



**FRONT STREET**  
Mutual Funds Limited

**FRONT STREET MUTUAL FUNDS LIMITED**

**FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS**

**Management Report of Fund Performance**

**and**

**Annual Financial Statements**

**October 31, 2014**



## **Annual Management Report of Fund Performance As at October 31, 2014 Front Street DCA Special Opportunities Class**

*This Annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements for Front Street DCA Special Opportunities Class (the "Fund"), a class of shares of Front Street Mutual Funds Limited. You can get a copy of the annual or interim financial statements at your request, and at no cost, by calling 1-800-513-2832, by writing to us at Front Street Capital, 33 Yonge Street, Suite 600, Toronto, Ontario M5E 1G4 or by visiting our website at [www.frontstreetcapital.com](http://www.frontstreetcapital.com) or SEDAR at [www.sedar.com](http://www.sedar.com)*

*Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the investment fund.*

### **Forward Looking Information**

This Management Report of Fund Performance contains forward-looking information and statements relating, but not limited to, anticipated or prospective financial performance and results of operations of the Fund. Forward looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "projects", and similar expressions are intended to identify forward-looking information.

Although the Fund believes it has a reasonable basis for making the forecasts or projections included in this Management Report of Fund Performance, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the performance of the equity securities market, expectations about interest rates and factors incorporated by reference herein as risk factors.

The above list of important factors affecting forward looking information is not exhaustive, and reference should be made to the other risks discussed in the Fund's filings with Canadian securities regulatory authorities. The forward looking information is given as of the date of this Management Report of Fund Performance, and the Fund undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

## **Management Discussion of Fund Performance**

### **Investment Objective and Strategies**

The Fund's investment objective is to provide for capital preservation and the potential for income by investing primarily in fixed-income securities issued, or guaranteed by, the federal or provincial governments of Canada (or an agency thereof) with a maturity of not more than three years, pending the automatic switch of equal amounts from the Fund into Front Street Special Opportunities Class over a one-year period from the date of investment.

### **Risk**

Most of the Fund's assets will be invested in money market securities and bonds issued by Canadian governments and corporations and, as such, the Fund is particularly susceptible to the following risks:

#### *Interest Rate Risk*

Fixed income securities are subject to risks resulting from changes in interest rates and from credit risk. When interest rates fall, bond prices rise. That is because existing bonds pay higher rates than newly issued ones, and so are worth more. When interest rates rise, bond prices fall, and so will the unit value of mutual funds that hold them. The income earned by a mutual fund and the income paid by mutual funds to securityholders is also affected by changes in interest rates. Credit risk is the possibility that an issuer of a bond or other fixed income investment may not be able to pay interest or to repay the principal at maturity. The risk of this occurring is greater with some issuers than with others. For example, the risk of default is generally low for government and high quality corporate securities. Where the risk is considered greater, the interest rate paid by the issuer is generally higher than for an issuer where the risk is considered to be lower.

#### *Large Redemption Risk*

A mutual fund may have particular investors who hold a significant amount of the mutual fund. If one of those investors decides to redeem its investment in the mutual fund, the mutual fund may have to sell portfolio investments so that it can pay the redemption proceeds. These investments may have to be sold quickly and at a lower price than if they were sold over a more extended time period. In addition, the portfolio composition of the mutual fund could be altered before the Investment Advisor believes the time is right to do so. This can reduce the returns of the mutual fund.

The risks of investing in the Fund are further discussed in the Fund's Annual Information Form.

### **Results of Operations/Recent Developments**

For the past year, the short-term rate market remains fairly stable with decent liquidity. The phrase 'lower for longer' continues to be the theme with longer term rates trading higher into year end. In light of this move, rate sensitive products have performed very well, but longer term we believe rates will move higher on the back of strengthening of the global economic recovery. The U.S. Federal Reserve followed through on their stimulus removal, announcing it was finished at the end of October, thereby paving the way for a potential rate hike in the later part of 2015.

During the year ended October 31, 2014, the Fund earned investment income of \$2,779 from interest.

Operating expenses excluding management fees, totalled \$39,314 and the Manager waived and absorbed \$39,314 of such expenses during the period ended October 31, 2014.

Recent accounting pronouncements that have been issued but are not yet effective, which have potential implications for the Fund, are as follows:

International Financial Reporting Standards (“IFRS”)

Effective for its fiscal year commencing November 1, 2014, the Fund must adopt IFRS. In preparation thereof, the Manager continues to monitor and implement the Fund’s changeover plan and will continue to assess the impact on the implementation as new IFRS guidance become available from the International Accounting Standards Board (“IASB”).

The Manager has reviewed the current IFRS against the Fund’s current accounting policies and financial statement presentation under Canadian generally accepted accounting principles (“Canadian GAAP”), and the following areas of differences have been identified:

- a) IAS 32, Financial Instruments: Disclosure and Presentation and IFRS 9, Financial Instruments, require shareholders’ equity to be classified as liability unless certain criteria are met. The Fund’s shareholders’ equity meets the definition of a puttable instrument. The Manager has assessed the Fund’s shareholder structure and has determined the liability treatment is the most appropriate classification. IFRS 9 defines an investment entity and introduces exceptions to the consolidation requirements.
- b) IFRS 7, Financial Instruments: Disclosures requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity’s financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.
- c) IFRS 13, Fair Value Measurements, provides guidance on the fair value measurements and allows for the possible use of closing prices to value investments. The Manager has assessed the guidance that will apply under IFRS and has determined that the use of closing market prices is appropriate in valuing investments. While IFRS does not require interest income to be disclosed for debt instruments measured at Fair Value through Profit or Loss, when interest income is disclosed, IFRS requires that the effective interest rate method of calculating accrued interest be used rather than the straight-line amortization method. The Manager is assessing the impact of this change to the Fund’s financial statements.

The anticipated impact of IFRS on accounting policies and implementation decisions will predominantly be on the financial statement presentation and note disclosures in the Fund’s financial statements. The adoption of IFRS is not expected to have a significant impact on the calculation of NAV per share. In particular, the Fund will be required to present a statement of cash flows, and will be required to include certain additional and enhanced disclosures.

The Fund’s changeover plan includes key activities in (a) preparation of financial statements, (b) information processing and record-keeping, (c) business policy assessment and (d) systems and controls. Based on the Manager’s current analysis, the Manager believes the changeover to IFRS will not materially affect the Fund’s existing business arrangements.

### Related Party Transactions

During the periods ended October 31, 2014 and 2013, fees paid to (waived and/or absorbed by) the Manager were as follows:

	2014	2013
Management fees	<u>\$ 3,694</u>	<u>\$ 3,823</u>
Expenses waived and/or absorbed by Manager	<u>\$ (40,229)</u>	<u>\$ (40,004)</u>

The following shares are held by the related parties of the Fund:

	2014	2013
Series A shares held by the Manager	5,000	5,000
Percentage of Series A shares held by the Manager	67.93%	50.78%
Series B shares held by the Manager	5,000	5,000
Percentage of Series B shares held by the Manager	50.60%	60.58%
Series F shares held by the Manager	5,000	5,000
Percentage of Series F shares held by the Manager	100.00%	100.00%

Management fees and operating costs are measured at the exchange amount of consideration prescribed by the offering documents of the Fund. When related parties enter shareholder transactions with the Fund, the exchange amount of consideration is the transactional NAV available to all other shareholders on the trade date. In the case of brokerage commissions, the exchange amount of consideration is that which is negotiated by the related parties.

## 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. This information is derived from the Fund's audited annual financial statements.

### Series A

#### The Fund's Net Assets per Share <sup>(1)</sup>

	For the year from commencement of operations on September 27, 2012 to		
	October 31	October 31	October 31
	2014	2013	2012
	\$	\$	\$
<b>Net Assets, beginning of the year</b>	10.00	10.00	10.00*
<b>Increase (decrease) from operations:</b>			
Total revenue	0.08	0.09	0.01
Total expenses	(0.08)	(0.09)	(0.01)
Realized gains (losses) for the year	—	—	—
Unrealized gains (losses) for the year	—	—	—
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	—	—	—
<b>Distributions to Shareholders:</b>			
From income (excluding dividends)	—	—	—
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	—	—	—
<b>Total annual distributions to Shareholders <sup>(3)</sup></b>	—	—	—
<b>Net Assets, end of the year</b>	10.00	10.00	10.00

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per share presented in the financial statements differ from the net asset value per share calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements].
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the average number of shares outstanding over the financial year.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

#### Ratios and Supplemental Data

Total net asset value (\$000's) <sup>(1)</sup>	74	98	239
Number of shares outstanding <sup>(1)</sup>	7,360	9,846	23,902
Management expense ratio <sup>(2)</sup>	0.82%	0.90%	0.58%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	12.67%	12.33%	185.53%
Trading expense ratio <sup>(3)</sup>	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	0.00%	0.00%	0.00%
Net asset value per share (\$)	10.00	10.00	10.00

- (1) This information is provided as at end of the year shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average net asset value during the year. The manager waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the year.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

\* Initial Price

**Series B**
**The Fund's Net Assets per Share <sup>(1)</sup>**

	October 31 2014 \$	October 31 2013 \$	For the year from commencement of operations on September 27, 2012 to October 31 2012 \$
<b>Net Assets, beginning of the year</b>	10.00	10.00	10.00*
<b>Increase (decrease) from operations:</b>			
Total revenue	0.08	0.09	0.01
Total expenses	(0.08)	(0.09)	(0.01)
Realized gains (losses) for the period	—	—	—
Unrealized gains (losses) for the period	—	—	—
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	—	—	—
<b>Distributions to Shareholders:</b>			
From income (excluding dividends)	—	—	—
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	—	—	—
<b>Total annual distributions to Shareholders <sup>(3)</sup></b>	—	—	—
<b>Net Assets, end of the year</b>	10.00	10.00	10.00

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

(2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the average number of shares outstanding over the financial year.

(3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

**Ratios and Supplemental Data**

Total net asset value (\$000's) <sup>(1)</sup>	99	83	55
Number of shares outstanding <sup>(1)</sup>	9,881	8,255	5,500
Management expense ratio <sup>(2)</sup>	0.82%	0.91%	0.58%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	12.67%	12.34%	184.52%
Trading expense ratio <sup>(3)</sup>	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	0.00%	0.00%	0.00%
Net asset value per share (\$)	10.00	10.00	10.00

(1) This information is provided as at end of the year shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average net asset value during the year. The manager waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.

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

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

\* Initial Price

**Series F**
**The Fund's Net Assets per Share <sup>(1)</sup>**

	October 31	October 31	For the year from commencement of operations on September 27, 2012 to October 31
	2014	2013	2012
	\$	\$	\$
<b>Net Assets, beginning of the year</b>	10.00	10.00	10.00*
<b>Increase (decrease) from operations:</b>			
Total revenue	0.08	0.09	0.01
Total expenses	(0.08)	(0.09)	(0.01)
Realized gains (losses) for the year	—	—	—
Unrealized gains (losses) for the year	—	—	—
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	—	—	—
<b>Distributions to Shareholders:</b>			
From income (excluding dividends)	—	—	—
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	—	—	—
<b>Total annual distributions to Shareholders <sup>(3)</sup></b>	—	—	—
<b>Net Assets, end of the year</b>	10.00	10.00	10.00

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

(2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the average number of shares outstanding over the financial year.

(3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

**Ratios and Supplemental Data**

Total net asset value (\$000's) <sup>(1)</sup>	50	50	50
Number of shares outstanding <sup>(1)</sup>	5,000	5,000	5,000
Management expense ratio <sup>(2)</sup>	0.82%	0.90%	0.57%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	12.68%	12.05%	185.25%
Trading expense ratio <sup>(3)</sup>	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	0.00%	0.00%	0.00%
Net asset value per share (\$)	10.00	10.00	10.00

(1) This information is provided as at end of the year shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average net asset value during the year. The manager waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.

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(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

\* Initial Price

## **Management and Performance Fees**

The Fund pays a monthly management fee equal to 1/12 of 1.0% of the net asset value of the Fund calculated and paid at the end of each month payable monthly in arrears for series A and B of the Fund. The Fund pays a monthly management fee equal to 1/12 of 0.75% of the net asset value of Series F calculated and paid at the end of each month payable monthly in arrears.

In consideration of the management fees payable by the Fund to the Manager, the Manager is responsible for providing marketing and promotion, fund management and administration and investment advisory services to the Fund. Fund management and administration services include establishing investment objectives, selecting investment sub-advisors, if applicable, and establishing and maintaining an appropriate infrastructure to meet accounting, financial and taxation reporting requirements. The Manager is also responsible for establishing and maintaining a servicing and risk management framework to ensure regulatory compliance, which includes regular monitoring. The Manager does not charge or allocate corporate overhead or expenses to the Fund.

There are no servicing fees and performance fees payable by this Fund.

The Fund is responsible for payment of all operating and administrative expenses of the Fund. The main components of these expenses are legal and accounting fees, printing expenses, reporting issuer filing and sustaining fees, custodial fees, fees payable to, and expenses incurred by, the Fund's Independent Review Committee and expenses of making distributions to shareholders. As the Fund has more than one series of shares, the shareholders of each series bear their pro rata share of those expenses which are common to the operation of all series, as well as those expenses which are attributable solely to that series.

The Manager may, at its discretion, add a service charge of up to 15% of the costs incurred for any operating and administrative costs charged to the Fund other than management services which are already included in the management fee rate which the Manager receives from the Fund. The 15% service charge is intended to cover certain investor servicing costs attributable solely to the Fund, such as the establishment of the Fund's client servicing models, maintenance of investor support phone lines, and investor website and email support.

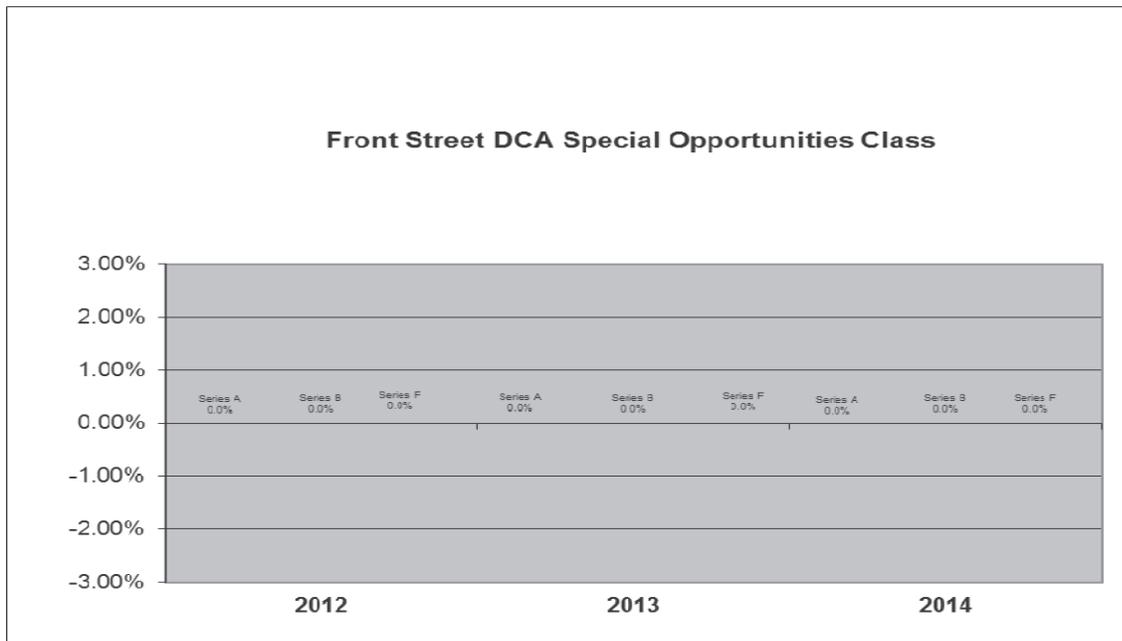
The Manager has absorbed certain expenses relating to the operation of the Fund. These expenses include management fees, administration fees, audit fees, operating costs, legal fees, securityholder reporting costs and independent review committee expenses.

## Past Performance

The past performance of the Fund is set out below and includes year-by-year returns.

With respect to the charts displayed below, please note the following:

- (a) the returns or performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional shares of the Fund;
- (b) the return or performance information does not take into account sales, redemption, distribution or other optional charges or income taxes payable that would have reduced returns or performance; and
- (c) how the Fund has performed in the past does not necessarily indicate how it will perform in the future.



## Summary of Investment Portfolio as at October 31, 2014

### *Portfolio by Category*

	<b>Percentage of Transactional Net Asset Value</b>
Treasury Bills	94.2%
Cash	11.2%
Other liabilities less other assets	-5.4%
	100.0%

### *Top 25 Holdings*

	<b>Percentage of Transactional Net Asset Value</b>
Province of Newfoundland 0.95%, Jan 22, 2015	22.4%
Province of New Brunswick 0.97%, Jan 8, 2015	18.0%
Province of Nova Scotia 0.97%, Nov 17, 2014	18.0%
Province of Alberta 0.96%, Nov 12, 2014	17.9%
Province of Saskatchewan Promissory Note 1.00%, February 26, 2015	17.9%
	94.2%
<b>TOTAL TRANSACTIONAL NET ASSET VALUE (000's)</b>	<b>\$222</b>

The information contained in the foregoing list may change due to the ongoing portfolio transactions of the Fund.

**FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS**

**FINANCIAL STATEMENTS  
OCTOBER 31, 2014 AND 2013**

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## MANAGEMENT REPORT

### Management's Responsibility for Financial Reporting

The accompanying financial statements of Front Street DCA Special Opportunities Class have been prepared by the management of Front Street Capital 2004, the Manager of the Fund, and approved by the Board of Directors of Front Street Mutual Funds Limited. The Manager is responsible for the information and representations contained in these financial statements.

The Manager maintains processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies, which the Manager believes are appropriate for the Fund, are described in note 2 to the financial statements.

The Board of Directors of Front Street Mutual Funds Limited is responsible for reviewing the financial statements, the adequacy of internal controls, the audit process and financial reporting with the Manager and the external auditor. The Board of Directors approves the audited financial statements for publication.

Segal LLP is the external auditor of Front Street DCA Special Opportunities Class. They are appointed by the Manager of the Fund. The external auditor has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out below.

On behalf of Management of Front Street Capital 2004,  
Manager of the Fund



Gary P. Selke  
Management Committee Member  
Front Street Capital 2004



Normand G. Lamarche  
Management Committee Member  
Front Street Capital 2004

January 23, 2015  
Toronto, Ontario

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of  
Front Street DCA Special Opportunities Class (the "Fund") of  
Front Street Mutual Funds Limited**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Front Street DCA Special Opportunities Class which comprise the statement of net assets as at October 31, 2014 and 2013, the statements of operations and the statements of changes in net assets for the years then ended, the statement of investment portfolio as at October 31, 2014, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Independent Auditor's Report  
Page 2

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Front Street DCA Special Opportunities Class as at October 31, 2014 and 2013 and its operations and changes in net assets for the years then ended and the investment portfolio as at October 31, 2014 in accordance with Canadian generally accepted accounting principles.



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
January 23, 2015

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### STATEMENTS OF NET ASSETS AS AT OCTOBER 31, 2014 AND 2013

	2014	2013
<b>ASSETS</b>		
Investments, at fair value (cost - \$209,460; 2013 - \$169,694)	\$ 209,460	\$ 169,694
Cash	24,952	64,235
Amounts receivable relating to accrued income	<u>205</u>	<u>54</u>
	<u>\$ 234,617</u>	<u>\$ 233,983</u>
<b>LIABILITIES</b>		
Accounts payable relating to shares transferred	\$ 6,610	\$ -
Accrued expenses	<u>5,595</u>	<u>2,974</u>
	<u>12,205</u>	<u>2,974</u>
<b>Net assets representing shareholders' equity</b>	<u>\$ 222,412</u>	<u>\$ 231,009</u>
<b>Net assets applicable to outstanding shares allocated as follows:</b>		
Net assets, Series A	\$ 73,600	\$ 98,462
Shares outstanding, Series A, note 3	7,360	9,846
Net assets per share, Series A	<u>\$ 10.00</u>	<u>\$ 10.00</u>
Net assets, Series B	\$ 98,812	\$ 82,547
Shares outstanding, Series B, note 3	9,881	8,255
Net assets per share, Series B	<u>\$ 10.00</u>	<u>\$ 10.00</u>
Net assets, Series F	\$ 50,000	\$ 50,000
Shares outstanding, Series F, note 3	5,000	5,000
Net assets per share, Series F	<u>\$ 10.00</u>	<u>\$ 10.00</u>

**On behalf of the Board of Front Street Mutual Funds Limited:**



Gary P. Selke  
Chief Executive Officer and Director



Susan Johnson  
Chief Financial Officer

See accompanying notes to the financial statements

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### STATEMENT OF OPERATIONS FOR THE YEARS ENDED OCTOBER 31, 2014 AND 2013

	2014	2013
<b>Investment income</b>		
Interest	\$ 2,779	\$ 3,164
<b>Expenses</b>		
Administration fees	30,654	25,242
Audit fees	7,586	8,080
Management fees, notes 4 and 7	3,694	3,823
Securityholder reporting costs	920	1,606
Legal fees	129	4,378
Independent review committee	25	39
	43,008	43,168
Expenses waived or absorbed by Manager, notes 4 and 7	(40,229)	(40,004)
	2,779	3,164
<b>Net increase in net assets from operations for the year</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Increase (decrease) in net assets from operations applicable to outstanding shares allocated as follows:</b>		
Increase (decrease) in net assets from operations, Series A	\$ -	\$ -
Increase (decrease) in net assets from operations per share, Series A	<u>\$ -</u>	<u>\$ -</u>
Increase (decrease) in net assets from operations, Series B	\$ -	\$ -
Increase (decrease) in net assets from operations per share, Series B	<u>\$ -</u>	<u>\$ -</u>
Increase (decrease) in net assets from operations, Series F	\$ -	\$ -
Increase (decrease) in net assets from operations per share, Series F	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEARS ENDED OCTOBER 31, 2014 AND 2013

	2014	2013
<b>Series A</b>		
Net assets, beginning of year	\$ 98,462	\$ 239,022
Net increase in net assets from operations	-	-
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	173,209	156,804
Automatic transfers to Front Street Special Opportunities Class, note 1	<u>(198,071)</u>	<u>(297,364)</u>
	<u>(24,862)</u>	<u>(140,560)</u>
Net decrease in net assets for the year	<u>(24,862)</u>	<u>(140,560)</u>
Net assets, end of year	<u>\$ 73,600</u>	<u>\$ 98,462</u>
<b>Series B</b>		
Net assets, beginning of year	\$ 82,547	\$ 55,000
Net increase in net assets from operations	-	-
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	166,282	77,041
Aggregate amounts paid on redemption of shares, note 3	(77)	-
Automatic transfers to Front Street Special Opportunities Class, note 1	<u>(149,940)</u>	<u>(49,494)</u>
	<u>16,265</u>	<u>27,547</u>
Net increase in net assets for the year	<u>16,265</u>	<u>27,547</u>
Net assets, end of year	<u>\$ 98,812</u>	<u>\$ 82,547</u>

See accompanying notes to the financial statements

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEARS ENDED OCTOBER 31, 2014 AND 2013

	2014	2013
<b>Series F</b>		
Net assets, beginning of year	\$ 50,000	\$ 50,000
Net increase in net assets from operations	-	-
<b>Shareholder transactions</b>		
Net increase in net assets for the year	-	-
Net assets, end of year	<u>\$ 50,000</u>	<u>\$ 50,000</u>
<b>Total</b>		
Net assets, beginning of year	\$ 231,009	\$ 344,022
Net increase in net assets from operations	-	-
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	339,491	233,223
Aggregate amounts paid on redemption of shares, note 3	(77)	-
Automatic transfers to Front Street Special Opportunities Class, note 1	<u>(348,011)</u>	<u>(346,236)</u>
	<u>(8,597)</u>	<u>(113,013)</u>
Net decrease in net assets for the year	<u>(8,597)</u>	<u>(113,013)</u>
Net assets, end of year	<u>\$ 222,412</u>	<u>\$ 231,009</u>

See accompanying notes to the financial statements

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2014

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	Face Value	Cost \$	Fair Value \$
<b>Treasury Bills (94.2%)</b>			
Province of Alberta, 0.96%, Nov 12, 2014	40,000	\$ 39,912	\$ 39,912
Province of New Brunswick, 0.97%, Jan 8, 2015	40,000	39,916	39,916
Province of Newfoundland, 0.95%, Jan 22, 2015	50,000	49,882	49,882
Province of Nova Scotia, 0.97%, Nov 17, 2014	40,000	39,927	39,927
Province of Saskatchewan Promissory Note, 1.00%, Feb 26, 2015	40,000	<u>39,823</u>	<u>39,823</u>
		<u>\$ 209,460</u>	<u>\$ 209,460</u>
<b>Total Investments (94.2%)</b>		<u>\$ 209,460</u>	209,460
<b>Cash (11.2%)</b>			24,952
<b>Other assets less other liabilities (-5.4%)</b>			<u>(12,000)</u>
<b>Net assets (100.0%)</b>			<u>\$ 222,412</u>

See accompanying notes to the financial statements

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 1. THE FUND

Front Street DCA Special Opportunities Class (the "Fund") is a class of shares of Front Street Mutual Funds Limited (the "Corporation"), a mutual fund corporation incorporated under the Canada Business Corporations Act on April 11, 2006, and is authorized to issue an unlimited number of classes of shares in multiple series. Reference is made to the Fund's Simplified Prospectus for additional information on the Fund's structure. The Fund was established on August 31, 2012. Series A, Series B and Series F commenced operations on September 27, 2012.

The foregoing financial statements and accompanying notes to the financial statements presented herein are for the Fund. Separate financial statements of each of the other classes of shares of the Corporation have also been prepared as at October 31, 2014.

Front Street Capital 2004 is the manager of the fund (the "Manager"). Front Street Investment Management Inc. (the "Investment Advisor") has been retained by the Manager, on behalf of the Fund, to provide investment advisory and portfolio management services to the Fund. NBCN Inc. is the custodian. Citigroup Fund Services Canada, Inc. provides shareholder recordkeeping services and fund accounting services.

The Fund's investment objective is to provide for capital preservation and the potential for income by investing primarily in fixed-income securities issued, or guaranteed by, the federal or provincial governments of Canada (or an agency thereof) with a maturity of not more than three years, pending the automatic switch of equal amounts weekly from the Fund into Front Street Special Opportunities Class over a one-year period from the date of investment.

The fundamental investment objective of the Fund cannot be changed without the approval of its shareholders.

Pursuant to the simplified prospectus dated July 17, 2014, the shares of the Fund are no longer being offered to the public.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The following is a summary of the significant accounting policies followed by the Fund:

a) Financial instruments

Investments, at fair value have been classified as held for trading. Amounts receivable relating to accrued income have been classified as loans and receivables. Accounts payable relating to shares redeemed and accrued expenses have been classified as other financial liabilities.

The Canadian Securities Administrators adopted changes to National Instrument 81-106 on Investment Fund Continuous Disclosure. The changes are essentially aimed at modifying the requirements pertaining to the calculation of the unit value due to the inclusion of Section 3855, Financial Instruments - Recognition and Measurement of the CPA Canada Handbook. These changes allow the Fund to report two distinct net asset values: one for the financial statements, which is calculated in accordance with Canadian GAAP (called "net assets") and another for all other purposes, such as unit pricing (called "net asset value"). A reconciliation between the net assets per unit and the net asset value per unit is required (see note 8) as well as description of the differences between the valuation principles and practices used by the Manager to calculate the net asset value and those prescribed by Canadian GAAP.

b) Valuation of investments

- i) Investments listed on an exchange are valued at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The difference between this amount and cost is shown as the change in the unrealized appreciation (depreciation) of the value of investments. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques to be used in the determination of fair value. The investments in this Fund include highly liquid short-term investments with original terms to maturity of less than three years.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

##### c) Financial instruments disclosure and presentation and fair value measurements

The Fund has adopted CPA Canada Handbook Sections 3862, Financial Instruments - Disclosures and 3863, Financial Instruments - Presentation. These standards place increased emphasis on disclosures with respect to the nature and extent of risks arising from financial instruments and how the Fund has managed those risks. See note 9 for additional details.

The Fund adopted the amendments to CPA Canada 3862, Financial Instruments - Disclosures. CPA Canada 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on the inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

See note 11 for additional details.

##### d) Transaction costs

Portfolio transaction costs are expensed and are included in "Transaction costs" in the Statement of Operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges. The individual security's cost shown on the Statement of Investment Portfolio includes only those transaction costs incurred on the acquisition of portfolio investments.

##### e) Cash

Cash consist of cash balances with banks. Amounts are carried at cost which approximates fair value.

##### f) Investment transactions and income recognition

Investment transactions are accounted for on a trade date basis. Realized and unrealized gains and losses from such transactions are calculated using the weighted average cost of the securities on disposition.

Interest income is recorded on an accrual basis.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

g) Foreign currency translation

Income, expenses and investment transactions in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the dates of such transactions. Assets and liabilities in foreign currencies are translated into Canadian dollars at the closing exchange rates on each valuation day.

h) Net increase (decrease) in net assets from operations per share

Increase (decrease) in net assets from operations per share are based on the increase (decrease) in net assets from operations attributable to each series of shares divided by the average number of shares outstanding of that series during the year.

i) Net assets per share

The net assets per share are calculated by dividing the net assets of a series of shares by the total number of shares of the series outstanding at the end of the year.

j) Capital disclosures

The Fund has adopted CPA Canada Handbook Section 1535, Capital Disclosures, which requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. See note 10 for additional details.

k) General standards on financial statement presentation

CPA Canada Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The Manager of the Fund has made this assessment and concluded that there are currently no material uncertainties that cast doubt on the Fund's ability to continue as a going concern.

l) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results may differ from those estimates.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

##### m) Future accounting pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, which have potential implications for the Fund, are as follows:

##### International financial reporting standards ("IFRS")

Effective for its fiscal year commencing November 1, 2014, the Fund must adopt IFRS. In preparation thereof, the Manager continues to monitor and implement the Fund's changeover plan and will continue to assess the impact on the implementation as new IFRS guidance become available from the International Accounting Standards Board ("IASB").

The Manager has reviewed the current IFRS against the Fund's current accounting policies and financial statement presentation under Canadian generally accepted accounting principles ("Canadian GAAP"), and the following areas of differences have been identified:

- (a) IAS 32, Financial Instruments: Disclosure and Presentation and IFRS 9, Financial Instruments, require shareholders' equity to be classified as liability unless certain criteria are met. The Fund's shareholders' equity meets the definition of a puttable instrument. The Manager has assessed the Fund's shareholder structure and has determined the liability treatment is the most appropriate classification. IFRS 9 defines an investment entity and introduces exceptions to the consolidation requirements.
- (b) IFRS 7, Financial Instruments: Disclosures requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.
- (c) IFRS 13, Fair Value Measurements, provides guidance on the fair value measurements and allows for the possible use of closing prices to value investments. The Manager has assessed the guidance that will apply under IFRS and has determined that the use of closing market prices is appropriate in valuing investments. While IFRS does not require interest income to be disclosed for debt instruments measured at Fair Value through Profit and Loss, when interest income is disclosed, IFRS requires that the effective interest rate method of calculating accrued interest be used rather than the straight-line amortization method. The Manager is assessing the impact of this change to the Fund's financial statements.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

##### m) Future accounting pronouncements (Continued...)

The anticipated impact of IFRS on accounting policies and implementation decisions will predominantly be on the financial statement presentation and note disclosures in the Fund's financial statements. The adoption of IFRS is not expected to have a significant impact on the calculation of NAV per share. In particular, the Fund will be required to present a statement of cash flows, and will be required to include certain additional and enhanced disclosures.

The Fund's changeover plan includes key activities in (a) preparation of financial statements, (b) information processing and record-keeping, (c) business policy assessment and (d) systems and controls. Based on the Manager's current analysis, the Manager believes the changeover to IFRS will not materially affect the Fund's existing business arrangements.

#### 3. SHARES ISSUED AND OUTSTANDING

The authorized capital of the Fund consists of an unlimited number of mutual fund shares, available in three series. Redemption and commission fees vary according to each series of shares as follows:

##### **Series A shares**

Redemption fees payable to the Manager may be applicable upon the sale of shares of this series based on the original cost amount and the time to disposition. A redemption fee of 3% applies to shares of this series sold within the first 18 months following acquisition. A redemption fee of 2% applies to shares of this series sold between the first 18 months to 36 months following acquisition. No redemption fee applies to shares of this series sold after the third year following acquisition.

##### **Series B shares**

Commission fees payable to brokers, dealers or advisors may be applicable upon the purchase of shares of this series up to 5% of the gross purchase amount, at the discretion of the broker, dealer or advisor.

##### **Series F shares**

No redemption or commission fees are applicable to shares of this series.

The Fund allocates income and expenses, and realized and unrealized capital gains and losses to each class of shares but outstanding based on the average class allocation for the year.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 3. SHARES ISSUED AND OUTSTANDING (Continued...)

The following share transactions took place during the periods:

	2014	2013
Shares outstanding, beginning of the year:		
Series A	9,846	23,902
Series B	8,255	5,500
Series F	5,000	5,000
Shares issued during the year:		
Series A	17,321	15,680
Series B	16,628	7,704
Series F	-	-
Shares redeemed during the year:		
Series A	-	-
Series B	8	-
Series F	-	-
Automatic transfers to Front Street Special Opportunities Class, note 1:		
Series A	19,807	29,736
Series B	14,994	4,949
Series F	-	-
Shares outstanding, end of the year:		
Series A	7,360	9,846
Series B	9,881	8,255
Series F	5,000	5,000

#### Shares held by the Manager

On August 31, 2012, the Manager acquired 5,000 series A shares, 5,000 series B shares and 5,000 series F shares for cash consideration of \$50,000 per respective series of shares. These shares are not redeemable until an additional \$500,000 has been invested in the Fund by other investors and as such the shares are not subject to the automatic switch of equal amounts into Front Street Special Opportunities Class over a one-year period from the date of investment.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 4. MANAGEMENT AND PERFORMANCE FEES

The Fund pays a monthly management fee equal to 1/12 of 1.0% of the net asset value of the Fund calculated and paid at the end of each month payable monthly in arrears for series A and B of the Fund. The Fund pays a monthly management fee equal to 1/12 of 0.75% of the net asset value of Series F calculated and paid at the end of each month payable monthly in arrears.

In consideration of the management fees payable by the Fund to the Manager, the Manager is responsible for providing marketing and promotion, fund management and administration and investment advisory services to the Fund. Fund management and administration services include establishing investment objectives, selecting investment sub-advisors, if applicable, and establishing and maintaining an appropriate infrastructure to meet accounting, financial and taxation reporting requirements. The Manager is also responsible for establishing and maintaining a servicing and risk management framework to ensure regulatory compliance, which includes regular monitoring. The Manager does not charge or allocate corporate overhead or expenses to the Fund.

There are no servicing fees and performance fees payable by this Fund.

The Fund is responsible for payment of all operating and administrative expenses of the Fund. The main components of these expenses are legal and accounting fees, printing expenses, reporting issuer filing and sustaining fees, custodial fees, fees payable to, and expenses incurred by, the Fund's Independent Review Committee and expenses of making distributions to shareholders. As the Fund has more than one series of shares, the shareholders of each series bear their pro rata share of those expenses which are common to the operation of all series, as well as those expenses which are attributable solely to that series.

The Manager may, at its discretion, add a service charge of up to 15% of the costs incurred for any operating and administrative costs charged to the Fund other than management services which are already included in the management fee rate which the Manager receives from the Fund. The 15% charge is intended to cover certain investor servicing costs attributable solely to the Fund, such as the establishment of the Fund's client servicing models, maintenance of investor support lines, and investor website and email support.

The Manager has absorbed certain expenses relating to the operation of the Fund. These expenses include management fees, administration fees, audit fees, operating costs, legal fees, securityholder reporting costs and independent review committee expenses.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 5. INCOME TAX AND DISTRIBUTION

The Fund qualifies as a mutual fund corporation under the Income Tax Act (Canada). The Corporation will earn three types of income, Canadian dividends, taxable capital gains and other net taxable income. The income of the Fund, including taxable capital gains, will be subject to income tax at applicable corporate tax rates, after claiming allowable deductions for expenses and applicable credits for foreign taxes paid on foreign-source income. Income tax on capital gains is refundable to the Fund to the extent that such gains are distributed to shareholders as capital gains dividends or the Fund's share are redeemed. Gains and losses realized by the Fund in relation to certain derivative transactions and short sale transactions may be taxed on account of income as opposed to on account of capital. Other income is subject to tax at normal corporate rates and is not subject to refundable tax treatment.

The Fund may elect in the prescribed manner and form in order to have the dividends it distributes treated as capital gains dividends to the extent that the dividends do not exceed the Fund's capital gains dividend account. The capital gains dividend account will be represented by the amount by which capital gains realized by the Fund while it was a mutual fund corporation exceed the aggregate of:

- (a) capital losses realized by the Fund while it was a mutual fund corporation;
- (b) certain capital gains dividends previously paid by it; and
- (c) amounts in respect of which the Fund received capital gains tax refunds.

The Corporation is a single legal entity for tax purposes and is not taxed on a fund-by-fund basis. Non-capital and capital losses of the Corporation may be applied against the income and/or capital gains attributable to the Corporation as a whole irrespective of the Fund from which the income, gains and/or losses arise. Therefore, where the Corporation has positive net taxable income, any current tax liability can be offset with the utilization of unused prior year tax losses of the Corporation. Further, the payment of capital gains dividends, will also reduce or eliminate any taxes payable by the Corporation. This eliminates the requirement for a net tax provision for the Fund.

The Corporation's shares are qualified investments for registered plans.

#### 6. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to security transactions for the year ended October 31, 2014 was \$Nil. (2013 - \$Nil).

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 7. RELATED PARTY TRANSACTIONS

During the periods ended October 31, 2014 and 2013, fees paid to (waived and/or absorbed by) the Manager were as follows:

	2014	2013
Management fees, note 4	<u>\$ 3,694</u>	<u>\$ 3,823</u>
Expenses waived and/or absorbed by the Manager, note 4	<u>\$ (40,229)</u>	<u>\$ (40,004)</u>

The following are shares held by related parties of the Fund:

	2014	2013
Series A shares held by the Manager	5,000	5,000
Percentage of Series A shares held by the Manager	67.93%	50.78%
Series B shares held by the Manager	5,000	5,000
Percentage of Series B shares held by the Manager	50.60%	60.58%
Series F shares held by the Manager	5,000	5,000
Percentage of Series F shares held by the Manager	100.00%	100.00%

Management fees and operating costs are measured at the exchange amount of consideration prescribed by the offering documents of the Fund. Except for the shares held by the Manager as described in note 3, when related parties enter shareholder transactions with the Fund, the exchange amount of consideration is the transactional NAV available to all other shareholders on the trade date. In the case of brokerage commissions, the exchange amount of consideration is that which is negotiated by the related parties.

#### 8. RECONCILIATION OF NET ASSET VALUE TO NET ASSETS FOR FINANCIAL STATEMENTS

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the transactional net asset value ("NAV") and net assets calculated using Canadian generally accepted accounting principles ("GAAP NA") of an investment fund is required. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) and ask prices (for investments sold) to be used in the fair valuation of investments, rather than the use of closing trade prices currently used for the purpose of determining transactional NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques (see note 2) rather than the use of valuation techniques in general practice in the investment funds industry.

There is no difference between transactional NAV and GAAP NA in this Fund.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 9. FINANCIAL INSTRUMENTS

The Fund's assets and liabilities classified in accordance with CPA Canada Handbook Section 3855 are as follows:

As at October 31	2014	2013
<b>Assets</b>		
Held for trading	\$ 209,460	\$ 169,694
Cash	24,952	64,235
Loans and receivables	<u>205</u>	<u>54</u>
Total Assets	<u>\$ 234,617</u>	<u>\$ 233,983</u>
<b>Liabilities</b>		
Other financial liabilities at amortized cost	<u>\$ 12,205</u>	<u>\$ 2,974</u>
Net Assets	<u>\$ 222,412</u>	<u>\$ 231,009</u>

The Fund's financial instruments consist of investments, at fair value, cash, amounts receivable relating to accrued income, accounts payable relating to shares redeemed and accrued expenses. It is the Manager's opinion that due to the short term nature of these financial instruments, the Fund is not exposed to significant market price, currency, interest rate, liquidity, cash flow and credit risks arising from these financial instruments except as described below. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

#### Risk Management

The Investment Advisor seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, and by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

The Fund's investment activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The Statement of Investment Portfolio presents the securities held by the Fund as at October 31, 2014, and groups the securities by asset type, sector and/or market segment. Significant risks that are relevant to the Fund are discussed below.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 9. FINANCIAL INSTRUMENTS (Continued...)

##### i) Market price risk

Market price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because 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 similar financial instruments traded in the market.

The Fund is exposed to market price risk arising from its investments in securities. The Investment Advisor manages the Fund's market price risk on a daily basis in accordance with the Fund's investment objective and policies.

##### ii) Currency risk

The Fund may invest in financial instruments denominated in currencies other than its measurement currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of the portion of the Fund's assets or liabilities denominated in currencies other than Canadian dollars, absent any changes in market price or investment specific events.

At October 31, 2014, the Fund had no material exposure to foreign currencies.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 9. FINANCIAL INSTRUMENTS (Continued...)

##### iii) Interest rate risk

The Fund may invest in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future. Interest payable on bank overdraft or broker margin account positions will be affected by fluctuations in interest rates. As at October 31, 2014, there were short-term investments representing 94.2% (2013 – 73.5%) of the net assets owned, most maturing in less than 90 days. The remaining portion of the Fund's investments are substantially in non-interest bearing equity investments and its exposure to interest rate changes is minimal.

Financial assets	Floating Rate Financial Assets	Fixed Rate Financial Assets	Non-interest bearing	Total
Held for trading	\$ -	\$ 209,460	\$ -	\$ 209,460
Loans and receivables	-	-	205	205
Cash	<u>24,952</u>	<u>-</u>	<u>-</u>	<u>24,952</u>
Total	<u>\$ 24,952</u>	<u>\$ 209,460</u>	<u>\$ 205</u>	<u>\$ 234,617</u>
Financial liabilities				
Other financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,205</u>	<u>\$ 12,205</u>
GAAP NA				<u>\$ 222,412</u>

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 9. FINANCIAL INSTRUMENTS (Continued...)

##### iv) Liquidity risk

Liquidity risk is the risk the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Shareholder redemption requests are the main liquidity risk for the Fund.

The Fund maintains sufficient cash and marketable securities, and manages liquidity risk through its ability to close out market positions.

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Held for trading	\$ 209,460	\$ -	\$ -	\$ -	\$ -	\$ 209,460
Loans and receivables	205	-	-	-	-	205
Cash	<u>24,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,952</u>
Total	<u>\$ 234,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,617</u>
Financial liabilities						
Other financial liabilities	<u>\$ 12,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,205</u>
GAAP NA						<u>\$ 222,412</u>

##### v) Cash flow risk

The risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. In the case of a floating rate debt instrument, for example, such fluctuations could result from a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 9. FINANCIAL INSTRUMENTS (Continued...)

##### vi) Credit risk

The Fund is exposed to credit risk arising from its transactions with its counterparties and brokers, related to securities purchases and sales. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Financial assets which potentially expose the Fund to credit risk consist principally of investments in bonds, amounts due from brokers and derivatives. The Fund seeks to mitigate its exposure to credit risk by placing its cash, and transacting its securities activity with large financial institutions. The Fund may also invest in corporate bonds. Until the bonds are sold or mature, the Fund is exposed to credit risk relating to whether the bond issuer will meet its obligations when they come due. The extent of the Fund's exposure to credit risk in respect of these financial assets is reflected in their carrying values as recorded in the Fund's Statement of Net Assets.

As at October 31, 2014, the Fund had 94.2% (2013 - 73.5%) of holdings in debt instruments with the following credit rating obtained from Standard and Poor's or Moody's DBRS:

Debt instruments by credit rating	Percentage of GAAP NA
AAA	35.9%
A+	58.3%

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2014 AND 2013

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#### 10. CAPITAL MANAGEMENT

The Manager considers the Fund's capital to consist of the issued ordinary share capital and the net assets attributable to participating shareholders.

The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Fund's prospectus, while maintaining sufficient liquidity to meet participating shareholder redemptions.

The Fund does not have any externally imposed capital requirements.

#### 11. FAIR VALUE HIERARCHY

The following is a summary of the inputs used as of October 31, 2014 in valuing the Fund's investments and derivatives at fair value as discussed in note 2(c):

Assets at fair value as at October 31, 2014	Quoted price in active market for identical assets	Significant other observable inputs	Significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Investments, at fair value	\$ <u>-</u>	\$ <u>209,460</u>	\$ <u>-</u>	\$ <u>209,460</u>



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