

Annual Management Report of Fund Performance
As at October 31, 2015
Front Street Balanced Monthly Income Class (*Formerly Front Street Diversified Income Class*)

This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements for Front Street Balanced Monthly Income Class (Formerly Front Street Diversified Income Class) (the "Fund"), a class of shares of Front Street Mutual Funds Limited. The annual financials of the Fund are attached behind this report and you can also get a copy of the interim or financial statements at your request, and at no cost, by calling 1-800-513-2832, by writing to us at Front Street Capital 2004, 33 Yonge Street, Suite 600, Toronto, Ontario M5E 1G4 or by visiting our website at www.frontstreetcapital.com or SEDAR at www.sedar.com.

Securityholders 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, or quarterly portfolio disclosure relating to the 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 OBJECTIVES AND STRATEGIES

The investment objective of the Fund is to provide shareholders with consistent long term capital growth and the opportunity for income through the selection, management and strategic trading of long and short positions in securities of income trusts, common shares, preferred shares, derivatives and corporate and government debt.

The Investment Advisor, Front Street Investment Management Inc., will also consider positioning the Fund's investment portfolio to reduce its correlation to Canadian equity and fixed-income indices.

From time to time the Fund may invest in other mutual funds and may purchase securities of, or enter into specified derivative transactions for which the underlying interest is based on the securities of other mutual funds. Such investments may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund's investment objectives stated above and enhancing returns as permitted by securities regulations.

RISK

The risks associated with investing in the Fund are discussed in the Fund's simplified prospectus, which is available on SEDAR at www.sedar.com or by visiting our website at www.frontstreetcapital.com. There were no changes over the period to the risks outlined in the simplified prospectus which would materially affect the overall risk of investing in the fund.

RESULTS OF OPERATIONS

During the year, low global economic growth and lack of inflationary pressures in the global economy led many of the world's central banks to maintain very accommodating monetary policies in an effort to stimulate growth. The market was very focused on the timing of the first interest rate increase by the U.S. Federal Reserve Board during the later part of the year. As the market reacted to economic data, the probabilities of a rate hike shifted, leading to increased volatility in the rates market.

Equity markets corrected in August and September amid concerns over lower earnings for the third quarter of 2015, and extreme weakness in high-yield credit. 10-year U.S. Treasury yields were extremely volatile, hitting a high of 2.485% and a low of 1.642% during the period (ending the period at 2.143%). Weak commodity prices resulted in underperformance by the Canadian Financials sector.

For the year ended October 31, 2015, the Front Street Balanced Monthly Income Class returned -1.37%.

During the year ended October 31, 2015, the Fund earned investment income of \$3,477,504 from dividends, distributions from underlying funds, interest and security lending revenue. There were net realized gains on the sale of investments of \$507,435, losses from derivatives of \$54,894 and an unrealized depreciation on the value of investments of \$1,665,572.

Operating expenses, excluding management fees, servicing fees and compensatory dividends, totalled \$466,584 during the period ended October 31, 2015.

High-yield investments detracted from the Fund's performance. Top individual contributors to performance included holdings in Sun Life Financial Inc. and Descartes Systems Group Inc. Sun Life, a significant holding for the fund, was particularly strong over the second half of the period. Descartes, a consistent mid-tier holding, also had a very strong year. Significant individual detractors from the Fund's performance included corporate bonds and other fixed income assets, which were challenged toward the end of the period.

RECENT DEVELOPMENTS

The Manager believes that the U.S. Federal Reserve Board is likely to raise interest rates in the coming period, and has positioned the Fund's holdings to benefit from a rate hike.

Adoption of International Financial Reporting Standards ("IFRS") in 2015

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Fund has adopted IFRS effective November 1, 2014. IFRS 1 – First-time Adoption of International Financial Reporting Standards, requires first-time adopters to apply IFRS retrospectively as if IFRS had been in effect from the date of the Fund's transition. Accordingly, an opening IFRS statement of financial position as at November 1, 2013 has been prepared and the comparative information for the year ended October 31, 2014 has been restated based on IFRS. The Fund has consistently applied the same accounting policies throughout all periods presented.

Prior to the adoption of IFRS, the Fund presented its financial statements in accordance with previous Canadian Generally Accepted Accounting Principles ("previous CGAAP"). The impact of transition from previous CGAAP to IFRS on the Fund's reported financial position, financial performance and cash flows is disclosed in Notes to the annual financial statements.

RELATED PARTY-TRANSACTIONS

During the years ended October 31, 2015 and 2014, fees paid to the Manager were as follows:

	2015	2014
Management fees	<u>\$ 837,715</u>	<u>\$ 1,561,549</u>
Servicing fees	<u>\$ 582,865</u>	<u>\$ 1,003,636</u>
Operating costs	<u>\$ 32,909</u>	<u>\$ 73,363</u>

Management fees payable and other payables included in the accrued expenses were as follows:

	October 31, 2015	October 31, 2014	November 1, 2013
Management fees payable	<u>\$ 55,089</u>	<u>\$ 102,611</u>	<u>\$ 207,992</u>
Servicing fees payable	\$ 36,308	\$ 64,509	\$ 125,898
Operating costs payable (receivable)	<u>-</u>	<u>(20,412)</u>	<u>12,473</u>
	<u>\$ 36,308</u>	<u>\$ 44,097</u>	<u>\$ 138,371</u>

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

	October 31, 2015	October 31, 2014	November 1, 2013
Series B shares held by the Partners of the Manager	439,574.96	475,794.58	458,883.44
Percentage of Series B shares held by the Partners of the Manager	12.59%	9.83%	6.41%
Series F shares held by the Partners of the Manager	7,315.09	20,930.46	43,547.59
Percentage of Series F shares held by the Partners of the Manager	2.01%	3.37%	4.16%
Series F shares held by the relatives of the Partners of the Manager	1,334.76	2,121.22	-
Percentage of Series F shares held by the relatives of the Partners of the Manager	0.37%	0.34%	- %

As at October 31, 2015, the Fund owned 952,490 (October 31, 2014 - Nil; November 1, 2013 - Nil) shares of Front Street Tactical Bond Fund, representing 13.5% (October 31, 2014 - Nil%; November 1, 2013 - Nil%) of the total Front Street Tactical Bond Fund shares outstanding, which was also managed by the Manager.

As at October 31, 2015, the Fund owned Nil (October 31, 2014 - 690,274; November 1, 2013 - Nil) shares of Front Street Tactical Bond Class Series I, representing Nil% (October 31, 2014 - 30.53%; November 1, 2013 - Nil%) of the total Front Street Tactical Bond Class Series I shares outstanding, which was also managed by the Manager.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution only basis. During the year ended October 31, 2015, Tuscarora Capital Inc., a company under common control to the Manager, received \$118,496 (2014 - \$293,905) in commissions on portfolio transactions for the Fund.

Management fees, servicing fees, and operating costs are measured at the consideration prescribed by the offering documents of the Fund. When related parties enter shareholder transactions with the Fund, the consideration is the transactional NAV available to all other shareholders on the trade date.

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 past five financial years. This information is derived from the Fund's audited annual financial statements.

Series A

The Fund's Net Assets per Redeemable Share ⁽¹⁾

	October 31 2015 \$	October 31 2014 \$	October 31 2013 \$	October 31 2012 \$	October 31 2011 \$
Net Assets, beginning of the year	6.95	6.79	7.69	8.10	8.81
Increase (decrease) from operations:					
Total revenue	0.34	0.32	0.26	0.29	0.25
Total expenses	(0.23)	(0.22)	(0.20)	(0.21)	(0.23)
Realized gains (losses) for the year	0.03	(0.07)	(0.41)	0.16	0.00
Unrealized gain (losses) for the year	(0.11)	0.42	(0.05)	(0.12)	(0.32)
Total increase (decrease) from operations ⁽²⁾	0.03	0.45	(0.40)	0.12	(0.30)
Distributions to redeemable Shareholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	(0.28)	(0.28)	(0.48)	(0.55)	(0.55)
Total distributions to redeemable Shareholders ⁽³⁾	(0.28)	(0.28)	(0.48)	(0.55)	(0.55)
Net Assets, end of the year	6.59	6.95	6.78	7.69	8.10

- (1) The information for October 31, 2015 and 2014 is derived from the Fund's audited annual financial statements and is prepared in accordance with IFRS. The information prior to 2014 is derived from the Fund's audited annual financial statements prepared based on Canadian GAAP. An explanation of the effect of the Fund's transition to IFRS can be found in the notes to the financial statements.
- (2) Net assets and distributions are based on the actual number of redeemable shares outstanding at the relevant time. The increase (decrease) from operations is based on the average number of redeemable shares outstanding over the financial year.
- (3) Distributions were paid in cash/reinvested in additional redeemable shares of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	\$26,112	\$54,192	\$118,639	\$203,551	\$192,442
Number of redeemable shares outstanding ⁽¹⁾	3,967,328	7,804,904	17,478,337	26,453,872	23,774,438
Management expense ratio ⁽²⁾	2.77%	2.61%	2.61%	2.55%	2.55%
Management expense ratio before waivers or absorptions ⁽²⁾	2.77%	2.61%	2.61%	2.55%	2.55%
Trading expense ratio ⁽³⁾	0.52%	0.54%	0.34%	0.15%	0.17%
Portfolio turnover rate ⁽⁴⁾	136.03%	180.25%	174.84%	97.45%	107.30%
Net asset value per redeemable share ⁽⁵⁾	\$6.58	\$6.94	\$6.79	\$7.69	\$8.09

- (1) This information is provided as at end of the year shown.
- (2) Management expense ratio (MER) 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 can waive certain fees or absorb certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.

The Fund holds investments in other investment funds ("Underlying Funds") and the MER is calculated taking into consideration the expenses of the Fund allocated to the series including expenses indirectly attributable to its investment in the Underlying Funds divided by the average daily net asset value of the series of the Fund during the year.
- (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.
- (5) The information for October 31, 2015 and 2014 is derived from the Fund's audited financial statements prepared in accordance with IFRS. The information prior to 2014 is derived from the Fund's annual audited financial statements prepared based on Canadian GAAP. An explanation of the effect of the Fund's transition to IFRS can be found in the notes to the financial statements.

Series B
The Fund's Net Assets per Redeemable Share ⁽¹⁾

	October 31 2015 \$	October 31 2014 \$	October 31 2013 \$	October 31 2012 \$	October 31 2011 \$
Net Assets, beginning of the year	7.02	6.86	7.75	8.16	8.87
Increase (decrease) from operations:					
Total revenue	0.34	0.33	0.27	0.30	0.26
Total expenses	(0.23)	(0.22)	(0.20)	(0.21)	(0.23)
Realized gains (losses) for the year	0.02	(0.09)	(0.42)	0.17	0.03
Unrealized gain (losses) for the year	(0.16)	0.42	(0.02)	(0.12)	(0.34)
Total increase (decrease) from operations ⁽²⁾	(0.03)	0.44	(0.37)	0.14	(0.28)
Distributions to redeemable Shareholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	(0.28)	(0.28)	(0.48)	(0.55)	(0.55)
Total distributions to redeemable Shareholders ⁽³⁾	(0.28)	(0.28)	(0.48)	(0.55)	(0.55)
Net Assets, end of the year	6.66	7.02	6.85	7.75	8.16

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

Total net asset value (000's) ⁽¹⁾	\$23,219	\$33,947	\$49,028	\$119,577	\$132,494
Number of redeemable shares outstanding ⁽¹⁾	3,492,275	4,841,534	7,155,539	15,413,214	16,250,074
Management expense ratio ⁽²⁾	2.75%	2.58%	2.55%	2.50%	2.50%
Management expense ratio before waivers or absorptions ⁽²⁾	2.75%	2.58%	2.55%	2.50%	2.50%
Trading expense ratio ⁽³⁾	0.52%	0.54%	0.34%	0.15%	0.17%
Portfolio turnover rate ⁽⁴⁾	136.03%	180.25%	174.84%	97.45%	107.30%
Net asset value per redeemable share ⁽⁵⁾	\$6.65	\$7.01	\$6.85	\$7.76	\$8.15

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- (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.
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Series F
The Fund's Net Assets per Redeemable Share ⁽¹⁾

	October 31 2015 \$	October 31 2014 \$	October 31 2013 \$	October 31 2012 \$	October 31 2011 \$
Net Assets, beginning of the year	7.34	7.09	7.92	8.25	8.87
Increase (decrease) from operations:					
Total revenue	0.36	0.34	0.28	0.30	0.26
Total expenses	(0.17)	(0.16)	(0.12)	(0.13)	(0.14)
Realized gains (losses) for the year	0.06	(0.08)	(0.44)	0.19	(0.02)
Unrealized gain (losses) for the year	(0.13)	0.41	0.02	(0.12)	(0.35)
Total increase (decrease) from operations ⁽²⁾	0.12	0.51	(0.26)	0.24	(0.25)
Distributions to redeemable Shareholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	(0.28)	(0.28)	(0.48)	(0.55)	(0.55)
Total distributions to redeemable Shareholders ⁽³⁾	(0.28)	(0.28)	(0.48)	(0.55)	(0.55)
Net Assets, end of the year	7.05	7.34	7.08	7.92	8.25

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

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	\$2,559	\$4,550	\$7,423	\$24,317	\$29,778
Number of redeemable shares outstanding ⁽¹⁾	363,554	620,405	1,047,658	3,067,836	3,614,686
Management expense ratio ⁽²⁾	1.76%	1.58%	1.54%	1.49%	1.51%
Management expense ratio before waivers or absorptions ⁽²⁾	1.76%	1.58%	1.54%	1.49%	1.51%
Trading expense ratio ⁽³⁾	0.52%	0.54%	0.34%	0.15%	0.17%
Portfolio turnover rate ⁽⁴⁾	136.03%	180.25%	174.84%	97.45%	107.30%
Net asset value per redeemable share ⁽⁵⁾	\$7.04	\$7.33	\$7.09	\$7.93	\$8.24

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Series X
The Fund's Net Assets per Redeemable Share ⁽¹⁾

	October 31 2015 \$	October 31 2014 \$	October 31 2013 \$	October 31 2012 \$	October 31 2011 \$
Net Assets, beginning of the year	7.04	6.86	7.74	8.13	8.82
Increase (decrease) from operations:					
Total revenue	0.35	0.32	0.27	0.30	0.25
Total expenses	(0.21)	(0.20)	(0.18)	(0.19)	(0.21)
Realized gains (losses) for the year	0.05	(0.05)	(0.45)	0.19	(0.15)
Unrealized gain (losses) for the year	(0.11)	0.39	0.02	(0.12)	(0.20)
Total increase (decrease) from operations ⁽²⁾	0.08	0.46	(0.34)	0.18	(0.31)
Distributions to redeemable Shareholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	(0.28)	(0.28)	(0.48)	(0.55)	(0.55)
Total distributions to redeemable Shareholders ⁽³⁾	(0.28)	(0.28)	(0.48)	(0.55)	(0.55)
Net Assets, end of the year	6.70	7.04	6.85	7.74	8.13

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Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	\$245	\$571	\$1,092	\$2,708	\$4,834
Number of redeemable shares outstanding ⁽¹⁾	36,582	81,125	159,342	349,562	595,025
Management expense ratio ⁽²⁾	2.53%	2.32%	2.34%	2.25%	2.36%
Management expense ratio before waivers or absorptions ⁽²⁾	2.53%	2.32%	2.34%	2.25%	2.36%
Trading expense ratio ⁽³⁾	0.52%	0.54%	0.34%	0.15%	0.17%
Portfolio turnover rate ⁽⁴⁾	136.03%	180.25%	174.84%	97.45%	107.30%
Net asset value per redeemable share ⁽⁵⁾	\$6.69	\$7.04	\$6.86	\$7.75	\$8.12

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MANAGEMENT AND PERFORMANCE FEES

The Fund pays a monthly management fee equal to 1/12 of 1.25% of the net asset value of the Series A shares and Series X shares and 1/12 of 1% of the net asset value of the Series B and Series F shares calculated and paid at the end of each month 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 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 stopped charging such fees August 2015.

DEALER COMPENSATION

Brokers, dealers and advisors may be paid a "trailer commission" for assets that their sales representatives place in the Series A, Series B and Series X Fund securities. The Fund may, at its discretion, negotiate, change the terms and conditions of, or discontinue the trailer commission with brokers, dealers and advisors.

The trailer commission is calculated as a percentage of assets each broker, dealer or advisor has placed in the Fund series. The trailer commission is calculated based on the closing balance of client accounts for each calendar month. The trailer commission will not be paid if the assets are removed from the Funds. Trailer commissions are paid monthly at rates set within ranges according to the following table.

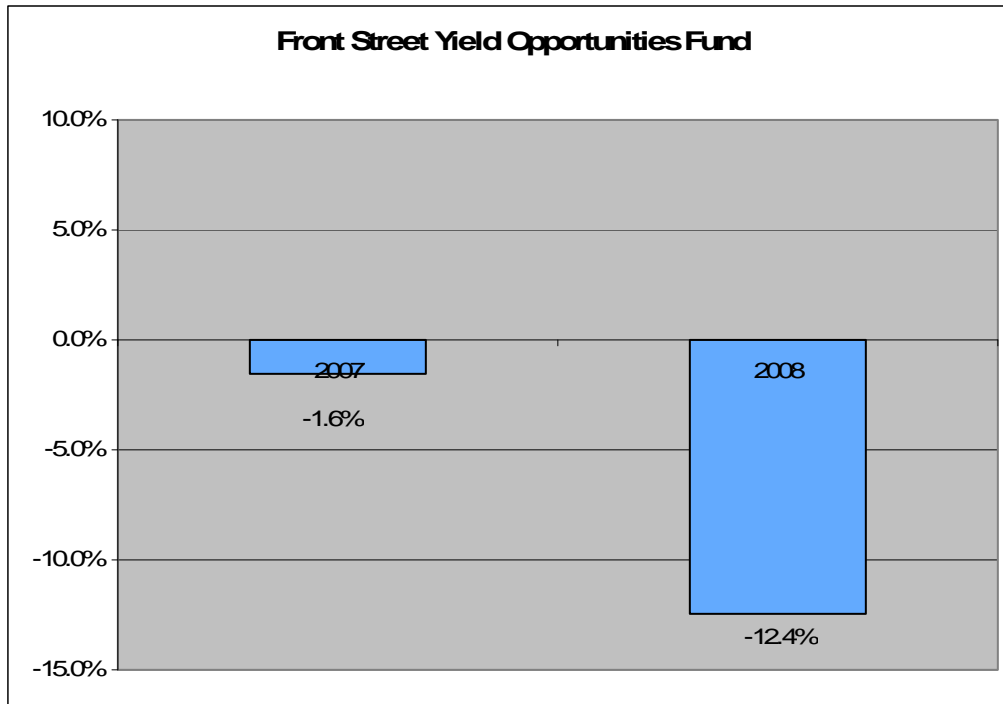
Series	Trailer Annual Rate	Annual Payment per \$1,000 of Fund securities held
A	0.75%	\$7.50
B	1.00%	\$10.00
F	0.00%	Nil
X	0.50%	\$5.00

PAST PERFORMANCE

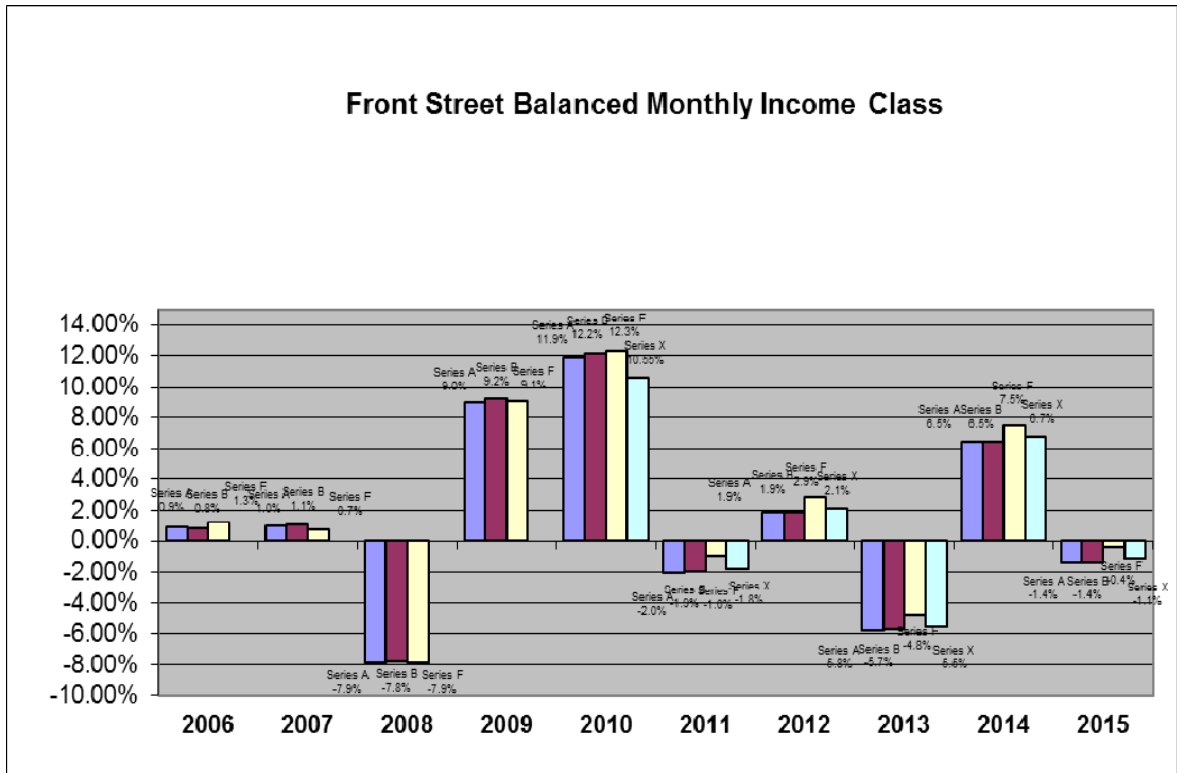
The past performance of the Fund is set out below and includes year-by-year returns.

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 future.



The above chart is the year-by year returns for Front Street Yield Opportunities Fund, a class of Front Street Opportunity Funds Ltd. The Fund was merged with Front Street Diversified Income Class (formerly Front Street Diversified Income Fund) on November 1, 2008.



The above chart is the year-by year returns for Front Street Balanced Monthly Income Class, a class of Front Street Mutual Funds Ltd. The Fund was merged with Front Street Yield Opportunities Fund on November 1, 2008 and fund performance for the discontinued fund has not been included in the chart above in the 2006 to 2008 periods.

ANNUAL COMPOUND RETURNS

The following table shows the Fund's historical annual compound total return for the past five, three, one financial year periods and since inception, as at October 31, 2015 and as compared to the performance of S&P/TSX Composite Index.

Front Street Balanced Monthly Income Class	Past 5 years	Past 3 years	Past 1 year	Since amalgamation November 1, 2008	Since Inception June 22, 2006
Series A	-0.30%	-0.36%	-1.37%	2.73%	1.31%
Series B	-0.28%	-0.35%	-1.38%	2.83%	1.39%
S&P/TSX Composite Index	1.31%	2.88%	-7.42%	4.77%	1.51%

Front Street Balanced Monthly Income Class	Past 5 years	Past 3 years	Past 1 year	Since amalgamation November 1, 2008	Since Inception August 11, 2006
Series F	0.73%	0.66%	-0.39%	3.56%	1.96%
S&P/TSX Composite Index	1.31%	2.88%	-7.42%	4.77%	1.46%

Front Street Balanced Monthly Income Class	Past 5 years	Past 3 years	Past 1 year	Since amalgamation December 2, 2009
Series X	-0.04%	-0.09%	-1.12%	1.70%
S&P/TSX Composite Index	1.31%	2.88%	-7.42%	2.86%

The above annual compound returns are for Front Street Balanced Monthly Income Class and does not include the returns or performance of the Front Street Yield Opportunities Fund which merged with Front Street Balanced Monthly Income Class on November 1, 2008.

The S&P/TSX Composite Index is a float market capitalization that tracks the performance of some of the largest and most widely held Canadian stocks listed on the Toronto Stock Exchange.

Summary of Investment Portfolio as at October 31, 2015

Portfolio by Category

	Percentage of Net Asset Value
LONG POSITIONS	
Corporate Bonds	44.1%
Financials	22.5%
Mutual Fund	18.8%
Information Technology	5.8%
Consumer Discretionary	3.2%
Materials	3.1%
Consumer Staples	1.7%
Health Care	1.6%
Industrials	0.7%
Energy	0.6%
Telecommunication Services	0.0%
SHORT POSITIONS	
Bank indebtedness	-5.1%
Energy	-0.2%
Written Options	-0.7%
Other assets less other liabilities	3.9%
	100.0%

Top 25 Holdings

	Percentage of Net Asset Value
LONG POSITIONS	
Front Street Tactical Bond Fund	18.8%
Great-West Life*	5.1%
Capital Power Limited Partnership*	4.1%
The Bank of Nova Scotia	3.6%
Sun Life Financial Inc.	3.1%
Royal Bank of Canada	2.7%
Delavaco Properties Inc.*	2.6%
Quebecor Media Inc.*	2.6%
Northgroup Preferred Capital Corporation*	2.5%
The Toronto-Dominion Bank	2.4%
NRG Energy Inc.*	2.3%
Manulife Financial Corporation	2.3%
REDF II Hospitality Fund Limited	2.3%
MEG Energy Corporation*	2.2%
Enbridge Energy Partners, L.P.*	2.2%
Alliance Grain Traders Inc.*	2.0%
Newalta Corporation*	1.9%
Wajax Corporation*	1.9%
Russel Metals Inc.*	1.9%
Garda World Security Corporation	1.8%
Atlantic Power LP*	1.7%
The Descartes Systems Group Inc.	1.7%
Baytex Energy Corporation*	1.7%
Citigroup Inc.	1.7%
Perpetual Energy Inc.*	1.5%
	76.6%
TOTAL NET ASSET VALUE ('000s)	\$52,135

* Debt instruments

The information contained in the foregoing list may change due to the ongoing portfolio transactions of the Fund. In addition, the simplified prospectus and other information about the underlying investment funds are available on the internet at www.frontstreetcapital.com or www.sedar.com

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of Front Street Balanced Monthly Income Class (Formerly Front Street Diversified Income 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 International Financial Reporting Standards 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 3 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 auditors. The Board of Directors approves the audited financial statements for publication.

Segal LLP are the external auditors of Front Street Balanced Monthly Income Class. They are appointed by the Manager of the Fund. The external auditors have 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

Toronto, Ontario
January 25, 2016

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders
of Front Street Balanced Monthly Income Class (the "Fund")
(Formerly Front Street Diversified Income Class) of
Front Street Mutual Funds Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of Front Street Balanced Monthly Income Class (Formerly Front Street Diversified Income Class) which comprise the statements of financial position as at October 31, 2015, October 31, 2014 and November 1, 2013, the statements of comprehensive income, statements of changes in net assets attributable to shareholders of redeemable shares, and statements of cash flows for the years ended October 31, 2015 and 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 International Financial Reporting Standards, 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 Balanced Monthly Income Class as at October 31, 2015, October 31, 2014 and November 1, 2013 and its financial performance and its cash flows for the years ended October 31, 2015 and October 31, 2014 in accordance with International Financial Reporting Standards.

Segal LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
January 25, 2016

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

STATEMENTS OF FINANCIAL POSITION
AS AT OCTOBER 31, 2015, OCTOBER 31, 2014 AND NOVEMBER 1, 2013

	October 31, 2015	October 31, 2014 (Note 16)	November 1, 2013 (Note 16)
ASSETS			
Current			
Financial assets at fair value through profit or loss*	\$ 53,372,378	\$ 94,125,152	\$ 173,361,777
Subscriptions receivable	997	1,080	50,342
Receivables for investments sold	2,169,434	2,663,100	8,348,250
Interest and other receivables	448,817	590,757	1,594,440
Dividends receivable	<u>19,850</u>	<u>44,961</u>	<u>100,292</u>
	<u>\$ 56,011,476</u>	<u>\$ 97,425,050</u>	<u>\$ 183,455,101</u>
LIABILITIES			
Current			
Financial liabilities at fair value through profit or loss*	\$ 489,994	\$ 1,568,334	\$ 1,808,713
Foreign exchange forward contracts at fair value through profit or loss, note 13	-	-	241,877
Accrued expenses, note 9	217,315	310,219	621,411
Redemptions payable	253,448	724,755	1,458,978
Payables for investments purchased	104,778	1,185,294	2,169,162
Bank indebtedness	2,675,643	238,196	651,552
Distributions payable	<u>38,984</u>	<u>77,966</u>	<u>166,677</u>
Liabilities before net assets attributable to shareholders of redeemable shares	<u>3,780,162</u>	<u>4,104,764</u>	<u>7,118,370</u>
Net assets attributable to shareholders of redeemable shares	<u>\$ 52,231,314</u>	<u>\$ 93,320,286</u>	<u>\$ 176,336,731</u>

* Cost of investments is reflected on the Schedule of Investment Portfolio

See accompanying notes to the financial statements

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

STATEMENTS OF FINANCIAL POSITION
AS AT OCTOBER 31, 2015, OCTOBER 31, 2014 AND NOVEMBER 1, 2013

	October 31, 2015	October 31, 2014 (Note 16)	November 1, 2013 (Note 16)
Net assets attributable to shareholders of redeemable shares			
Series A	\$ 26,160,618	\$ 54,226,876	\$ 118,742,735
Series B	\$ 23,261,775	\$ 33,968,913	\$ 49,071,402
Series F	\$ 2,563,693	\$ 4,553,328	\$ 7,429,149
Series X	\$ 245,228	\$ 571,169	\$ 1,093,445
Number of redeemable shares outstanding, note 5			
Series A	3,967,328	7,804,904	17,478,337
Series B	3,492,275	4,841,534	7,155,539
Series F	363,554	620,405	1,047,658
Series X	36,582	81,125	159,342
Net assets attributable to shareholders of redeemable shares per share			
Series A	\$ 6.59	\$ 6.95	\$ 6.79
Series B	\$ 6.66	\$ 7.02	\$ 6.86
Series F	\$ 7.05	\$ 7.34	\$ 7.09
Series X	\$ 6.70	\$ 7.04	\$ 6.86

Approved 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 BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015	2014 (Note 16)
Investment income		
Interest income for distribution purposes and other	\$ 2,334,436	\$ 4,089,519
Dividends	716,142	1,675,171
Distributions from underlying funds, note 9	416,942	113,905
Securities lending revenue, note 10	9,984	4,744
Foreign currency gain on cash and other net assets	95,182	110,836
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss ("FVTPL")		
Net realized gain (loss) on financial assets and liabilities at FVTPL	507,435	(951,382)
Net realized gain (loss) on foreign exchange forward contracts and futures	(54,894)	(606,019)
Change in unrealized appreciation (depreciation) on financial assets and liabilities at FVTPL	(1,665,572)	7,409,268
Change in unrealized appreciation (depreciation) on foreign exchange forward contracts and futures	-	241,877
	<u>2,359,655</u>	<u>12,087,919</u>
Expenses		
Management fees, notes 6 and 9	837,715	1,561,549
Servicing fees, notes 6 and 9	582,865	1,003,636
Transaction costs, notes 8 and 9	372,907	685,446
Administration fees	237,527	373,181
Custodial fees	98,752	78,426
Legal fees	50,312	53,857
Audit fees	37,713	56,997
Operating costs, notes 6 and 9	32,909	73,363
Foreign withholding taxes	13,892	23,254
Independent review committee	7,206	8,284
Compensatory dividends	6,891	1,829
Securityholder reporting costs	2,165	2,119
Interest and borrowing expense	-	12
	<u>2,280,854</u>	<u>3,921,953</u>
Increase in net assets attributable to shareholders of redeemable shares from operations	<u>\$ 78,801</u>	<u>\$ 8,165,966</u>

See accompanying notes to the financial statements

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015	2014 (Note 16)
Increase (decrease) in net assets attributable to shareholders of redeemable shares from operations		
Series A	\$ 155,349	\$ 5,224,588
Series B	\$ (136,850)	\$ 2,508,240
Series F	\$ 55,786	\$ 384,972
Series X	\$ 4,516	\$ 48,166
Increase (decrease) in net assets attributable to shareholders of redeemable shares from operations per share		
Series A	\$ 0.03	\$ 0.45
Series B	\$ (0.03)	\$ 0.44
Series F	\$ 0.12	\$ 0.51
Series X	\$ 0.08	\$ 0.46

See accompanying notes to the financial statements

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

**STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO
SHAREHOLDERS OF REDEEMABLE SHARES
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**

	2015	2014 (Note 16)
Net assets attributable to shareholders of redeemable shares, beginning of year		
Series A	\$ 54,226,876	\$ 118,742,735
Series B	33,968,913	49,071,402
Series F	4,553,328	7,429,149
Series X	<u>571,169</u>	<u>1,093,445</u>
	<u>93,320,286</u>	<u>176,336,731</u>
Increase (decrease) in net assets attributable to shareholders of redeemable shares from operations		
Series A	155,349	5,224,588
Series B	(136,850)	2,508,240
Series F	55,786	384,972
Series X	<u>4,516</u>	<u>48,166</u>
	<u>78,801</u>	<u>8,165,966</u>
Redeemable share transactions		
Proceeds from redeemable shares issued		
Series A	1,480,075	3,145,158
Series B	529,332	1,459,116
Series F	492,235	1,602,807
Series X	<u>-</u>	<u>8,769</u>
	<u>2,501,642</u>	<u>6,215,850</u>
Reinvestment of distributions to shareholders of redeemable shares		
Series A	989,837	2,019,523
Series B	1,005,447	1,357,497
Series F	102,570	152,147
Series X	<u>13,586</u>	<u>25,206</u>
	<u>2,111,440</u>	<u>3,554,373</u>
Redemption of redeemable shares		
Series A	(29,196,473)	(71,824,220)
Series B	(10,988,925)	(18,886,038)
Series F	(2,511,899)	(4,813,336)
Series X	<u>(329,166)</u>	<u>(576,724)</u>
	<u>(43,026,463)</u>	<u>(96,100,318)</u>
Net decrease in net assets from redeemable share transactions	<u>(38,413,381)</u>	<u>(86,330,095)</u>

See accompanying notes to the financial statements

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

**STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO
SHAREHOLDERS OF REDEEMABLE SHARES
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014**

	2015	2014 (Note 16)
Distribution to shareholders of redeemable shares		
Return of capital		
Series A	(1,495,046)	(3,080,908)
Series B	(1,116,142)	(1,541,304)
Series F	(128,327)	(202,411)
Series X	<u>(14,877)</u>	<u>(27,693)</u>
	<u>(2,754,392)</u>	<u>(4,852,316)</u>
Decrease in net assets attributable to shareholders of redeemable shares	<u>(41,088,972)</u>	<u>(83,016,445)</u>
Net assets attributable to shareholders of redeemable shares, end of year		
Series A	26,160,618	54,226,876
Series B	23,261,775	33,968,913
Series F	2,563,693	4,553,328
Series X	<u>245,228</u>	<u>571,169</u>
Total	<u>\$ 52,231,314</u>	<u>\$ 93,320,286</u>

See accompanying notes to the financial statements

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015 (Note 16)	2014 (Note 16)
Cash flows from operating activities		
Increase in net assets attributable to shareholders of redeemable shares from operations	\$ 78,801	\$ 8,165,966
Adjustments for:		
Foreign currency gain on cash and other net assets	(95,182)	(110,836)
Net realized loss (gain) on financial assets and liabilities at FVTPL	(507,435)	951,382
Net realized loss on foreign exchange forward contracts and futures	54,894	606,019
Change in unrealized depreciation (appreciation) on foreign exchange forward contracts and futures	-	(241,877)
Change in unrealized depreciation (appreciation) on financial assets and liabilities at FVTPL	1,665,572	(7,409,268)
Non-cash distributions from underlying funds	(416,942)	(113,905)
Decrease in interest and other receivable	141,940	1,003,683
Decrease in dividends receivable	25,111	55,331
Decrease in other payables and accrued liabilities	(92,904)	(311,192)
Purchases of financial assets and liabilities at FVTPL	(73,645,644)	(208,756,734)
Proceeds from sales of financial assets and liabilities at FVTPL	111,992,033	299,026,053
Settlement of foreign exchange forward contracts and futures	<u>(54,894)</u>	<u>(606,019)</u>
Net cash generated by operating activities	<u>39,145,350</u>	<u>92,258,603</u>

See accompanying notes to the financial statements

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015 (Note 16)	2014 (Note 16)
Cash flows from financing activities		
Proceeds from redeemable shares issued	2,501,725	6,265,112
Amounts paid on redemption of redeemable shares	(43,497,770)	(96,834,541)
Distributions to shareholders of redeemable shares, net of reinvested distributions	<u>(681,934)</u>	<u>(1,386,654)</u>
Net cash used by financing activities	<u>(41,677,979)</u>	<u>(91,956,083)</u>
Net change in cash and cash equivalents (bank indebtedness)	(2,532,629)	302,520
Foreign currency gain on cash and other net assets	95,182	110,836
Bank indebtedness, beginning of year	<u>(238,196)</u>	<u>(651,552)</u>
Bank indebtedness, end of year	<u>\$ (2,675,643)</u>	<u>\$ (238,196)</u>
Cash and cash equivalents comprise:		
Bank indebtedness	<u>\$ (2,675,643)</u>	<u>\$ (238,196)</u>
Interest received, net of withholding tax	\$ 2,476,376	\$ 5,093,204
Dividends received, net of withholding tax	\$ 727,361	\$ 1,707,248
Compensatory dividends paid	\$ (6,891)	\$ (1,829)
Interest paid	-	(12)

See accompanying notes to the financial statements

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

SCHEDULE OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2015

	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
Long positions (102.1%)			
Consumers Discretionary (3.2%)			
Gaming Nation Inc.	233,772	\$ 432,067	\$ 147,276
Magna International Inc.	2,400	168,686	165,504
Performance Sports Group Limited	12,190	239,044	182,876
REDF II Hospitality Fund Limited Partnership Units	2,000	2,000,000	1,200,000
TimePlay Inc., Warrants September 27, 2018	4,310,000	<u>-</u>	<u>4</u>
		<u>\$ 2,839,797</u>	<u>\$ 1,695,660</u>
Consumers Staples (1.7%)			
Alimentation Couche-Tard Inc. 'B'	10,000	\$ 395,187	\$ 562,500
Liquor Stores NA Limited	29,314	<u>430,193</u>	<u>356,458</u>
		<u>\$ 825,380</u>	<u>\$ 918,958</u>
Energy (0.6%)			
Brasil Ecoetanol Limited	1,166,667	\$ 350,000	\$ -
Raging River Exploration Inc.	18,600	152,217	154,380
Spartan Energy Corporation	4,800	10,853	11,472
Whitecap Resources Inc.	11,200	<u>128,464</u>	<u>130,032</u>
		<u>\$ 641,534</u>	<u>\$ 295,884</u>
Financials (22.5%)			
Altus Group Limited	40,000	\$ 635,004	\$ 762,000
Citigroup Inc.	12,400	831,832	862,472
Committed Capital Acquisition Corporation II	85,300	467,382	502,132
Delavaco Properites Inc., Warrants June 3, 2017	231,000	-	24,271
Delavaco Residential Properties Corporation	360,248	454,096	103,677
Dundee Acquisition Limited - Class A	36,000	360,000	348,480
Dundee Acquisition Limited, Warrants June 1, 2020	18,000	-	4,770
Element Financial Corporation	43,600	619,404	737,276
Manulife Financial Corporation	55,400	1,130,898	1,201,072

See accompanying notes to the financial statements

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

SCHEDULE OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2015

	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
Financials (22.5%) (Continued...)			
MetLife Inc.	3,300	206,026	217,485
Morgan Stanley	9,300	445,501	401,105
Prudential Financial Inc.	3,800	405,545	410,005
Royal Bank of Canada	18,600	1,375,433	1,390,722
Sun Life Financial Inc.	36,800	1,379,011	1,622,880
The Bank of Nova Scotia	30,913	1,904,241	1,900,841
The Toronto-Dominion Bank	23,600	<u>1,234,345</u>	<u>1,266,848</u>
		<u>\$ 11,448,718</u>	<u>\$ 11,756,036</u>
Industrials (0.7%)			
Air Canada	24,200	\$ 216,752	\$ 260,392
Enwave Corporation, Warrants December 20, 2015	138,500	-	-
Flyht Aerospace Solutions Limited, Warrants December 23, 2015	1,250,000	-	1
General Electric Company	2,600	<u>85,667</u>	<u>98,362</u>
		<u>\$ 302,419</u>	<u>\$ 358,755</u>
Health Care (1.6%)			
Nobilis Health Corporation	110,500	\$ 966,110	\$ 407,745
Nobilis Health Corporation, Warrants May 13, 2017	55,250	-	8,288
Pfizer Inc.	5,600	240,151	247,826
Savaria Corporation	35,000	113,750	186,900
Savaria Corporation, Warrants April 15, 2017	17,500	<u>-</u>	<u>20,850</u>
		<u>\$ 1,320,011</u>	<u>\$ 871,609</u>

See accompanying notes to the financial statements

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

SCHEDULE OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2015

	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
Information Technology (5.8%)			
CGI Group Inc. 'A'	14,300	\$ 727,529	\$ 694,551
DealNet Capital Corporation Restricted	90,000	36,000	86,400
DealNet Capital Corporation, Warrants February 18, 2017	45,000	-	26,686
Engagement Labs Inc., Warrants December 31, 2016	100,000	-	3,790
Engagement Labs Inc., Warrants March 18, 2017	300,000	-	12,947
Facebook Inc. 'A'	2,000	209,356	266,784
First Global Data Limited	60,273	-	2,712
First Global Data Limited, Warrants November 21, 2016	535,246	-	20,930
Frankly Inc.	103,660	309,757	97,440
Halogen Software Inc.	20,200	188,301	178,770
Immersion Corporation	1,080,000	501,505	-
iON World LLC	44,000	54,162	57,558
QYOU Media Inc., Restricted	108,000	54,000	54,000
QYOU Media Inc., Warrants	108,000	-	-
QYOU Media Inc., Warrants January 15, 2018	54,000	-	-
Skyworks Solutions Inc.	1,300	147,041	131,354
Splunk Inc.	4,400	342,134	323,248
The Descartes Systems Group Inc.	40,000	572,670	915,200
UpSnap Inc.	1,131,710	282,928	28,293
VersaPay Corporation	123,000	172,200	135,300
VersaPay Corporation, Warrants May 7, 2017	61,500	-	12,584
		<u>\$ 3,597,583</u>	<u>\$ 3,048,547</u>

See accompanying notes to the financial statements

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

SCHEDULE OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2015

	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
Materials (3.1%)			
Banro Corporation, Warrants March 2, 2017	100,800	\$ 180,619	\$ -
Canam Group Inc.	35,300	457,185	534,796
Colossus Minerals Inc., Warrants April 23, 2019	321,012	-	-
Colossus Minerals Inc.	640,740	1,053,571	1,006
Interfor Corporation	6,000	77,087	74,520
Intertape Polymer Group Inc.	45,000	575,785	660,600
Jemi Fibre Corporation	333,333	200,000	85,000
Jemi Fibre Corporation, Warrants March 24, 2018	333,333	-	18,668
Rio Verde Minerals Development Corporation, Warrants July 27, 2016	1,077,300	-	1
Tahoe Resources Inc.	7,700	91,291	84,084
Torex Gold Resources Inc.	36,000	46,800	44,640
Western Forest Products Inc.	51,400	<u>108,054</u>	<u>99,202</u>
		<u>\$ 2,790,392</u>	<u>\$ 1,602,517</u>
Mutual Fund (18.8%)			
Front Street Tactical Bond Fund	952,490	<u>\$ 9,524,897</u>	<u>\$ 9,803,215</u>

See accompanying notes to the financial statements

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

SCHEDULE OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2015

	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
Corporate Bonds (44.1%)			
Aeromechanical Services Limited 8.000%, Convertible Debentures, December 23, 2016	1,000,000	\$ 1,000,000	\$ 500,000
Alliance Grain Traders Inc. 9.000%, February 14, 2018	1,000,000	1,017,500	1,055,440
Atlantic Power LP 5.950%, June 23, 2036	1,208,000	817,590	906,000
Baytex Energy Corporation 6.625%, July 19, 2022	1,000,000	1,039,167	895,000
Capital Power Limited Partnership 5.276%, November 16, 2020	2,000,000	2,083,000	2,136,500
Cricket Media Group 6.500%, Convertible Debenture, October 31, 2016	1,400,000	1,400,000	700,000
Delavaco Properties Inc. 7.500%, Secured Senior Note, June 30, 2016	1,050,000	1,077,243	1,373,555
Enbridge Energy Partners 8.050%, Variable Rate, October 1, 2037	1,000,000	1,187,592	1,167,404
Garda World Security Corporation Term Loan B	982,500	978,959	954,302
Golf Town Canada/Golfsmith 10.500%, July 24, 2018	1,000,000	1,010,000	651,050
Graoch Associates # 171 Limited Partnership 0.00%, April 30, 2010	2,000,000	2,121,701	-
Great Basin Gold Limited 8.000%, Convertible Bond, November 30, 2014	3,353,083	167,654	-
Great-West Life Annuity 7.153%, Floating Rate, May 16, 2046	2,000,000	1,947,948	2,635,916
Ivanhoe Energy Inc. 5.750%, June 30, 2016	328,000	254,610	-
MEG Energy Corporation 6.500%, March 15, 2021	1,000,000	1,058,897	1,171,446
MicroPlanet Technology Corporation 12.000%, December 31, 2013	750,000	750,000	-
MicroPlanet Technology Corporation 12.000%, Convertible Notes, June 30, 2014	500,000	500,000	-

See accompanying notes to the financial statements

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

SCHEDULE OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2015

	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
Corporate Bonds (44.1%) (Continued)			
Newalta Corporation 7.750%, November 14, 2019	1,000,000	1,066,250	1,004,810
Noranda Operating Trust 6.875%, December 28, 2016	433,334	444,601	435,704
Norbord Inc. 5.375%, December 1, 2020	100,000	104,690	133,379
Northgroup Preferred Capital Corporation 6.378%, Floating Rate, January 29, 2049	1,000,000	1,064,842	1,324,499
NOVA Chemicals Corporation 5.250%, August 1, 2023	500,000	518,357	668,901
NRG Energy Inc. 6.625%, March 15, 2023	1,000,000	1,065,852	1,203,221
Perpetual Energy Inc. 8.750%, March 15, 2018	1,000,000	985,241	780,000
Quebecor Media Inc. 5.750%, January 15, 2023	1,000,000	983,324	1,330,320
Russel Metals Inc. 6.000%, April 19, 2022	1,000,000	1,016,250	985,000
TimePlay Inc. 10.000%, Debentures, May 17, 2015	2,500,000	2,500,000	12,500
Wajax Corporation 6.125%, October 23, 2020	1,000,000	<u>1,006,034</u>	<u>996,250</u>
		<u>\$ 29,167,302</u>	<u>\$ 23,021,197</u>
Total Long Positions (102.1%)		<u>\$ 62,458,033</u>	<u>\$ 53,372,378</u>
Short Positions (-0.9%)			
Energy (-0.2%)			
Ensign Energy Services Inc.	(12,600)	<u>\$ (138,828)</u>	<u>\$ (103,572)</u>

See accompanying notes to the financial statements

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

SCHEDULE OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2015

	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
Written Options (-0.7%)			
Alimentation Couche November/58 WCO	(25)	\$ (3,200)	\$ (2,125)
Alimentation Couche November/60 WCO	(50)	(2,575)	(2,250)
Apple Inc. November/110 WPO	(35)	(12,854)	(1,923)
Bank of America Corporation November/17 WPO	(200)	(28,143)	(11,512)
Bankers Petroleum Limited November/3 WPO	(400)	(28,400)	(32,000)
Canfor Corporation November/20 WPO	(90)	(16,920)	(15,075)
Cardinal Energy Limited November/10 WPO	(90)	(2,160)	(2,700)
CGI Group Inc. 'A' November/46 WPO	(48)	(4,800)	(2,664)
CGI Group Inc. 'A' November/50 WCO	(50)	(4,450)	(4,000)
Citigroup Inc. November/50 WPO	(48)	(5,823)	(1,193)
Element Financial Corporation November/17 WPO	(60)	(3,840)	(3,990)
Facebook Inc. 'A' November/105 WCO	(10)	(3,820)	(3,493)
Facebook Inc. 'A' November/107 WCO	(10)	(3,290)	(2,590)
Franco-Nevada Corporation November/66 WPO	(45)	(10,485)	(9,788)
General Electric Corporation November/28 WPO	(72)	(3,422)	(2,637)
Gilead Sciences Inc. November/92.5 WPO	(12)	(8,460)	(220)
Goldcorp Inc. November/18 WPO	(180)	(7,740)	(29,520)
Interfor Corporatio November/13 WCO	(30)	(870)	(825)
Interfor Corporatio November/14 WPO	(180)	(17,640)	(30,150)
Kelt Exploration Limited November/6 WPO	(90)	(2,610)	(10,800)
Magna International Inc. November/50 WPO	(36)	(3,759)	(2,543)
Magna International Inc. November/62 WPO	(25)	(7,700)	(625)
Magna International Inc. November/64 WPO	(60)	(6,480)	(2,550)
Maple Leaf Foods Inc. November/22 WPO	(200)	(12,300)	(26,000)
Morgan Stanley November/32 WPO	(48)	(3,872)	(2,637)
Morgan Stanley November/34 WCO	(30)	(1,804)	(1,413)
Morgan Stanley November/35 WCO	(20)	(1,102)	(392)
NXP Semiconductors Dec/85 WPO	(24)	(24,010)	(27,628)
NXP Semiconductors November/82.5 WPO	(18)	(9,139)	(13,893)
Performance Sports Group Limited November/15 WCO	(60)	(3,240)	(3,600)
Performance Sports Group Limited November/17 WCO	(120)	(7,080)	(1,140)
Pfizer Inc. December/36 WCO	(36)	(3,395)	(1,837)
Precision Drilling Corporation November/7 WPO	(90)	(10,890)	(17,100)
Prudential Financial Inc. November/75 WPO	(24)	(3,389)	(1,319)

See accompanying notes to the financial statements

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

SCHEDULE OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2015

	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
Written Options (-0.7%) (Continued)			
Raging River Exploration Inc. November/8 WCO	(45)	(1,868)	(2,475)
Raging River Exploration Inc. November/9 WPO	(150)	(12,599)	(11,624)
Royal Bank of Canada November/76 WCO	(95)	(4,465)	(4,655)
Secure Energy Services November/11 WPO	(52)	(8,996)	(12,090)
Skyworks Solutions November/82 WCO	(18)	(6,927)	(5,298)
Skyworks Solutions November/85 WCO	(20)	(5,201)	(3,663)
Splunk Inc. November/62.5 WCO	(6)	(877)	(573)
Sun Life Financial Inc. November/46 WCO	(120)	(5,760)	(2,160)
Tahoe Resources Inc. November/11.5 WPO	(60)	(3,240)	(5,700)
Tahoe Resources Inc. November/12 WCO	(77)	(3,888)	(1,540)
Tahoe Resources Inc. November/12 WPO	(30)	(1,620)	(3,975)
The Descartes Systems Group Inc. November/23 WCO	(200)	(8,900)	(10,000)
The Toronto-Dominion Bank November/52 WPO	(54)	(3,348)	(1,728)
The Toronto-Dominion Bank November/54 WCO	(54)	(1,890)	(3,564)
Torc Oil & Gas Limited November/6 WPO	(90)	(1,710)	(1,350)
Torc Oil & Gas Limited November/7 WPO	(180)	(8,820)	(9,900)
Whitecap Resources Inc. November/12 WPO	(90)	(2,835)	(5,625)
Whitecap Resources Inc. November/13 WCO	(112)	(4,368)	(1,008)
Whitecap Resources Inc. November/13 WPO	(199)	<u>(10,375)</u>	<u>(27,362)</u>
		<u>\$ (367,349)</u>	<u>\$ (386,422)</u>
Total Short Position (-0.9%)		<u>\$ (506,177)</u>	<u>\$ (489,994)</u>
Transaction costs, note 3		<u>\$ (84,680)</u>	
Total Investments (101.2%)		<u>\$ 61,867,176</u>	52,882,384
Bank indebtedness (-5.1%)			(2,675,643)
Other assets less liabilities (3.9%)			<u>2,024,573</u>
Net assets (100.0%)			<u>\$ 52,231,314</u>

See accompanying notes to the financial statements

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

1. THE FUND

Front Street Balanced Monthly Income Class (formerly Diversified Income 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. Pursuant to the notice of change in legal structure, the name of the Fund was changed to Front Street Diversified Income Class on June 27, 2012. On July 17, 2015, the name of the fund was changed to Front Street Balanced Monthly Income Class. Reference is made to the Fund's Simplified Prospectus for additional information on the Fund's structure. Series A commenced operations on June 22, 2006. Series B commenced operations on June 22, 2006. Series F commenced operations on August 11, 2006. Series X commenced operations on December 3, 2009.

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, 2015.

The Fund is managed by Front Street Capital 2004 (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. Front Street Capital 2004 assumed the portfolio management and investment advisory services from Front Street Investment Management Inc. on October 16, 2015. NBCN Inc. is the custodian. Citigroup Fund Services Canada, Inc. provides fund accounting services and shareholder recordkeeping services.

The Fund's investment objective is to provide shareholders with consistent long term capital growth and the opportunity for income through the selection, management and strategic trading of long and short positions in securities of income trusts, common shares, preferred shares, derivatives and corporate and government debt.

The Investment Advisor will also consider positioning the Fund's investment portfolio to reduce its correlation to Canadian equity and fixed-income indices.

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

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

2. BASIS OF PRESENTATION AND ADOPTION OF INTERNATIONAL FINANCIAL STANDARDS

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The Fund adopted IFRS in 2015 as required by Canadian securities legislation and the Canadian Accounting Standards Board. These are the Fund's first annual financial statements prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied. For the period from November 1, 2013 to October 31, 2014, the Fund had previously prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as defined in Part V of the CPA Canada Handbook. To prepare comparative information, the Fund has applied IFRS as at November 1, 2013, the Fund's date of transition to IFRS. The accounting, estimation and valuation policies adopted on conversion to IFRS, as described below, have been applied consistently to all periods presented herein. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows is provided in note 16 (Explanation of Transition to IFRS).

These financial statements were authorized for issue by the Board of Directors on January 25, 2016.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, except for financial assets and liabilities at fair value through profit or loss which are measured at fair value.

(c) Functional and presentation currency

The financial statements have been presented in Canadian dollars, which is the Fund's functional currency, and all values are rounded to the nearest dollar except where otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been applied consistently to all periods presented in these financial statements and in preparing the statement of financial position as at November 1, 2013 for the purpose of the transition to IFRS.

(a) Financial instruments

Classification of financial instruments

The Fund classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39, Financial Instruments: Recognition and Measurement:

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

(a) Financial instruments (Continued...)

Financial assets and liabilities at fair value through profit or loss

The category of financial assets and liabilities at fair value through profit or loss is sub-divided into the following two sub-categories.

Financial assets and liabilities held for trading: financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include equities, treasury bills, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund as set out in the Fund's Investment Guidelines.

The Fund recognizes financial instruments at fair value upon initial recognition. Transaction costs include brokerage commissions incurred in the purchase and sale of portfolio investments in which the Fund invests. All such costs are expensed in the period incurred and presented in the statements of comprehensive income. Purchases and sales of financial assets are recognized at their trade date. The Fund's investments and derivative assets and liabilities are measured at fair value through profit or loss (FVTPL), including certain investments in debt securities which have been designated at FVTPL. The Fund's obligations for net assets attributable to shareholders of redeemable shares are presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives, except for warrants classified as level 2 are identical to those used in measuring its net asset value ("NAV") for transactions with shareholders.

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Quantitative information on the impact on the Fund's statements of financial position if all amounts were set off is required.

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

(b) Fair value measurement

The Fund's portfolio investments are classified as fair value through profit or loss ("FVTPL"). Any unrealized gain or loss arising due to changes in fair value during the reporting period is presented separately in the statements of comprehensive income. Portfolio investments cannot be reclassified out of the FVTPL category while they are held.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. The fair value of financial instruments traded in active markets should be measured based on a price within the bid and ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. The Fund has determined the closing sale price to be most reflective of fair value unless this price is outside the bid-ask spread. When the closing sale price of financial instruments traded in active markets is outside the bid and ask spread, such financial instruments are measured based on the bid price for securities owned or held long and on the asking price for securities sold short. The fair value of financial instruments not traded in an active market (including, but not limited to securities in private companies, warrants and restricted securities) are determined using valuation techniques. Depending on the circumstances, the Fund may use several methods and make assumptions based on market conditions existing at each reporting date. Valuation techniques may include, without limitation, the use of comparable recent arm's length transactions, discounted cash flow analysis, option-pricing models and other valuation techniques commonly used by market participants. Estimated fair values for investments in securities not traded in an active market are based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for such investments.

The fair value of financial instruments which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided above less a discount of 2% per month up to four months.

Short-term investments, if any, are valued at the aggregate of cost and accrued interest receivable, which approximates fair value.

For financial statement reporting purposes, under National Instrument 81-106 ("NI 81-106") the Fund is required to disclose the differences between net assets attributable to redeemable shares per share and net asset value per share, including any differences in valuation principles or practices for the purposes of calculating net asset value versus those required under IFRS. A reconciliation between the net assets attributable to redeemable shares per share for financial reporting purposes and net asset value for investor transactions is presented in note 11 (Reconciliation of Net Asset Value to IFRS Net Assets Attributable to Shareholders of Redeemable Shares).

Investments in mutual funds or pooled funds are valued based on the net asset value per share at the close of trading on the financial statement date.

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

(c) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments, other than cash collateral provided in respect of derivatives and securities borrowing transactions.

(d) Redeemable shares

The Fund classifies redeemable shares issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Fund has multiple classes of redeemable shares that do not have identical features and therefore, do not qualify as equity under IAS 32, Financial Instruments. The redeemable shares, which are classified as financial liabilities and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a share price based on the Fund's valuation policies at each redemption date. The shares represent the residual interest in the Fund.

(e) Impairment of financial assets

At the end of each reporting period, the Fund reviews its financial assets that are carried at amortized cost for any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured and recognized as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed.

(f) Investment transactions and income recognition

Investment transactions are accounted for on a trade date basis. Realized gains and losses are calculated on a weighted average cost basis.

Revenue from investments is recognized on the accrual basis. Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis and is recognized through profit or loss. Dividend revenue is recognized on the ex-dividend date.

FRONT STREET BALANCED MONTHLY INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

(g) Securities lending, repurchase and reverse repurchase transactions

The Fund is permitted to enter into securities lending, repurchase and reverse repurchase transactions as set out in the Simplified Prospectus. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities on a future date. The value of cash or securities held as collateral must at least 102% of the fair value of the securities loaned, sold or purchased. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the statements of comprehensive income under the heading securities lending revenue.

(h) Foreign currency translation

The fair value of investments and derivatives, other assets and liabilities denominated in foreign currencies are translated at the exchange rate between the functional currency and the foreign currency at each of the valuation date. Foreign currency transactions, including purchase and sales of investments, investment income and expenses are translated at the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Realized and unrealized exchange gains and losses on foreign currency cash and cash equivalents and other assets and liabilities are presented as "Foreign currency gain (loss) on cash and cash equivalents and other net assets". Realized and unrealized exchange gains and losses on investments and derivatives are presented within "Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss".

(i) Increase (decrease) in net assets attributable to shareholders of redeemable shares from operations per share

Increase (decrease) in net assets attributable to shareholders of redeemable shares from operations per share is calculated by dividing the increase (decrease) in net assets attributable to shareholders of redeemable shares from operations of a series by the average number of shares outstanding of that series during the year.

(j) Net assets attributable to shareholders of redeemable shares per share

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

FRONT STREET BALANCED MONTHLY INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

(k) Transaction costs

Portfolio transaction costs are expensed and are included in "Transaction costs" in the statements of comprehensive income. 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 schedule of investment portfolio includes only those transaction costs incurred on the acquisition of portfolio investments.

(l) Provisions

The Fund recognizes a provision, if as a result of a prior event, the Fund has a current obligation requiring the outflow of resources to settle. Provisions are recorded at the Manager's best estimates of the most probable outcome of any future settlement.

(m) Interests in subsidiaries, associates and unconsolidated structured entities

The Fund meets the definition of an investment entity and as such, does not consolidate the entities it controls. Instead, interests in entities subject to control are classified as fair value through profit or loss, and measured at fair value.

The Fund may invest in redeemable units of other investment funds as part of its investment strategy. The nature and purpose of the investee funds generally is to manage assets on behalf of third party investors and generate fees for the investment manager, and are financed through the issue of redeemable units to investors.

The maximum exposure to loss from interests in investee funds is equal to the fair value of the investment in those respective funds, which are included in financial assets at fair value through profit or loss in the statements of financial position.

(n) Future changes in accounting standards:

IFRS 9 - Financial Instruments

IFRS 9 was issued in November 2009 with an implementation date of annual periods beginning on or after January 1, 2018. It addresses classification and measurement of financial assets and replaces the multiple categories and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

FRONT STREET BALANCED MONTHLY INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The timely preparation of financial statements requires the Fund to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The following summarizes the accounting judgments, estimates and assumptions the Fund considers significant:

(a) Valuation of investments

Portfolio investments are measured and reported at fair value through profit or loss. Portfolio investments may include securities not traded in an active market, the fair value of which is determined using valuation techniques. Such estimates of fair value of portfolio investments not traded in an active market involve assumptions and uncertainties, and may include matters of significant judgment. Therefore, such estimates are subjective and cannot be determined with precision. Changes in assumptions may significantly affect the estimates.

(b) Other judgments, estimates and assumptions

Estimates are also used when determining the amount of impairment of assets and the likelihood of contingencies.

(c) Assessment as investment entity

The Manager has concluded that the Fund has the characteristics of an investment entity, in that it has more than one investment and is managed in accordance with the articles of incorporation and prospectus; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

5. REDEEMABLE SHARES

Net assets attributable to holders of redeemable shares consists of amounts paid for shares, undistributed income, realized gains and losses and unrealized appreciation (depreciation) of financial assets at FVTPL, and represents the capital of the Fund. The Fund may issue an unlimited number of redeemable shares. Each share is redeemable at the option of the shareholder in accordance with the articles of incorporation and prospectus, and entitles the shareholder to a proportionate interest in the net assets of the Fund. The Fund has no restrictions or specified capital requirements on subscriptions or redemptions of shares.

FRONT STREET BALANCED MONTHLY INCOME CLASS
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5. **REDEEMABLE SHARES** (Continued...)

The authorized capital of the Fund consists of an unlimited number of mutual fund shares, available in four 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 first 36 months 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.

Series X 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 5% applies to shares of this series sold within the first year following acquisition. A redemption fee of 3% applies to shares of this series sold within the second year following acquisition. A redemption fee of 1.5% applies to shares of this series sold within the third year following acquisition. No redemption fee applies to shares of this series sold after the third year following acquisition.

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

FRONT STREET BALANCED MONTHLY INCOME CLASS
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5. **REDEEMABLE SHARES** (Continued...)

The following redeemable share transactions took place during the years:

	2015	2014
Redeemable shares outstanding, beginning of the year:		
Series A	7,804,904	17,478,337
Series B	4,841,534	7,155,539
Series F	620,405	1,047,658
Series X	81,125	159,342
Redeemable shares issued during the year:		
Series A	209,718	456,402
Series B	75,119	207,709
Series F	66,387	219,126
Series X	-	1,214
Redeemable shares distributions reinvested during the year:		
Series A	142,318	292,201
Series B	143,291	194,120
Series F	13,882	20,921
Series X	1,922	3,605
Redeemable shares redeemed during the year:		
Series A	4,189,612	10,422,036
Series B	1,567,669	2,715,834
Series F	337,120	667,300
Series X	46,465	83,036
Redeemable shares outstanding, end of the year:		
Series A	3,967,328	7,804,904
Series B	3,492,275	4,841,534
Series F	363,554	620,405
Series X	36,582	81,125

FRONT STREET BALANCED MONTHLY INCOME CLASS
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6. FEES AND EXPENSES

The Fund pays a monthly management fee equal to 1/12 of 1.25% of the net asset value of the Series A shares and Series X shares and 1/12 of 1% of the net asset value of the Series B and Series F shares 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.

The Fund pays a monthly service fee of 1/12 of 0.75% of the net asset value of the Series A shares and 1/12 of 1% of the net asset value of Series B shares and 1/12 of 0.50% of the net asset value of Series X shares calculated and paid at the end of each month.

There are no 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 stopped charging such fees August 2015.

FRONT STREET BALANCED MONTHLY INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
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7. INCOME TAX 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.

8. TRANSACTION COSTS AND SOFT DOLLARS

The total brokerage commissions paid by the Fund with respect to security transactions for the year ended October 31, 2015 was \$372,907 (2014 - \$685,446)

There were no soft dollar amounts included in brokerage commissions.

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

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9. **RELATED PARTY TRANSACTIONS**

During the years ended October 31, 2015 and 2014, fees paid to the Manager were as follows:

	2015	2014
Management fees, note 6	<u>\$ 837,715</u>	<u>\$ 1,561,549</u>
Servicing fees, note 6	<u>\$ 582,865</u>	<u>\$ 1,003,636</u>
Operating costs, note 6	<u>\$ 32,909</u>	<u>\$ 73,363</u>

Management fees payable and other payables included in the accrued expenses were as follows:

	October 31, 2015	October 31, 2014	November 1, 2013
Management fees payable	<u>\$ 55,089</u>	<u>\$ 102,611</u>	<u>\$ 207,992</u>
Servicing fees payable	\$ 36,308	\$ 64,509	\$ 125,898
Operating costs payable (receivable)	<u>-</u>	<u>(20,412)</u>	<u>12,473</u>
	<u>\$ 36,308</u>	<u>\$ 44,097</u>	<u>\$ 138,371</u>

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

	October 31, 2015	October 31, 2014	November 1, 2013
Series B shares held by the Partners of the Manager	439,574.96	475,794.58	458,883.44
Percentage of Series B shares held by the Partners of the Manager	12.59%	9.83%	6.41%
Series F shares held by the Partners of the Manager	7,315.09	20,930.46	43,547.59
Percentage of Series F shares held by the Partners of the Manager	2.01%	3.37%	4.16%
Series F shares held by the relatives of the Partners of the Manager	1,334.76	2,121.22	-
Percentage of Series F shares held by the relatives of the Partners of the Manager	0.37%	0.34%	-%

FRONT STREET BALANCED MONTHLY INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
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9. **RELATED PARTY TRANSACTIONS** (Continued...)

As at October 31, 2015, the Fund owned 952,490 (October 31, 2014 - Nil; November 1, 2013 - Nil) shares of Front Street Tactical Bond Fund, representing 13.5% (October 31, 2014 - Nil%; November 1, 2013 - Nil%) of the total Front Street Tactical Bond Fund shares outstanding, which was also managed by the Manager.

As at October 31, 2015, the Fund owned Nil (October 31, 2014 - 690,274; November 1, 2013 - Nil) shares of Front Street Tactical Bond Class Series I, representing Nil% (October 31, 2014 - 30.53%; November 1, 2013 - Nil%) of the total Front Street Tactical Bond Class Series I shares outstanding, which was also managed by the Manager.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution only basis. During the year ended October 31, 2015, Tuscarora Capital Inc., a company under common control to the Manager, received \$118,496 (2014 - \$293,905) in commissions on portfolio transactions for the Fund.

Management fees, servicing fees, and operating costs are measured at the consideration prescribed by the offering documents of the Fund. When related parties enter shareholder transactions with the Fund, the consideration is the transactional NAV available to all other shareholders on the trade date.

10. **SECURITIES LENDING**

The Fund lends portfolio securities from time to time in order to earn additional income. The Fund has entered into a securities lending program with its custodian, NBCN Inc. The aggregate fair value of all securities loaned will not exceed 50% of the net assets of the Fund. The Fund receives collateral (in the form of obligations of, or guaranteed by, the Government of Canada, or a province thereof, or by the United States government or its agencies and/or cash) against the loaned securities. Collateral is maintained in an amount representing at least 102% of the fair value of the loaned securities during the year the loan is outstanding. The fair value of the loaned securities is determined daily at the close of business of the Fund and any additional collateral required is delivered to the Fund on the next business day. As at October 31, 2015, October 31, 2014 and November 1, 2013, the aggregate fair values of the Fund's securities loaned and the collateral received were as follows:

	October 31, 2015	October 31, 2014	November 1, 2013
Value of securities loaned	<u>\$ 461</u>	<u>\$ 597,011</u>	<u>\$ 1,273,242</u>
Value of collateral received	<u>\$ 51,006</u>	<u>\$ 621,654</u>	<u>\$ 1,356,063</u>

FRONT STREET BALANCED MONTHLY INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
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11. RECONCILIATION OF NET ASSET VALUE TO IFRS NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS OF REDEEMABLE SHARES

Investment funds may have two different net asset values: (i) one for financial statements, which is prepared in accordance with IFRS (referred to as "IFRS NA") and (ii) another for all other purposes, including share pricing for investor transactions (referred to as "net asset value"). For investments that are traded in an active market where quoted prices are readily and regularly available, IFRS requires investments to be valued using the methods and principles described in note 3 (Summary of significant accounting policies – Fair value measurement), wherein the Fund may use closing sale prices for the purpose of determining net asset value. For investments that are not traded in an active market, IFRS requires the use of specific valuation techniques, rather than the use of valuation techniques in general practice in the investment funds industry. National Instrument 81-106 ("NI 81-106") requires that annual financial statements present a reconciliation of Net asset value per share to IFRS Net Assets Attributable to Shareholders of Redeemable Shares.

As at October 31, 2015, that reconciliation is as follows:

	Net asset value	Financial reporting adjustment	IFRS NA	Net asset value per share	IFRS NA per share
Series A	\$ 26,112,111	\$ 48,507	\$ 26,160,618	\$ 6.58	\$ 6.59
Series B	23,218,758	43,017	23,261,775	6.65	6.66
Series F	2,558,951	4,742	2,563,693	7.04	7.05
Series X	244,775	453	245,228	6.69	6.70
Total	\$ 52,134,595	\$ 96,719	\$ 52,231,314		

As at October 31, 2014, that reconciliation is as follows:

	Net asset value	Financial reporting adjustment	IFRS NA	Net asset value per share	IFRS NA per share
Series A	\$ 54,192,181	\$ 34,695	\$ 54,226,876	\$ 6.94	\$ 6.95
Series B	33,947,249	21,664	33,968,913	7.01	7.02
Series F	4,550,421	2,907	4,553,328	7.33	7.34
Series X	570,805	364	571,169	7.04	7.04
Total	\$ 93,260,656	\$ 59,630	\$ 93,320,286		

FRONT STREET BALANCED MONTHLY INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

11. RECONCILIATION OF NET ASSET VALUE TO IFRS NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS OF REDEEMABLE SHARES (Continued...)

As at November 1, 2013, that reconciliation is as follows:

	Net asset value	Financial reporting adjustment	IFRS NA	Net asset value per share	IFRS NA per share
Series A	\$ 118,638,558	\$ 104,177	\$ 118,742,735	\$ 6.79	\$ 6.79
Series B	49,028,462	42,940	49,071,402	6.85	6.86
Series F	7,422,660	6,489	7,429,149	7.09	7.09
Series X	1,092,492	953	1,093,445	6.86	6.86
Total	\$ 176,182,172	\$ 154,559	\$ 176,336,731		

12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of financial assets and liabilities at FVTPL, receivables for investments sold, interest and other receivables, dividends receivable, subscriptions receivable, margin accounts, bank indebtedness, redemptions payable, payable for investment assets purchased, accrued expenses, distributions payable, and foreign exchange contracts at FVTPL. 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, credit, and portfolio concentration risks arising from these financial instruments except as described below. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

All securities present a risk of loss of capital. The Manager 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 schedule of investment portfolio presents the securities held by the Fund as at October 31, 2015 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 BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

NOTES TO THE FINANCIAL STATEMENTS
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12. **RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** (Continued...)

The Fund is exposed to financial risks, including market risk, currency risk, interest rate risk, liquidity risk, cash flow risk, credit risk and concentration risk. The Fund's overall risk management program seeks to minimize potentially adverse effects of those risks on the Fund's financial performance. The Fund moderates financial risks through the careful selection of portfolio investments and other financial instruments within the parameters of the investment guidelines, strategies and objectives.

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, 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 Manager 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.

Included in the undernoted accounts are the following foreign currency balances:

As at October 31, 2015

Currency	Financial instruments at FVTPL*	Bank indebtedness	Forward currency contracts (note 13)	Total	Percentage of Net Assets
United States Dollar	<u>\$ 16,890,501</u>	<u>\$ (1,300,717)</u>	<u>\$ -</u>	<u>\$ 15,589,784</u>	<u>29.85 %</u>

*Balance has been adjusted for the estimated effective exposure for the Fund's investment in Front Street Tactical Bond Fund.

FRONT STREET BALANCED MONTHLY INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

12. **RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** (Continued...)

ii) Currency risk (Continued...)

As at October 31, 2014

Currency	Financial instruments at FVTPL	Cash and cash equivalents	Forward currency contracts (note 13)	Total	Percentage of Net Assets
United States Dollar	<u>\$30,175,647</u>	<u>\$ (57,773)</u>	<u>\$ -</u>	<u>\$ 30,117,874</u>	<u>32.27 %</u>

As at November 1, 2013

Currency	Financial instruments at FVTPL	Cash and cash equivalents	Forward currency contracts (note 13)	Total	Percentage of Net Assets
United States Dollar	<u>\$42,833,553</u>	<u>\$ 426,659</u>	<u>\$ (10,485,133)</u>	<u>\$ 32,775,079</u>	<u>18.59 %</u>

FRONT STREET BALANCED MONTHLY INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

12. **RISKS ASSOCIATED WITH 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 indebtedness or broker margin account positions will be affected by fluctuations in interest rates. As at October 31, 2015, there were 62.9% (October 31, 2014 – 47.1%; November 1, 2013 – 49.5%) of net assets invested in bonds and a bond fund. The remaining portion of the Fund's investments are substantially non-interest bearing equity investments.

As at October 31, 2015

	Floating Rate Financial Instruments	Fixed Rate Financial Instruments	Non-interest Bearing	Total
Financial assets				
Financial assets at FVTPL*	\$ 5,468,130	\$ 27,224,752	\$ 20,679,496	\$ 53,372,378
Loans and receivables	<u>-</u>	<u>-</u>	<u>2,639,098</u>	<u>2,639,098</u>
Total	<u>\$ 5,468,130</u>	<u>\$ 27,224,752</u>	<u>\$ 23,318,594</u>	<u>\$ 56,011,476</u>
Financial liabilities				
Financial liabilities at FVTPL	\$ 386,422	\$ -	\$ 103,572	\$ 489,994
Bank indebtedness	2,675,643	-	-	2,675,643
Other financial liabilities	<u>-</u>	<u>-</u>	<u>614,525</u>	<u>614,525</u>
Total	<u>\$ 3,062,065</u>	<u>\$ -</u>	<u>\$ 718,097</u>	<u>\$ 3,780,162</u>
IFRS NA				<u>\$ 52,231,314</u>

*Balance has been adjusted for the estimated effective exposure for the Fund's investment in Front Street Tactical Bond Fund.

FRONT STREET BALANCED MONTHLY INCOME CLASS
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OCTOBER 31, 2015 AND 2014

12. **RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** (Continued...)

iii) Interest rate risk (Continued...)

As at October 31, 2014	Floating Rate Financial Instruments	Fixed Rate Financial Instruments	Non-interest Bearing	Total
Financial assets				
Financial assets at FVTPL	\$ 7,214,314	\$ 29,629,677	\$ 57,281,161	\$ 94,125,152
Loans and receivables	<u>-</u>	<u>-</u>	<u>3,299,898</u>	<u>3,299,898</u>
Total	<u>\$ 7,214,314</u>	<u>\$ 29,629,677</u>	<u>\$ 60,581,059</u>	<u>\$ 97,425,050</u>
Financial liabilities				
Financial liabilities at FVTPL	\$ -	\$ -	\$ 1,568,334	\$ 1,568,334
Bank indebtedness	238,196	-	-	238,196
Other financial liabilities	<u>-</u>	<u>-</u>	<u>2,298,234</u>	<u>2,298,234</u>
Total	<u>\$ 238,196</u>	<u>\$ -</u>	<u>\$ 3,866,568</u>	<u>\$ 4,104,764</u>
IFRS NA				<u>\$ 93,320,286</u>
As at November 1, 2013				
Financial assets				
Financial assets at FVTPL	\$ 6,622,848	\$ 80,605,179	\$ 86,133,750	\$ 173,361,777
Loans and receivables	<u>-</u>	<u>-</u>	<u>10,093,324</u>	<u>10,093,324</u>
Total	<u>\$ 6,622,848</u>	<u>\$ 80,605,179</u>	<u>\$ 96,227,074</u>	<u>\$ 183,455,101</u>
Financial liabilities				
Financial instruments at FVTPL	\$ -	\$ -	\$ 2,050,590	\$ 2,050,590
Bank indebtedness	651,552	-	-	651,552
Other financial liabilities	<u>-</u>	<u>-</u>	<u>4,416,228</u>	<u>4,416,228</u>
Total	<u>\$ 651,552</u>	<u>\$ -</u>	<u>\$ 6,466,818</u>	<u>\$ 7,118,370</u>
IFRS NA				<u>\$ 176,336,731</u>

FRONT STREET BALANCED MONTHLY INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
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12. **RISKS ASSOCIATED WITH 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 cash and marketable securities, and manages liquidity risk through its ability to close out market positions in a timely manner.

As at October 31, 2015

	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets						
Financial assets at FVTPL*	\$ 2,477,240	\$ 3,703,708	\$ 2,992,224	\$ 23,811,008	\$ 20,388,198	\$ 53,372,378
Loans and receivables	<u>2,639,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,639,098</u>
Total	<u>\$ 5,116,338</u>	<u>\$ 3,703,708</u>	<u>\$ 2,992,224</u>	<u>\$ 23,811,008</u>	<u>\$ 20,388,198</u>	<u>\$ 56,011,476</u>
Financial liabilities						
Financial liabilities at FVTPL	\$ 386,422	\$ -	\$ -	\$ -	\$ 103,572	\$ 489,994
Bank indebtedness	2,675,643	-	-	-	-	2,675,643
Other financial liabilities	<u>614,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>614,525</u>
Total	<u>\$ 3,676,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,572</u>	<u>\$ 3,780,162</u>
IFRS NA						<u>\$ 52,231,314</u>

*Balance has been adjusted for the estimated effective exposure for the Fund's investment in Front Street Tactical Bond Fund.

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12. **RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** (Continued...)

iv) Liquidity risk (Continued...)

As at October 31, 2014

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets at FVTPL	\$ 712,510	\$ 3,203,406	\$ 5,457,000	\$ 27,577,676	\$ 57,174,560	\$ 94,125,152
Loans and receivables	<u>3,299,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,299,898</u>
Total	<u>\$ 4,012,408</u>	<u>\$ 3,203,406</u>	<u>\$ 5,457,000</u>	<u>\$ 27,577,676</u>	<u>\$ 57,174,560</u>	<u>\$ 97,425,050</u>
Financial liabilities						
Financial liabilities at FVTPL	\$ 562,172	\$ -	\$ -	\$ -	\$ 1,006,162	\$ 1,568,334
Bank indebtedness	238,196	-	-	-	-	238,196
Other financial liabilities	<u>2,298,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,298,234</u>
Total	<u>\$ 3,098,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,006,162</u>	<u>\$ 4,104,764</u>
IFRS NA						<u>\$ 93,320,286</u>

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12. **RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** (Continued...)

iv) Liquidity risk (Continued...)

As at November 1, 2013

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets at FVTPL	\$ 10,274,400	\$ 21,597,629	\$ 20,537,602	\$ 35,015,970	\$ 85,936,176	\$173,361,777
Loans and receivables	<u>10,093,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,093,324</u>
Total	<u>\$ 20,367,724</u>	<u>\$ 21,597,629</u>	<u>\$ 20,537,602</u>	<u>\$ 35,015,970</u>	<u>\$ 85,936,176</u>	<u>\$183,455,101</u>
Financial liabilities						
Financial instruments at FVTPL	\$ 768,419	\$ -	\$ -	\$ -	\$ 1,282,171	\$ 2,050,590
Bank overdraft	651,552	-	-	-	-	651,552
Other financial liabilities	<u>4,416,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,416,228</u>
Total	<u>\$ 5,836,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,282,171</u>	<u>\$ 7,118,370</u>
IFRS NA						<u>\$176,336,731</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at October 31, 2015, the fair value of such assets was 7.5% (October 31, 2014 – 5.9%; November 1, 2013 – 12.6%) of the total net assets.

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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

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.

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 investment 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 value as recorded in the Fund's Statement of Financial Position.

To partially mitigate credit risk with respect to its securities lending the Fund receives collateral against the securities loaned (note 10). As at October 31, 2015, the Fund loaned securities with an aggregate fair value of \$461 (October 31, 2014 - \$597,011; November 1, 2013 - \$1,273,242) and received collateral with an aggregate fair value of \$51,006 (October 31, 2014 - \$621,654; November 1, 2013 \$1,356,063).

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NOTES TO THE FINANCIAL STATEMENTS
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12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

As at October 31, 2015, the Fund had 44.1% (October 31, 2014 - 39.6%; November 1, 2013 - 49.5%) or holdings in debt instruments with the following credit ratings obtained from Standard and Poor's Moody's or DBRS:

Debt instruments by credit rating	Percentage of net assets		
	October 31, 2015	October 31, 2014	November 1, 2013
A+	0.0%	0.0%	0.3%
A-	5.0%	2.5%	3.1%
BBB+	2.5%	3.9%	0.0%
BBB-	4.1%	2.3%	3.4%
BB+	4.3%	4.2%	2.2%
BB	3.6%	4.6%	5.2%
BB-	8.4%	2.4%	2.3%
B+	4.6%	6.6%	2.9%
B	3.8%	2.1%	4.2%
B-	1.5%	0.9%	1.7%
CCC+	-%	2.1%	1.3%
CC	1.2%	-%	-%
Not available or not rated	5.1%	8.0%	22.9%

As at October 31, 2015, the Fund's investment portfolio included \$12,500 (October 31, 2014 - \$12,500; November 1, 2013 - \$5,088,941) (face value of \$9,431,083) in investments in debt obligations where repayments of interest or principal were contractually in arrears. The fair values have been discounted to reflect the extended period to ultimate collection.

As at October 31, 2015, the Fund invested 18.8% of its net assets in Front Street Tactical Bond Fund, of which 96.1% of its net assets were invested in debt instruments. Credit ratings of the debt instruments of Front Street Tactical Bond Fund have been obtained from Standard and Poor's, Moody's or DBRS. The effective exposure on the Fund is as follows:

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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

12. **RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** (Continued...)

October 31, 2015 Debt instruments by credit rating	Percentage of Front Street Tactical Bond Fund net assets	Effective exposure on the Fund
BBB-	4.0 %	0.8 %
BB+	19.3 %	3.6 %
BB	17.8 %	3.4 %
BB-	26.2 %	4.9 %
B+	16.7 %	3.1 %
B	5.3 %	1.0 %
B-	6.0 %	1.1 %
Not available or not rated	0.8 %	0.2 %

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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

12. **RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** (Continued...)

vii) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The Fund's concentration risk by market segments/categories of financial instruments has been summarized as follows:

	October 31, 2015*	October 31, 2014	November 1, 2013
Corporate bonds	62.1 %	39.6 %	49.5 %
Financials	22.5 %	19.9 %	19.5 %
Mutual fund	0.0 %	7.7 %	0.0 %
Information technology	5.8 %	4.5 %	3.8 %
Consumer discretionary	3.2 %	3.7 %	6.6 %
Materials	3.1 %	7.8 %	4.8 %
Consumer staples	1.7 %	1.0 %	0.2 %
Health care	1.6 %	1.8 %	0.1 %
Other assets less other liabilities	(0.9)%	1.1 %	3.2 %
Industrials	0.7 %	8.7 %	4.0 %
Energy	0.6 %	4.0 %	8.2 %
Telecommunication services	0.0 %	1.1 %	0.9 %
Foreign exchange forward	0.0 %	0.0 %	(0.1)%
Energy	(0.2)%	0.0 %	0.0 %
Written options	(0.7)%	(0.6)%	(0.3)%
Cash and cash equivalents	<u>0.5 %</u>	<u>(0.3)%</u>	<u>(0.4)%</u>
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

*Balance has been adjusted for the estimated effective exposure for the Fund's investment in Front Street Tactical Bond Fund.

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13. FORWARD AND FUTURE CONTRACTS

As at October 31, 2015, and October 31, 2014 the Fund had no outstanding forward or future contracts.

As at November 1, 2013 the Fund has contracted to sell U.S. dollar currency amounting to Cdn \$10,485,133 at a forward rate of 1.0293 maturing on November 25, 2013 and Cdn \$1,043,297 at a forward rate of 1.0384 maturing on November 25, 2013.

The net unrealized loss from forward contracts amounted to \$153,034 as at November 1, 2013.

The Fund has also entered into a US 10 Year Note futures contract. As at November 1, 2013, the Fund has committed to sell 50 contracts in aggregate, amounting to US\$5,000,000, maturing on December 19, 2013.

The net unrealized loss from these future contracts amounted to \$88,843 as at November 1, 2013.

14. CAPITAL MANAGEMENT

The Fund considers financial instruments in the form of redeemable shares to represent capital. In managing this capital, the objectives of the Fund are:

- (a) to safeguard the Fund's ability to continue as a going concern, be flexible and take advantage of opportunities that might present themselves;
- (b) to provide an appropriate return to shareholders; and
- (c) to use active management strategies intended to enhance the returns of the Fund and concurrently minimize risk and preserve capital, consistent with the investment guidelines, strategies and objectives of the Fund.

The Fund follows, and is in compliance with, the Investment Guidelines described in the Prospectus.

The Fund is not subject to any externally imposed capital requirements.

FRONT STREET BALANCED MONTHLY INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

15. FAIR VALUE HIERARCHY

IFRS requires the Fund to use a three-tier hierarchy as a framework for disclosing fair values, based on inputs used to value the Fund's investments in financial assets and financial liabilities. This hierarchy is summarized as follows:

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

The following tables summarize the inputs used as of October 31, 2015; October 31, 2014 and November 1, 2013 in valuing the Fund's financial assets and liabilities at FVTPL.

As at October 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL*	<u>\$ 19,008,268</u>	<u>\$ 30,466,492</u>	<u>\$ 3,897,618</u>	<u>\$ 53,372,378</u>
Financial liabilities at FVTPL	<u>\$ 489,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,994</u>

*Balance has been adjusted for the estimated effective exposure for the Fund's investment in Front Street Tactical Bond Fund.

FRONT STREET BALANCED MONTHLY INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

15. **FAIR VALUE HIERARCHY** (Continued...)

As at October 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ 54,197,648</u>	<u>\$ 34,411,674</u>	<u>\$ 5,515,830</u>	<u>\$ 94,125,152</u>
Financial liabilities at FVTPL	<u>\$ 1,568,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,568,334</u>

As at November 1, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ 80,601,151</u>	<u>\$ 70,479,132</u>	<u>\$ 22,281,494</u>	<u>\$ 173,361,777</u>
Financial liabilities at FVTPL	<u>\$ 1,897,556</u>	<u>\$ 153,034</u>	<u>\$ -</u>	<u>\$ 2,050,590</u>

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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

15. **FAIR VALUE HIERARCHY** (Continued...)

The following table reconciles opening balances to closing balances for fair value measurements in Level 3 of the fair value hierarchy:

	Financial assets at FVTPL Equities	Financial assets at FVTPL Bonds
Balance at November 1, 2013	\$ 4,313,900	\$ 17,967,594
Purchases	-	-
Proceeds from sales	-	(14,936,618)
Transfers in	-	-
Transfers out	-	-
Gains (losses)		
Realized	(508,275)	(10,822,749)
Unrealized	<u>(1,394,515)</u>	<u>10,896,493</u>
Balance at October 31, 2014	2,411,110	3,104,720
Purchases	108,161	-
Proceeds from sales	(2,058,931)	(987,502)
Transfers in	-	254,610
Transfers out	-	-
Gains (losses)		
Realized	58,932	(300,253)
Unrealized	<u>792,291</u>	<u>514,480</u>
Balance at October 31, 2015	<u>\$ 1,311,563</u>	<u>\$ 2,586,055</u>

FRONT STREET BALANCED MONTHLY INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
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15. **FAIR VALUE HIERARCHY** (Continued...)

During the year ended October 31, 2015, the transfers in bonds represents a bond that has moved from level two to level three as a result of no longer having observable market data.

Valuation techniques and framework

The Fund's portfolio investments in equity securities are classified as Level 1 when the security is actively traded and a reliable price is observable. The Fund may not be able to trade certain equity securities of publicly listed issuers (primarily warrants and shares for which trading is restricted by a contractual hold period), and therefore observable prices may not be available. In such cases, fair value is determined based on observable market data (e.g., prices for transactions for similar securities of the same issuer) and the fair value is classified as Level 2. However, if the determination of fair value requires significant unobservable data, the measurement of such securities is classified as Level 3.

Valuation techniques are used for equity securities classified as Level 2 and Level 3 (primarily private companies).

Valuation techniques may include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models, including but not limited to the Black-Scholes stock option model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, EBITDA and/or revenue multiples and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement for an asset to be sold or a liability to be transferred between market participants at a measurement date.

The Fund uses widely recognized valuation models for determining the fair value of common and simple financial instruments, such as warrants and temporarily restricted shares of public companies, which generally use observable market data and require some management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and other simple derivatives. The availability of observable market prices and model inputs may reduce the need for management judgment and estimation and may reduce, but does not eliminate, uncertainty associated with determining fair values. The availability of observable inputs may vary and depends on the nature of the securities being valued and markets, and is subject to change based on specific events and general conditions in the financial markets. Management applies a certain discount to restricted securities in order to determine the fair value of these securities. To determine the fair value of warrants, management uses the Black-Scholes stock option model, which incorporates the volatility of the underlying stock.

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NOTES TO THE FINANCIAL STATEMENTS
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15. **FAIR VALUE HIERARCHY** (Continued...)

Valuation techniques and framework (Continued...)

The Fund may invest in equity securities of private companies, which are classified as Level 3 securities. These may be valued using the most recent rounds of financing, or in certain cases, using models. Some or all of the significant inputs into the valuation models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the security being valued, and other inputs (such as discount rate, liquidity risk, credit risk, as applicable), to the extent that the Fund believes that a third party market participant would take them into account in pricing a transaction.

The Fund has established a control framework for the measurement of fair value. The valuation process is overseen by management, who are responsible for developing the Fund's valuation processes and procedures, conducting periodic reviews of those policies and evaluating their consistent application. When third party information, such as broker quotes or pricing services or recent transactions, are used to measure value, then management assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes verifying the information provided, and analyzing the information to check for any material inconsistencies.

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OCTOBER 31, 2015 AND 2014

15. **FAIR VALUE HIERARCHY** (Continued...)

The tables below summarize the level 3 financial assets at FVTPL valued based on the aforementioned valuation techniques as at October 31, 2015, October 31, 2014 and November 1, 2013.

As at October 31, 2015

	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
Aeromechanical Services Limited			
8.000%, Convertible Debentures, December 23, 2016	1,000,000	\$ 1,000,000	\$ 500,000
Brasil Ecoetanol Limited	1,166,667	350,000	-
Colossus Minerals Inc., Warrants April 23, 2019	321,012	-	-
Cricket Media Group			
6.500%, Convertible Debenture, October 31, 2016	1,400,000	1,400,000	700,000
Delavaco Properties Inc.			
7.500%, Secured Senior Note, June 30, 2016	1,050,000	1,077,243	1,373,555
Graoch Associates # 171 Limited Partnership			
0.00%, April 30, 2010	2,000,000	2,121,701	-
Great Basin Gold Limited			
8.000%, Convertible Bond, November 30, 2014	3,353,083	167,654	-
Immersion Corporation	1,080,000	501,505	-
iON World LLC	44,000	54,162	57,558
Ivanhoe Energy Inc.			
5.750%, June 30, 2016	328,000	254,610	-
MicroPlanet Technology Corporation			
12.000%, December 31, 2013	750,000	750,000	-
MicroPlanet Technology Corporation			
12.000%, Convertible Notes, June 30, 2014	500,000	500,000	-
QYOU Media Inc., Restricted	108,000	54,000	54,000
QYOU Media Inc., Warrants	108,000	-	-
QYOU Media Inc., Warrants January 15, 2018	54,000	-	-
REDF II Hospitality Fund Limited Partnership Units	2,000	2,000,000	1,200,000
Rio Verde Minerals Development Corporation Warrants			
July 27, 2016	1,077,300	-	1
TimePlay Inc.			
10.000%, Debentures, May 17, 2015	2,500,000	2,500,000	12,500
TimePlay Inc., Warrants September 27, 2018	4,310,000	-	4
		<u>\$ 12,730,875</u>	<u>\$ 3,897,618</u>

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15. **FAIR VALUE HIERARCHY** (Continued...)

Valuation techniques and framework (Continued...)

As at October 31, 2014

	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
Aeromechanical Services Limited			
8.00%, Convertible Debentures, December 22, 2014	1,000,000	\$ 1,000,000	\$ 700,000
Brasil Ecoetanol Limited	1,166,667	350,000	-
Cricket Media Group			
6.50%, Convertible Debenture, October 31, 2016	1,400,000	1,400,000	700,000
Delavaco Properties Inc.			
7.50%, Secured Senior Note, June 30, 2016	1,500,000	1,538,919	1,692,219
Galp Class P Special Preferred Interest			
14.00%, July 1, 2013	500,000	326,079	-
Graoch Associates # 171 Limited Partnership			
0.00% April 30, 2010	2,000,000	2,121,701	-
Great Basin Gold Limited			
8.00% Convertible Bond, November 30, 2014	3,353,080	167,654	-
Immersion Corporation	1,080,000	501,505	-
ISEE3D Inc., Promissory Notes November 1, 2012	500,000	500,000	-
MicroPlanet Technology Corporation			
12.00%, December 31, 2013	750,000	750,000	-
12.00%, June 30, 2014	500,000	500,000	-
REDF II Hospitality Fund Limited Partnership	2,000	2,000,000	1,200,000
REDF VII Limited Partnership Class B	2,000	2,000,000	1,200,000
Rio Verde Minerals Development Corporation, Warrants July 27, 2016	1,077,300	-	11,107
TimePlay Inc.			
10.00%, Debentures, May 17, 2015	2,500,000	2,500,000	12,500
TimePlay Inc., Warrants September 27, 2018	4,310,000	-	4
Windtronics LLC, Warrants January 1, 2015	6,000	-	-
		<u>\$ 15,655,858</u>	<u>\$ 5,515,830</u>

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NOTES TO THE FINANCIAL STATEMENTS
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15. **FAIR VALUE HIERARCHY** (Continued...)

Valuation techniques and framework (Continued...)

As at November 1, 2013

	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
Aeromechanical Services Limited			
8.00%, Convertible Debentures, December 23, 2014	1,000,000	\$ 1,000,000	\$ 1,000,000
Artis Real Estate Investment Trust			
5.00%, Convertible Debentures, November 30, 2014	150,000	1,388,265	1,388,265
Brasil Ecoetanol Limited	1,166,667	350,000	23,333
CanAm Coal Corporation			
9.50%, Convertible Debentures, May 9, 2014	1,400,000	1,400,000	490,000
Delavaco Properties Inc.			
9.00%, Convertible Debentures, December 20, 2014	480,000	472,967	500,782
7.50%, Secured Senior Note, June 30, 2016	1,500,000	1,538,919	1,564,945
Warrants, June 3, 2017	231,000	-	-
Duke Funding Limited			
Floating Rate, August 7, 2033	2,000,000	705,709	-
Electrovaya Inc. Promissory Notes			
6.00%, December 31, 2013	5,000,000	5,000,000	5,000,000
ePals Corporation			
6.50%, Convertible Debentures, October 31, 2014	1,400,000	1,400,000	1,400,000
Galp Class P Special Preferred Interest			
14.00%, July 1, 2013	500,000	482,174	386,020
Galp Cypress Class P Special Preferred Interest			
14.00%, July 1, 2013	500,000	482,174	386,020
Graoch Associates # 161 Limited Partnership			
October 30, 2010	300,000	318,255	-
Graoch Associates # 171 Limited Partnership			
April 30, 2010	2,000,000	2,121,701	-
Great Basin Gold Limited			
8.00%, Convertible Bond, November 30, 2014	3,500,000	175,000	17,500
Immersion Corporation	72	501,505	225,352
ISEE3D Inc. Promissory Notes			
6.00%, November 1, 2012	500,000	500,000	-
6.00%, January 25, 2014	850,000	850,000	-
6.00%, September 14, 2014	550,000	550,000	-

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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

15. **FAIR VALUE HIERARCHY** (Continued...)

Valuation techniques and framework (Continued...)

As at November 1, 2013 (Continued...)

	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
ISEE3D Inc. Warrants September 16, 2014	1,466,663	-	-
ISEE3D Inc. Warrants December 19, 2013	475,000	-	-
ISEE3D Inc. Warrants January 25, 2014	1,523,982	-	-
IXIS ABS CDO Limited 2005-A1 B2L 5.75%, October 12, 2040	2,000,000	602,268	208,660
Landdrill International Inc.			
10.00% Convertible Debentures, January 31, 2013	1,250,000	1,250,000	-
10.00% Convertible Debentures, February 12, 2013	150,000	150,000	-
MicroPlanet Technology Corporation			
12.00%, Convertible Debentures, December 31, 2013	750,000	750,000	232,500
12.00%, Convertible Notes, June 15, 2014	500,000	500,000	155,000
Oak Point Energy Limited			
15.00%, Convertible Debentures, March 31, 2014	690,000	690,000	690,000
REDF II Hospitality Fund Limited Partnership	2,000	2,000,000	2,000,000
REDF VII Limited Partnership Class B	2,000	2,000,000	2,000,000
TimePlay Inc.			
10.00%, Debentures, May 17, 2015	2,500,000	2,500,000	1,500,000
TimePlay Inc. Warrants November 17, 2013	4,310,000	-	4
VoodooVox Inc.			
15.00%, Non-Convertible Debentures, March 2, 2014	231,000	231,000	231,000
Wentwood Roundhill LP 'P' Special Preferred Interest			
14.00%, July 1, 2013	500,000	482,174	386,020
Wentwood Woodside Class P Special Preferred Interest			
14.0%, July 1, 2013	500,000	482,174	386,020
Windtronics LLC Jun/300 CO	834	-	-
Windtronics LLC			
15.00%, Promissory Notes, September 7, 2012	4,000,000	4,000,000	-
10.00%, Promissory Notes, December 31, 2012	1,644,835	1,667,531	-
15.00%, Promissory Notes, December 31, 2012	900,000	893,055	-
Windtronics LLC Warrants January 1, 2014	10,000	-	-
Windtronics LLC Warrants January 1, 2015	6,000	-	-
World Food Processing			
8.00%, Convertible Debentures, November 27, 2015	4,000,000	3,980,354	2,044,863
World Food Processing Warrants	4,000,000	-	4
Xenergy Technologies Preferred Units	625,000	508,275	65,206
		<u>\$ 41,923,500</u>	<u>\$ 22,281,494</u>

FRONT STREET BALANCED MONTHLY INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

16. **TRANSITION TO IFRS**

The quantitative effects of the Fund's transition to IFRS are summarized as follows:

(a) **Statement of Cash Flows**

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative years, without exception.

(b) **Reconciliation of net assets attributable to shareholders of redeemable shares and increase (decrease) in net assets attributable to shareholders of redeemable shares from operations previously reported under Canadian GAAP to IFRS:**

	October 31, 2014	November 1, 2013
Net assets attributable to shareholders of redeemable shares		
Equity as reported under Canadian GAAP	\$ 93,067,816	\$ 176,053,925
Revaluation of investments due to bid-ask price spread adjustment	<u>252,470</u>	<u>282,806</u>
Net assets attributable to shareholders of redeemable shares	<u>\$ 93,320,286</u>	<u>\$ 176,336,731</u>
Comprehensive income for the year ended	October 31, 2014	
Decrease in net assets attributable to shareholders of redeemable shares from operations under Canadian GAAP	\$ 8,196,302	
Revaluation of investments due to bid-ask price spread adjustment	<u>(30,336)</u>	
Decrease in net assets attributable to shareholders of redeemable shares from operations	<u>\$ 8,165,966</u>	

Transition elections

The Fund has applied the voluntary election upon transition to designate financial assets or financial liabilities at FVTPL. All financial assets designated at FVTPL upon transition were previously recorded at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

Classification of redeemable shares issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable shares as equity. Under IFRS, IAS 32 requires that shares of an entity which include a contractual obligation of the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's shares do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS.

FRONT STREET BALANCED MONTHLY INCOME CLASS
(Formerly Front Street Diversified Income Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

16. **TRANSITION TO IFRS** (Continued...)

Revaluation of investments due to bid-ask spread adjustments

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement, which requires that if an asset or a liability has a bid price or ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. When the closing sale price of financial instruments traded in active markets is outside the bid and ask spread, such financial instruments are measured based on the bid price for securities owned or held long and on the asking price for securities sold short. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Fund's investments by \$282,806 at November 1, 2013 and \$252,470 at October 31, 2014. The impact of this adjustment was to decrease the Fund's increase in net assets attributable to shareholders of redeemable shares by \$30,336 for the year ended October 31, 2014.

Reclassification adjustments

In addition to the measurement adjustments noted above, the Fund reclassified certain amounts upon transition in order to conform to its financial statement presentation under IFRS.

Presentation of the statements of financial position has been reclassified in accordance with IFRS to present assets and liabilities between current and non-current.

IFRS requires withholding taxes to be disclosed separately as an expense, whereas Canadian GAAP allowed withholding taxes to be netted against dividend income.

IFRS requires transaction costs and other gains or losses, all presented under Canadian GAAP after the line "Investment loss for the period", to be classified with expenses or income as applicable.

17. **SUBSEQUENT EVENTS**

Effective November 16, 2015, CIBC Mellon replaced NBCN Inc. as the custodian and replaced Citigroup Fund Services Canada, Inc. to provide shareholder recordkeeping services and fund accounting services.

Pursuant to the press release dated January 18, 2016, Front Street U.S. MLP Income Fund Ltd. ("FSUSMLP") will amalgamate with Front Street Mutual Funds Limited ("FSMFL") on January 26, 2016. Upon amalgamation, each shareholder of FSMFL will be issued the class and series of shares of the new amalgamated fund that are of equal denomination as the class and series of FSMFL shares that he or she holds immediately prior to the amalgamation, and these shares will carry terms that are identical in all respects to their current holdings. For each equity share, series C, and equity share series U that shareholders of FSUSMLP hold immediately prior to the amalgamation, they will receive, on the effective date of the amalgamation, one series MC share or one series MU share respectively of the new amalgamated fund Front Street MLP and Infrastructure Income Class.