.S.) and Mr. Price Group Limited (one of the fastest-growing retailers in South Africa). Mining company Rio Tinto plc (U.K.) also declined as metals prices plunged, and energy companies Encana Corporation (Canada) and OAO Gazprom (Russia) fell.

Mackenzie Cundill Value Fund, Class O ("Mackenzie Cundill") (3.9% of the Fund) returned 18.6% for the period, outperforming the MSCI World, which returned 15.3%. Contributing most to performance during the quarter was the overweight exposure to, and stock selection within the Consumer Discretionary and Financials sectors. From a regional perspective, Mackenzie Cundill's holdings in the U.S., Japan and Italy provided the most upside. Stocks that contributed the most to performance on an absolute basis were Sega Sammy Holdings Inc., American International Group, Inc., Mediaset S.p.A., Citigroup Inc. and Bank of America Corporation. Stocks that detracted from Mackenzie Cundill's performance include PostNL N.V., POSCO, Encana Corporation and HRT Participações em Petróleo S.A.

Capital International Emerging Markets Total Opportunities, Series I ("CI EMTO") (4.8% of the Fund) returned -2.6% outperforming the MSCI Emerging Markets, which returned -4.0%. Prior to the volatility in mid-May, CI EMTO used multiple levers to help manage risk, including exposure to emerging markets currencies and local currency government debt, and increasing exposure to emerging markets equities. At the same time, anticipating an increase in U.S. interest rates, CI EMTO reduced exposure to U.S. dollar-denominated bonds, which were closely tracking U.S. Treasuries. Given the pickup in volatility in emerging markets, CI EMTO made adjustments during the period. Cash levels trended higher, ending the quarter at 17.5% of CI EMTO. Currency hedging has also been more active, as CI EMTO pinpointed levels at which to hedge, and when to remove hedges. Equity contributors represented diverse sectors and regions. Investments in Brazil and Mexico, which together made up about 18% of CI EMTO's assets at the end of the period, fell sharply and detracted from performance. Among equities, several materials stocks detracted from results amid falling metals prices and increased concerns about weaker demand from China.

For information on the Fund's longer-term performance and composition, please refer to the Past Performance section and Summary of Investment Portfolio section of this report.

Recent Developments

The Portfolio Manager expects that equities will continue to be the most attractive asset class with a major preference for U.S. stocks versus bonds and cash securities, which are likely to produce negative returns after inflation over the next few years. Despite some recent weakness in stock markets, the Portfolio Manager is still very much of this view. Within stocks, the Portfolio Manager sees less value in low-growth defensive companies, favouring slightly more economically sensitive sectors.

The Portfolio Manager believes that the sell-off in emerging market stocks is overdone. Emerging market equities have been hit by commodity price weakness and fears of reduced liquidity when the Fed starts tapering the QE program. That being said, long-term growth prospects are still strong and valuations are now close to bottom levels.

The Portfolio Manager does not think rates will keep rising at the same speed as during the period, but expects the trend to continue and that interest-sensitive securities will be vulnerable to further rate increases over the next few years.

Future Accounting Standards

Canadian investment entities will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, for fiscal years beginning on or after January 1, 2014. For reporting periods commencing January 1, 2014, the Fund will adopt IFRS as the basis for preparing its financial statements. The Fund will report its financial results for the interim period ending June 30, 2014, prepared on an IFRS basis. It will also provide comparative data on an IFRS basis, including an opening balance sheet as at January 1, 2013 (transition date). A summary of the significant standards impacting the Fund under IFRS are outlined below.

Based on the Fund's analysis to date, the more significant accounting changes that will result from its adoption of IFRS will be in the areas of fair valuation, cash flow presentation, consolidation of investments and classification of net assets representing unitholders' equity. The differences described in the sections that follow are based on Canadian generally accepted accounting principles ("Canadian GAAP") and IFRS that are in effect as of this date. This should not be considered a comprehensive list of the main accounting changes when the Fund adopts IFRS.

The framework for fair valuation is set out under IFRS 13 Fair Value Measurement, which includes the requirements for the measurement and disclosure of fair value. If an asset or liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. Thus, this standard will impact the net assets per unit for financial statement reporting purposes compared to current standards, and may also result in the elimination of the differences between the net asset per unit and net asset value per unit ("NAVPU") at the financial statement reporting date. The Manager has not identified any changes that will impact NAVPU as a result of the transition to IFRS.

Where the Fund holds controlling interest in an investment, it is the Manager's expectation that the Fund will qualify as an Investment Entity in accordance with IFRS 10 Consolidated Financial Statements. As such, the Fund will not be required to consolidate its investments, but rather to fair value its investments regardless of whether those investments are controlled. If the Fund fair values investments that it controls, it may be required to make additional financial statement disclosures on its controlled investments in accordance with IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 also requires additional disclosures if the Fund is determined to qualify as an investment entity while not possessing all of the typical characteristics of an investment entity.

The criteria contained within IAS 32 Financial Instruments: Presentation may require unitholders' equity to be classified as a liability within the Fund's Statement of Net Assets, unless certain conditions are met. The Manager is currently assessing the Fund's unitholder structure to confirm classification.

Related Party Transactions

BMO Nesbitt Burns Inc., an indirect, wholly-owned subsidiary of Bank of Montreal is the Manager, and principal distributor of the Fund. From time to time, the Manager may, on behalf of the Fund enter into transactions or arrangements with or involving other members of BMO Financial Group, or certain other persons or companies that are related or connected (a "Related Party").

Portfolio Manager

The Manager has hired BMO AM, a Related Party, to provide investment advice and make investment decisions for the Fund's investment portfolio. BMO AM receives an investment advisory fee based on assets under management that is calculated daily and payable monthly. BMO AM is paid by the Manager and not by the Fund.

Distribution Services

The Manager sells units of the Fund through its sales representatives. The Manager pays trailer fees to these sales representatives based on the amount of assets held in the investor's account and additionally, in some cases, on the amount of the initial purchase. There may be other fees and expenses payable in respect to the operation of the investor's account with the Manager that could affect the investment in units of the Fund, if the investor receives special services, such as switch fees and registered plan fees. The amount of these fees should be discussed with your sales representative at the time of purchase or switch and when your account or registered tax plan is established.

Unitholder Services

The Fund is provided with certain facilities and services by Related Parties. Unitholder services, such as fund accounting, record keeping and purchase/redemption order processing, are provided by the Bank of Montreal Ireland p.l.c. and BMO AM, in its capacity as the Fund's registrar. Fees associated with these services are paid by the Manager and charged to the Fund. The fees charged to the Fund during the period were as follows:

	Six-month period ended June 30, 2013	Six-month period ended June 30, 2012
Unitholder Servicing Fees	**$38,423**	$43,120

Management Fees

As Manager of the Fund, BMO Nesbitt Burns Inc. is responsible for the day-to-day management of the business and operations of the Fund. It monitors and evaluates the Fund's performance, pays for the investment advice provided by BMO AM and provides certain administrative services required by the Fund. As compensation for its services, BMO Nesbitt Burns Inc. is entitled to receive a management fee payable monthly, calculated based on the daily net asset value of each class of the Fund at the maximum annual rate set out in the below table.

		As a percentage of Management Fees	
	Annual Management Fee Rate*	**Dealer Compensation**	**General Administration Investment Advice and Profit**
	%	**%**	**%**
Class A Units	2.25	47.62	52.38
Class F Units	1.25	–	100.00

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

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the periods indicated.

The Fund's Net Assets per Unit[1]

CLASS A	**Period ended June 30, 2013**	**Periods ended December 31 2012 ($)**	**2011 ($)**	**2010 ($)**	**2009 ($)**	**2008 ($)**
Net Assets, beginning of year	11.77	11.12	11.61	10.79	9.44	11.89
Increase (decrease) from operations:						
Total revenue	0.09	0.21	0.26	0.21	0.20	0.44
Total expenses	(0.16)	(0.31)	(0.31)	(0.29)	(0.26)	(0.29)
Realized gains (losses) for the period	0.29	0.15	1.17	0.26	(0.98)	(0.16)
Unrealized gains (losses) for the period	0.45	0.60	(1.29)	0.60	2.55	(2.09)
Total increase (decrease) from operations[2]	**0.67**	**0.65**	**(0.17)**	**0.78**	**1.51**	**(2.10)**
Distributions:						
From income (excluding dividends)	–	–	–	–	–	–
From dividends	–	–	–	–	0.16	0.19
From capital gains	–	–	–	–	–	–
Return of capital	–	–	0.33	–	–	0.16
Total annual distributions[3]	**–**	**–**	**0.33**	**–**	**0.16**	**0.35**
Net Assets, end of period	**$12.43**	**$11.77**	**$11.12**	**$11.61**	**$10.79**	**$9.44**

BMO NESBITT BURNS BALANCED PORTFOLIO FUND

CLASS F	Period ended June 30, 2013	Periods ended December 31 2012 ($)	2011 ($)	2010 ($)	2009 ($)	2008[4] ($)
Net Assets, beginning of year	12.55	11.72	12.19	11.21	9.75	10.00
Increase (decrease) from operations:						
Total revenue	0.11	0.23	0.28	0.22	0.26	0.46
Total expenses	(0.10)	(0.19)	(0.19)	(0.18)	(0.16)	(0.03)
Realized gains (losses) for the period	0.31	0.17	1.24	0.27	(0.82)	(0.02)
Unrealized gains (losses) for the period	0.24	0.77	(1.51)	0.55	2.34	0.13
Total increase (decrease) from operations[2]	**0.56**	**0.98**	**(0.18)**	**0.86**	**1.62**	**0.54**
Distributions:						
From income (excluding dividends)	–	–	–	–	–	–
From dividends	–	–	–	–	0.16	0.18
From capital gains	–	–	–	–	–	–
Return of capital	–	–	0.43	–	–	0.25
Total annual distributions[3]	**–**	**–**	**0.43**	**–**	**0.16**	**0.43**
Net Assets, end of period	**$13.33**	**$12.55**	**$11.72**	**$12.19**	**$11.21**	**$9.75**

1) *This information is derived from the Fund's audited annual financial statements and unaudited June 30, 2013 semi-annual financial statements. The net assets per unit presented in the financial statements differs from the net asset value per unit calculated for Fund pricing purposes. An explanation of these differences can be found in the notes to the Fund's financial statements.*

2) *Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.*

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

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

Ratios and Supplemental Data

CLASS A	Period ended June 30, 2013	Periods ended December 31 2012	2011	2010	2009	2008
Total net asset value (000's)[1]	$41,346	$41,330	$44,306	$49,794	$51,855	$45,943
Number of units outstanding[1]	3,327,535	3,512,428	3,985,441	4,289,597	4,804,566	4,868,557
Management expense ratio[2]	2.69%	2.70%	2.69%	2.65%	2.57%	2.60%
Management expense ratio before waivers or management absorptions[2]	2.69%	2.70%	2.69%	2.65%	2.57%	2.60%
Trading expense ratio[3]	0.05%	0.08%	0.08%	0.08%	0.09%	0.13%
Portfolio turnover rate[4]	6.41%	7.90%	50.54%	14.30%	92.80%	28.77%
Net asset value per unit	**$12.43**	**$11.77**	**$11.12**	**$11.61**	**$10.79**	**$9.44**

CLASS F	Period ended June 30, 2013	Periods ended December 31 2012	2011	2010	2009	2008[5]
Total net asset value (000's)[1]	$363	$246	$176	$95	$122	$49
Number of units outstanding[1]	27,232	19,603	15,038	7,816	10,880	5,014
Management expense ratio[2]	1.55%	1.57%	1.57%	1.58%	1.52%	1.52%
Management expense ratio before waivers or management absorptions[2]	1.55%	1.57%	1.57%	1.58%	1.52%	1.52%
Trading expense ratio[3]	0.05%	0.08%	0.08%	0.08%	0.09%	0.13%
Portfolio turnover rate[4]	6.41%	7.90%	50.54%	14.30%	92.80%	28.77%
Net asset value per unit	**$13.33**	**$12.55**	**$11.72**	**$12.19**	**$11.21**	**$9.75**

1) *This information is provided as at June 30 or December 31 of the period shown, as applicable.*

2) *Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. In the period a fund is established, the MER is annualized from the date of inception to December 31.*

The Manager absorbed certain expenses or waived certain fees otherwise payable by a class. In doing so, the Manager attempts to maintain the overall MER of the Fund at a relatively consistent level. The Manager may discontinue the absorption or waiver at any time.

3) *The trading expense ratio represents the total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.*

4) *The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The rate is calculated based on the lesser of purchases or sales of investments divided by the average market value of the portfolio investments, excluding short-term investments.*

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

PAST PERFORMANCE

General

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

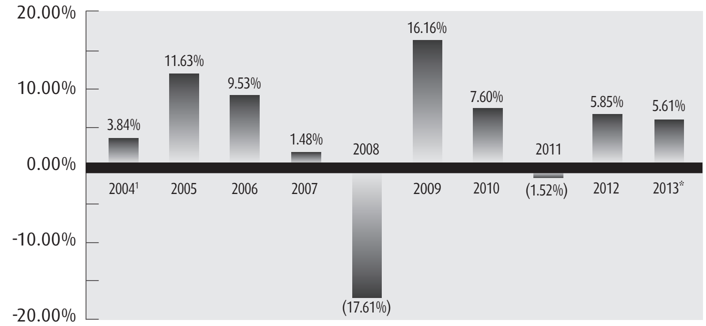
The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. Please remember, how the Fund has performed in the past does not indicate how it will perform in the future.

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

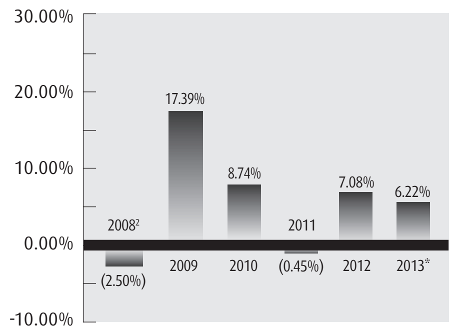
Year-by-Year Returns

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

CLASS A



CLASS F



** For the six-month period ended June 30, 2013.*

[1] For the period beginning November 1, 2004 to December 31, 2004.

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

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2013

Portfolio Allocation	**% of Net Asset Value**
Canadian Focused Equity	29.9
Canadian Fixed Income	24.6
US Equity	22.2
Global Fixed Income	9.9
Global Equity	8.0
Emerging Markets Equity	4.8
Cash/Receivables/Payables	0.6

Top Holdings*	**% of Net Asset Value**
TD Canadian Bond Fund, Class O	24.6
CI Synergy Canadian Corporate Class, I Shares	15.1
Sionna Canadian Equity Fund, Class I	14.9
CI American Value Corporate Class, I Shares	11.2
Dynamic American Value Fund, Series O	11.0
Manulife Strategic Income Fund, Class I	9.9
Capital International Emerging Markets Total Opportunities, Series I	4.8
Capital International Global Equity Fund, Series I	4.1
Mackenzie Cundill Value Fund, Class O	3.9
Cash/Receivables/Payables	0.6
Total holdings as a percentage of total net asset value	100.0
Total Net Asset Value	**$41.7 million**

* *Represents entire portfolio*
The prospectus and other information about the underlying investment funds held in this portfolio are available on the internet at www.sedar.com.

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

BMO Nesbitt Burns Inc.
1 First Canadian Place, 37th Floor, P.O. Box 150
Toronto, Ontario M5X 1H3
www.bmonesbittburns.com
contact.centre@bmonb.com
1-800-361-1392

BMO Nesbitt Burns®