

Annual Management Report of Fund Performance As at October 31, 2010 Front Street Canadian Equity Fund

This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete Annual financial statements for Front Street Canadian Equity Fund, a class of shares of Front Street Mutual Funds Limited fund (the "Fund"). The annual financials of the Fund are attached behind this report and you can also get a copy of the interim or annual 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 web site at www.frontstreetcapital.com or SEDAR at www.sedar.com

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

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

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

Management Discussion of Fund Performance

Investment Objective and Strategies

The Fund's investment objective is to provide security-holders with long term capital growth through the selection, management and strategic trading of long and short positions in equity, debt and derivative securities. The Fund will invest primarily in Canadian equities and may focus its assets in specific industry sectors and asset classes based on analysis of business cycles, industry sectors and market outlook. The Fund may also invest in foreign equities.

The Fund's Investment Advisor, Front Street Investment Management Inc., may also consider non-investment factors such as cash flow and liquidity requirements hold periods and restrictions, risk factors, stop-loss containment and tax efficient distributions.

The Front Street Canadian Equity Fund's portfolio will consist primarily of investments which generate capital gains, but will also include investments which generate income. In managing the portfolio, the Investment Advisor intends to use strategies including: investing in undervalued securities, short selling overvalued securities, managing long/short positions, pairs trading, trading in securities of distressed issuers, special warrant arbitrage, merger arbitrage, convertible arbitrage, and participation in restructurings.

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

Most of the Fund's assets will be invested in common shares and other equity securities. The Fund will therefore be subject to stock market risk. The Fund may also invest in foreign securities that may expose the Fund, to a limited extent, to the risk of investments in foreign securities and foreign currency risk. The Fund may invest in relatively illiquid securities that may expose the Fund to liquidity risk. The Fund may also be exposed to sector risk due to its investments being concentrated in a limited number of sectors. The Fund may also be exposed to the risks of selling securities short, the risks of investing in derivatives, and the risk associated with investing in securities of junior industrial, technology and natural resource companies.

Currency risk proved to have an effect on the Fund's returns, as the Canadian dollar traded in a wide range relative to the U.S. dollar, over the year. Currency risk impacted principally the Fund's investments that had revenue in U.S. dollars. Volatility in currency markets continues to be high, suggesting uncertainty going forward on this front.

Equity risk also affected Fund volatility. Market volatility was very high this year, as a sharp recovery in commodity prices and early signs of a global recovery positively affected Canadian equity markets.

Interest-rate risk was also a factor, as global central banks and bond and equity markets closely monitored the U.S. Federal Reserve's monetary policy activities and public communications for indications as to interest rate policy.

Credit risk was another factor this past year. In the aftermath of the credit crisis banks are only now starting to lend, but with much higher fees attached. Many companies which are relying on debt to finance expansions have had to halt plans as the funds are not currently available. Government measures to stimulate bank lending have been met with mixed success to date.

The Fund has multiple risks associated with equity markets. Investors whose primary concern is preservation of capital should not be invested in this Fund. The Fund is suitable for investors seeking long-term growth with a tolerance for risk and volatility and a long-term investment horizon.

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

Results of Operations

The fund had a strong year as commodities picked up with a recovering global economy, as well as demand from global infrastructure stimulus programs. M&A activity continued to be a strong driver of performance in the fund this year. Cash rich companies and sovereign funds are continuing to buy assets at compelling valuations. They realize that many of the supply bottlenecks from the past cycle remain intact, and are fearful of skyrocketing commodity prices in an improving global economy.

Although there was some volatility the price of oil averaged around \$77 per barrel. For the foreseeable future we expect the price to trade between \$70 to \$90 a barrel, an area where global supply and demand is fairly well balanced. Natural gas on the other hand was much weaker as large inventories, lowered production costs and weak industrial demand conspired to keep prices down. The fund will continue to underweight natural gas producers to oil companies.

Base metal prices were quite firm this year on strong demand out of the world's emerging economies. The IMF raised their growth rate forecasts for India and China to 9.7% and 10.5% this year, with both countries being large consumers of metals. The fund benefited from its holdings in coal and iron ore, two key components in steel production.

Gold rose to an all time record in October trading over \$1400 per ounce. The announcement of further quantitative easing in the U.S., and its effect on the dollar, as well as continuing sovereign debt problems in Europe sent investors to the safe haven of gold. Increased gold demand has come from a number of sources with very little of it coming from jewelry. Central banks have been adding to their gold holdings recently in an effort to reduce US dollar holdings. As well, a number of producing companies have closed out their hedge books causing them to go into the markets to buy gold.

Recent Developments

Since the end of the year equity markets around the world experienced continued volatility in November 2010. Ireland was on the verge of bankruptcy and had to accept bailout funds from the IMF and the European Union. Fears were stoked that other European central banks may be on the verge of the same situation as Ireland. This uncertainty in Europe sent many investors to the perceived safety of the US dollar, leading to weakness in the prices of many commodities.

On November 24, 2009, the shareholders of the Fund approved the special resolutions to authorize the amalgamation of Front Street Mutual Funds Limited with Front Street Special Opportunities Canadian Fund, another mutual fund corporation managed by Front Street Capital 2004. The effective date of the amalgamation was the close of business on December 1, 2009. The merger was accomplished by the amalgamation of these two mutual fund corporations under the Canada Business Corporations Act (Canada). Upon amalgamation, Front Street Mutual Funds Limited was considered to be continuing Fund for securities regulatory purposes. A new class of shares of Front Street Mutual Funds Limited was created, being the Front Street Special Opportunities Canadian Fund.

Ontario sales tax and GST harmonization

Effective July 1, 2010, Ontario provincial sales tax was harmonized with the federal goods and services tax (“GST”), resulting in a federally administered harmonized sales tax of 13% (the “HST”). Prior to that date, management fees and other service fees charged to the Fund were not subject to Ontario Retail Sales Tax (“ORST”). Under Ontario’s harmonization with the GST, these services are now subject to an additional tax of 8%. In addition, other operating costs, such as administrative expenses, audit fees, legal fees, and clearing and settlement and back office fees are subject to an additional tax of 8%. However, investment funds in Canada are required to calculate the HST rate using specific rules. These rules require HST to be calculated using the residency of the shareholders and the current value of their interests, rather than the physical location of the Fund manager. These rules will allow the Fund to use a “blended rate” that will reduce the effect of harmonization, to the extent that the Fund has shareholders resident in provinces not subject to HST.

On December 23, 2010, Front Street Mutual Funds Limited (“FSMFL”) and Front Street Resource Performance Fund Ltd. (“FSRPFL”) issued a notice of special meeting of shareholders pertaining to the proposed amalgamation of Front Street Mutual Funds Limited and Front Street Resource Performance Fund Ltd. If the resolution is approved by the shareholders of the FSMFL and FSRPFL, the effective date of the amalgamation will be the close of business on February 28, 2011. The merger will be accomplished by the amalgamation of these two mutual fund corporations under the Canada Business Corporations Act (Canada). Upon amalgamation, FSMFL is considered to be the continuing fund for securities regulatory purposes. A new class of shares of FSMFL will be created, namely Series L of Front Street Resource Fund. Existing shareholders of FSRPFL will receive one share of Series L shares of Front Street Resource Fund class of shares of FSMFL.

International Financial Reporting Standards (“IFRS”)

Effective for its fiscal year commencing November 1, 2012, the Fund must adopt IFRS. In preparation thereof, the Manager continues to monitor and implement the Fund’s changeover plan and will continue to assess the impact of the implementation as new IFRS guidance become available from the International Accounting Standards Board.

The Manager has reviewed the current IFRS against the Fund’s current accounting policies and financial statement presentation under Canadian generally accepted accounting principles (“Canadian GAAP”), and does not expect the adoption of IFRS will have a material effect on the Fund’s net asset value per share for all series of shares. The primary impact of IFRS on accounting policies and implementation decisions will be on the financial statement presentation and note disclosures in the Fund’s financial statements. In particular, the Fund will be required to present a statement of shareholders’ equity and a statement of cash flows, and will be required to include certain additional and enhanced disclosures.

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

Related Party Transactions

Management fees of \$2,001,481 (2009 - \$1,757,992) were paid to the Manager during the year. Servicing fees of \$1,388,874 (2009 - \$881,327) were paid to the Manager during the year. Operating costs of \$59,820 (2009 - \$Nil) were paid to the Manager during the year. Performance fees of \$1,523,490 (2009 - \$2,610,926) were incurred with the Manager during the year. Included in accrued expenses are \$172,777 (2009 - \$310,214) of management fees payable to the Manager. Included in accrued expenses are \$65,183 (2009 - \$29,661) of accrued servicing fees payable to the Manager. Included in accrued expenses are \$5,365 (2009 - \$Nil) of accrued operating costs payable to the Manager. Performance fees payable reflects performance fees of \$Nil (2009 - \$2,610,926) payable to the Manager.

701,429.261 (2009 - 701,429.261) of series B shares outstanding at year end representing 12.53% (2009 – 8.62%) of the series B shares of the Fund are held by Partners of the Manager.

955.968 (2009 - 955.868) of series F shares outstanding at year end representing 0.20% (2009 – 0.23%) of the series F shares of the Fund are held by relatives of the Partners of 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, 2010 Tuscarora Capital Inc., a company under common control to the Manager, received \$15,334 (2009 - \$2,424) in commissions on portfolio transactions for the Fund.

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

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five financial years. This information is derived from the Fund's audited annual financial statement.

Series A

The Fund's Net Assets per Unit ⁽¹⁾

	October 31, 2010 \$	October 31, 2009 \$	October 31, 2008 \$	October 31, 2007 \$	October 31, 2006 \$
Net Assets, beginning of the year	8.95	7.12	12.63	10.15	10.00
Increase (decrease) from operations:					
Total revenue	0.05	0.09	0.10	0.16	0.05
Total expenses	(0.40)	(0.46)	(0.35)	(0.43)	(0.34)
Realized gains (losses) for the year	1.23	0.05	(2.23)	0.83	0.08
Unrealized gains (losses) for the year	0.82	2.18	(2.97)	1.36	0.52
Total increase (decrease) from operations ⁽²⁾	1.70	1.86	(5.45)	1.92	0.31
Distributions to Unitholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total distributions to Unitholders ⁽³⁾	—	—	—	—	—
Net Assets, end of the year	10.79	8.95	7.12	12.63	10.20

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

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

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

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	60,304	57,607	45,566	75,552	8,348
Number of units outstanding ⁽¹⁾	5,598,733	6,444,974	6,357,986	5,927,710	818,687
Management expense ratio ⁽²⁾	4.19%	6.02%	3.45%	3.59%	9.95%
Management expense ratio before waivers or absorptions	4.19%	6.02%	3.45%	3.59%	9.95%
Trading expense ratio ⁽³⁾	1.33%	1.49%	1.12%	1.31%	0.67%
Portfolio turnover rate ⁽⁴⁾	393.47%	595.92%	471.10%	310.74%	156.19%
Net asset value per unit	\$ 10.77	\$ 8.94	\$ 7.17	\$ 12.75	\$ 10.20

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

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as annualized percentage of daily average net asset value 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 assets 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 necessary a relationship between a high turnover rate and the performance of a fund.

Series B

The Fund's Net Assets per Unit ⁽¹⁾

	October 31, 2010 \$	October 31, 2009 \$	October 31, 2008 \$	October 31, 2007 \$	October 31, 2006 \$
Net Assets, beginning of the year	8.96	7.13	12.64	10.17	10.00
Increase (decrease) from operations:					
Total revenue	0.05	0.07	0.10	0.16	0.05
Total expenses	(0.41)	(0.53)	(0.35)	(0.43)	(0.32)
Realized gains (losses) for the year	1.26	0.84	(2.24)	0.75	0.11
Unrealized gains (losses) for the year	0.78	2.50	(2.90)	1.24	0.41
Total increase (decrease) from operations ⁽²⁾	1.68	2.88	(5.39)	1.72	0.25
Distributions to Unitholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total distributions to Unitholders ⁽³⁾	—	—	—	—	—
Net Assets, end of the year	10.78	8.96	7.13	12.64	10.22

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

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

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

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	67,171	72,781	20,825	33,885	2,026
Number of units outstanding ⁽¹⁾	6,239,097	8,138,118	2,903,300	2,655,860	198,270
Management expense ratio ⁽²⁾	4.27%	6.64%	3.45%	3.59%	8.86%
Management expense ratio before waivers or absorptions	4.27%	6.64%	3.45%	3.59%	8.86%
Trading expense ratio ⁽³⁾	1.33%	1.49%	1.12%	1.31%	0.67%
Portfolio turnover rate ⁽⁴⁾	393.47%	595.92%	471.10%	310.74%	156.19%
Net asset value per unit	\$ 10.77	\$ 8.94	\$ 7.17	\$ 12.76	\$ 10.22

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

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as annualized percentage of daily average net asset value 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 assets 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 necessary a relationship between a high turnover rate and the performance of a fund.

Series F

The Fund's Net Assets per Unit ⁽¹⁾

	October 31, 2010 \$	October 31, 2009 \$	October 31, 2008 \$	October 31, 2007 \$	October 31, 2006 \$
Net Assets, beginning of the year	8.60	6.86	12.15	9.93	10.00
Increase (decrease) from operations:					
Total revenue	0.05	0.08	0.09	0.14	0.03
Total expenses	(0.27)	(0.37)	(0.33)	(0.47)	(0.23)
Realized gains (losses) for the year	1.10	0.18	(2.16)	0.58	0.04
Unrealized gains (losses) for the year	0.33	0.71	(2.81)	1.32	0.26
Total increase (decrease) from operations ⁽²⁾	1.21	0.60	(5.21)	1.57	0.10
Distributions to Unitholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total distributions to Unitholders ⁽³⁾	—	—	—	—	—
Net Assets, end of the year	10.37	8.60	6.86	12.15	9.98

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

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

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

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	4,841	3,640	2,166	4,516	241
Number of units outstanding ⁽¹⁾	467,506	424,183	314,034	368,183	24,168
Management expense ratio ⁽²⁾	2.92%	4.97%	3.44%	4.05%	9.38%
Management expense ratio before waivers or absorptions	2.92%	4.97%	3.44%	4.05%	9.38%
Trading expense ratio ⁽³⁾	1.33%	1.49%	1.12%	1.31%	0.67%
Portfolio turnover rate ⁽⁴⁾	393.47%	595.92%	471.10%	310.74%	156.19%
Net asset value per unit	\$ 10.35	\$ 8.58	\$ 6.90	\$ 12.27	\$ 9.98

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

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as annualized percentage of daily average net asset value 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 assets 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 necessary a relationship between a high turnover rate and the performance of a fund.

Management and Performance Fees

The Fund pays the Manager a monthly fee equal to one-twelfth of 1.5% of net asset value of the applicable series of the Fund, payable monthly in arrears, calculated without regard to any accrual of performance bonuses (as described below) and before payment of such fee.

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 Manager may also earn an annual performance bonus (a “Performance Bonus”) in each fiscal quarter if the percentage gain in the net asset value of a series of the Fund (as adjusted for any prior return deficiencies) over the preceding calendar quarter or quarters since a performance fee was last payable exceeds the percentage gain or loss of the benchmark over the same period. The benchmark for the Fund is the S&P/TSX Composite Index (the “Index”).

The fee will be equal to this excess return per security multiplied by the number of securities outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per security of the Fund (including distributions) is greater than all previous values at the end of each previous fiscal quarter. The starting reference point for the next calendar quarter’s calculation will be based on the higher of either the Index performance adjusted net asset value per security or the adjusted actual net asset value per security, both with respect to the previous quarter in which a performance fee was payable.

Dealer Compensation

Brokers, dealers and advisors may be paid a “trailer commission” for assets that their sales representatives place in the Series A and Series B 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 quarterly at rates set within ranges according to the following table.

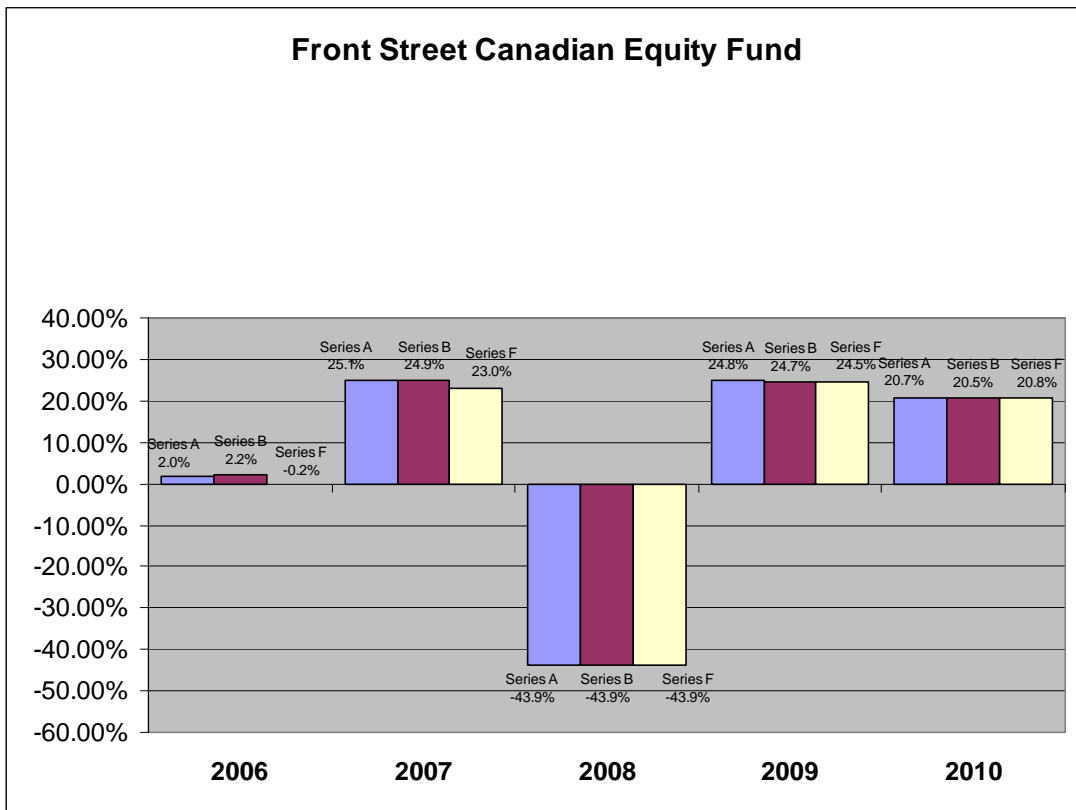
Series	Trailer Annual Rate	Annual Payment per \$1,000 of Fund securities held
A	1.00%	\$10.00
B	1.00%	\$10.00
F	0.00%	Nil

Past Performance

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

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

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



The above chart is the year-by year returns for Front Street Canadian Equity Fund, a class of Front Street Mutual Funds Ltd. The Fund was merged with the discontinuing Fund being Front Street Equity Opportunities Fund on November 1, 2008

Annual Compound Returns

The following table shows the Fund's historical annual compound total return since inception, as compared to the performance of the S&P/TSX Composite Index (the "Index").

	Since Amalgamation November 1, 2008
Front Street Canadian Equity Fund Series A	22.75%
Front Street Canadian Equity Fund Series B	22.67%
Front Street Canadian Equity Fund Series F	22.68%
S&P/TSX Composite Index	13.99%

The 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, 2010

Portfolio by Category

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Energy	32.5%
Materials	23.0%
Information Technology	6.7%
United States	5.1%
Industrials	4.8%
Cash and cash equivalents	4.6%
Corporate Bonds	4.3%
Telecommunication Services	3.4%
Financials	3.0%
Consumer Staples	2.2%
Utilities	2.2%
Healthcare	2.0%
Consumer Discretionary	1.5%
Cayman Islands	0.8%
Australia	0.7%
Bermuda	0.6%
SHORT POSITIONS	
Materials	-1.0%
Financials	-0.4%
Industrials	-0.1%
Energy	-0.1%
Other	4.2%
	100.0%

Top 25 Holdings

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
C&C Energia Limited	4.7%
Suncor Energy Inc.	3.8%
Crew Energy Inc.	3.5%
Flint Energy Services Limited	3.0%
Inmet Mining Corporation	2.9%
Lundin Mining Corporation	2.3%
Boralex Inc. 'A'	2.2%
The Descartes Systems Group Inc.	2.1%
Swisher Hygiene Inc.	2.0%
Canyon Services Group Inc.	2.0%
Neo Material Technologies Inc.	1.9%
The Toronto-Dominion Bank	1.8%
Suroco Energy Inc.	1.7%
APO Energy Inc.*	1.6%
Hanfeng Evergreen Inc.	1.6%
Vero Energy Inc.	1.6%
Thompson Creek Metals Limited	1.5%
Bankers Petroleum Limited	1.5%
Wi-LAN Inc.	1.5%
Petroamerica Oil Corporation	1.4%
Thomson Reuters Corporation	1.4%
Pure Technologies Limited	1.3%
Canacol Energy Limited *	1.3%
Petrominerales Limited	1.2%
Midway Energy Limited	1.2%
	51.0%
TOTAL TRANSACTIONAL NET ASSET VALUE (000)	\$132,315

* Debt instrument

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

FRONT STREET CANADIAN EQUITY FUND

FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

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

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

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

Segal LLP are the external auditors of Front Street Canadian Equity Fund. 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

January 19, 2011
Toronto, Ontario

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AUDITORS' REPORT

To the Shareholders of Front Street Canadian Equity Fund (the "Fund") of Front Street Mutual Funds Limited

We have audited the statements of net assets of the Front Street Canadian Equity Fund, (the "Fund") as at October 31, 2010 and 2009 and the statements of operations and changes in net assets for the years then ended and the statement of investment portfolio as at October 31, 2010. These financial statements are the responsibility of the Manager of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Manager, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at October 31, 2010 and 2009 and the results of its operations and changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
January 19, 2011

FRONT STREET CANADIAN EQUITY FUND

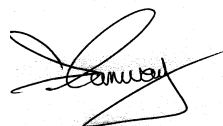
STATEMENTS OF NET ASSETS AS AT OCTOBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Investments, at fair value (cost - \$103,475,026; 2009 - \$103,293,963)	\$ 122,981,894	\$ 111,909,528
Cash and cash equivalents	6,121,198	17,679,071
Accounts receivable relating to portfolio assets sold	10,450,359	19,698,443
Accounts receivable relating to shares issued	216,603	418,695
Amounts receivable relating to accrued income	154,527	243,701
	<u>\$ 139,924,581</u>	<u>\$ 149,949,438</u>
LIABILITIES		
Liabilities for portfolio assets purchased	\$ 3,693,438	\$ 10,833,817
Obligations from portfolio assets sold short, at fair value	2,106,035	1,061,682
Accounts payable relating to shares redeemed	1,092,484	557,039
Accrued expenses	531,492	651,539
Performance fees payable	—	2,610,926
	<u>7,423,449</u>	<u>15,715,003</u>
Net assets representing shareholders' equity	<u>\$ 132,501,132</u>	<u>\$ 134,234,435</u>
Net assets applicable to outstanding shares allocated as follows:		
Net assets, Series A	\$ 60,388,626	\$ 57,695,443
Shares outstanding, Series A, note 3	5,598,733	6,444,974
Net assets per share, Series A	<u>\$ 10.79</u>	<u>\$ 8.95</u>
Net assets, Series B	\$ 67,265,183	\$ 72,893,067
Shares outstanding, Series B, note 3	6,239,097	8,138,118
Net assets per share, Series B	<u>\$ 10.78</u>	<u>\$ 8.96</u>
Net assets, Series F	\$ 4,847,323	\$ 3,645,925
Shares outstanding, Series F, note 3	467,506	424,183
Net assets per share, Series F	<u>\$ 10.37</u>	<u>\$ 8.60</u>

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



Gary P. Selke
Chief Executive Officer and Director



David A. Conway
Chief Financial Officer

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

STATEMENT OF OPERATIONS

FOR THE YEARS ENDED OCTOBER 31, 2010 AND 2009

	2010	2009
Investment income		
Interest	\$ 383,101	\$ 601,533
Dividends	332,673	464,728
	<u>715,774</u>	<u>1,066,261</u>
Expenses		
Management fees, notes 4 and 7	2,001,481	1,757,992
Performance fees, notes 4 and 7	1,523,490	2,610,926
Servicing fees, notes 4 and 7	1,388,874	881,327
Administration fees	404,741	432,737
Compensatory dividends	112,462	89,777
Audit fees	73,424	128,551
Operating costs, notes 4 and 7	59,820	—
Securityholder reporting costs	56,975	167,601
Legal fees	35,626	428,088
Custodial fees	13,100	34,116
Independent review committee	10,180	13,133
	<u>5,680,173</u>	<u>6,544,248</u>
Net investment loss for the year	<u>(4,964,399)</u>	<u>(5,477,987)</u>
Net realized and unrealized gains on investments		
Net realized gain on sale of investments	19,345,374	7,570,984
Transaction costs, notes 6 and 7	(1,811,072)	(1,550,048)
Change in the unrealized appreciation of the value of investments	11,109,977	30,544,729
Net gain on investments for the year	<u>28,644,279</u>	<u>36,565,665</u>
Net increase in net assets from operations for the year	<u>\$ 23,679,880</u>	<u>\$ 31,087,678</u>
Increase in net assets from operations applicable to outstanding shares allocated as follows:		
Increase in net assets from operations, Series A	\$ 10,694,899	\$ 11,576,924
Increase in net assets from operations per share, Series A	<u>\$ 1.70</u>	<u>\$ 1.86</u>
Increase in net assets from operations, Series B	\$ 12,329,752	\$ 19,307,927
Increase in net assets from operations per share, Series B	<u>\$ 1.68</u>	<u>\$ 2.88</u>
Increase in net assets from operations, Series F	\$ 655,229	\$ 202,827
Increase in net assets from operations per share, Series F	<u>\$ 1.21</u>	<u>\$ 0.60</u>

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEARS ENDED OCTOBER 31, 2010 AND 2009

	2010	2009
Series A		
Net assets, beginning of year	\$ 57,695,443	\$ 45,292,725
Net increase in net assets from operations	10,694,899	11,576,924
Shareholder transactions		
Proceeds from the issuance of shares	8,541,618	8,001,127
Aggregate amounts paid on redemption of shares	(16,543,334)	(7,175,333)
	(8,001,716)	825,794
Net increase in net assets for the year	2,693,183	12,402,718
Net assets, end of year	\$ 60,388,626	\$ 57,695,443
Series B		
Net assets, beginning of year	\$ 72,893,067	\$ 20,700,478
Net increase in net assets from operations	12,329,752	19,307,927
Shareholder transactions		
Proceeds from the issuance of shares	5,406,588	48,198,807
Aggregate amounts paid on redemption of shares	(23,364,224)	(15,314,145)
	(17,957,636)	32,884,662
Net (decrease) increase in net assets for the year	(5,627,884)	52,192,589
Net assets, end of year	\$ 67,265,183	\$ 72,893,067

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEARS ENDED OCTOBER 31, 2010 AND 2009

	2010	2009
Series F		
Net assets, beginning of year	\$ 3,645,925	\$ 2,153,058
Net increase in net assets from operations	655,229	202,827
Shareholder transactions		
Proceeds from the issuance of shares	5,428,396	2,449,363
Aggregate amounts paid on redemption of shares	(4,882,227)	(1,159,323)
	546,169	1,290,040
Net increase in net assets for the year	1,201,398	1,492,867
Net assets, end of year	\$ 4,847,323	\$ 3,645,925
Total		
Net assets, beginning of year	\$ 134,234,435	\$ 68,146,261
Net increase in net assets from operations	23,679,880	31,087,678
Shareholder transactions		
Proceeds from the issuance of shares	19,376,602	58,649,297
Aggregate amounts paid on redemption of shares	(44,789,785)	(23,648,801)
	(25,413,183)	35,000,496
Net increase (decrease) in net assets for the year	(1,733,303)	66,088,174
Net assets, end of year	\$ 132,501,132	\$ 134,234,435

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2010

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Long Positions			
Energy (32.5%)			
3P International Energy Corporation Restricted	505,100	\$ 202,040	\$ 302,050
Alange Energy Corporation	200,000	152,800	144,000
Angle Energy Inc.	158,700	1,242,779	1,202,946
Arpetrol Inc. Restricted	108,678	168,282	54,339
Bankers Petroleum Limited	277,302	1,597,296	1,979,936
Bellatrix Exploration Limited	94,100	362,923	342,524
C&C Energia Limited	618,599	2,905,330	6,216,920
Calvalley Petroleum Inc. 'A'	12,600	50,867	49,770
Canadian Natural Resources Limited	17,000	592,220	631,210
Canyon Services Group Inc.	320,890	963,535	2,647,343
Crew Energy Inc.	232,592	3,583,832	4,586,714
Eaglewood Energy Inc.	599,900	1,047,432	485,919
Flint Energy Services Limited	249,550	2,742,110	3,955,368
Griffiths Energy International Inc.	337,500	250,000	250,000
Interex Oilfield Services Limited Warrants	203,500	-	-
Legacy Oil + Gas Inc.	49,400	525,122	602,680
Midway Energy Limited	428,187	1,442,500	1,575,728
Orleans Energy Limited	101,200	247,054	205,436
Petroamerica Oil Corporation	2,527,900	642,472	1,289,229
Petroamerica Oil Corporation Warrants	3,269,200	-	506,726
Petrominerales Limited	61,930	1,563,677	1,612,038
Plutonic Power Corporation	30	86	65
Ram Power Corporation	254,100	757,307	548,856
SouthGobi Resources Limited	74,900	1,018,985	813,414
Storm Gas Resource Corporation Restricted	39,000	199,500	253,500
Strategic Oil & Gas Limited	242,100	259,905	213,048
Suncor Energy Inc.	152,200	4,953,050	4,967,808
Suroco Energy Inc.	2,037,400	533,508	1,161,318
Suroco Energy Inc. Warrants	3,200,000	-	1,104,282
Touchstone Exploration Inc.	660,000	341,534	470,823

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2010

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Energy (continued...)			
Trilogy Energy Corporation	8,400	75,831	88,116
Trinidad Drilling Limited	94,700	487,621	479,182
UEX Corporation	65,500	97,602	96,285
Vero Energy Inc.	328,710	2,116,720	2,087,309
Western Coal Corporation	171,100	1,113,277	1,178,879
Xtreme Coil Drilling Corporation	249,200	950,289	949,451
		<u>\$ 33,187,486</u>	<u>\$ 43,053,212</u>
Materials (23.0%)			
Amaya Gaming Group Inc.	105,075	\$ 105,075	\$ 352,001
Amaya Gaming Group Inc. Warrants	52,538	-	106,466
Avcorp Industries Inc.	16,000	160,000	16,000
Bellhaven Copper & Gold Inc. Restricted	675,900	405,540	354,442
Bellhaven Copper & Gold Inc. Warrants	337,950	-	74,610
Bioexx Specialty Proteins Limited	301,262	277,278	768,218
Canaco Resources Inc. Restricted	168,000	235,200	487,066
Capstone Mining Corporation	64,900	194,636	230,395
Cathay Forest Products Corporation	1,338,411	771,934	515,288
Cline Mining Corporation	12,300	30,062	32,595
Coalcorp Mining Inc. Warrants	31,050	1,302	155
Coalcorp Mining Inc. Warrants	30,551	1,355	153
Colossus Minerals Inc.	185,338	1,475,118	1,534,599
Consolidated Thompson Iron Mines Limited	6,400	57,270	63,040
Continental Gold Limited	119,500	764,209	788,700
Continental Gold Limited Restricted	74,400	424,080	461,578
Continental Gold Limited Warrants	37,200	-	66,495
Cortex Business Solutions Inc.	761,600	344,634	380,800
Crazy Horse Resources Inc.	29,200	29,492	40,880
Creston Moly Corporation	80,400	37,804	36,582
Dalradian Resources Inc.	3,700	7,807	7,326
Dalradian Resources Inc. Warrants	49,350	1,974	32,078
Eldorado Gold Corporation	50,000	867,000	862,500

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

STATEMENT OF INVESTMENT PORTFOLIO

AS AT OCTOBER 31, 2010

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Materials (continued...)			
Entree Gold Inc.	37,900	103,826	99,677
Fortress Paper Limited	18,433	432,123	845,153
Galway Resources Limited Warrants	300,000	-	72,162
Geovic Mining Corporation Warrants	69,192	517	2,076
Gran Columbia Gold Corporation	57,292	22,917	22,630
Gran Columbia Gold Corporation Warrants	1,571,696	-	290,764
Guatavita Gold Corporation Restricted	820,000	205,000	205,000
Hana Mining Limited	369,200	727,594	1,144,520
Hanfeng Evergreen Inc.	309,714	2,197,770	2,106,055
Hedman Resources Limited	1,988,569	29,829	-
Inmet Mining Corporation	62,256	3,184,726	3,784,542
International Forest Products Limited 'A'	234,900	946,440	1,169,802
La Camera Mining Inc. Warrants 'B' Restricted	654,190	224,031	32,710
Labrador Iron Mines Holdings Limited	11,900	71,358	71,638
Lithium Americas Corporation	606,300	1,110,826	1,012,521
Lucara Diamond Corporation	1,016,700	978,821	915,030
Lundin Mining Corporation	464,544	1,908,134	2,977,727
Macarthur Minerals Limited	145,200	217,800	239,580
Mercator Minerals Limited	366,000	952,061	1,160,220
Migao Corporation	27,300	189,627	196,560
New Gold Inc. Warrants	211,133	4,679	9,501
Nitinat Minerals Corporation	2,256	-	293
Oceana Gold Corporation Special Warrants	30,400	106,400	94,532
Osisko Mining Corporation	12,300	176,470	173,676
Peregrine Metals Limited	200,600	170,309	184,552
Philippine Metals Inc.	196,700	88,515	78,680
Philippine Metals Inc. Warrants	98,350	-	15,945
Platinum Group Metals Limited	257,000	526,850	516,570
Quadra FNX Mining Limited	3,800	57,006	54,530
Quaterra Resources Inc. Restricted	243,500	353,075	331,550
Quaterra Resources Inc. Warrants	121,750	-	41,264

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2010

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Materials (continued...)			
Rubicon Minerals Corporation	304,225	1,230,000	1,137,802
Sabina Gold & Silver Corporation	94,800	388,210	419,964
Salazar Resources Limited Restricted	81,700	89,870	86,782
Salazar Resources Limited Units	27,400	30,140	28,485
Salazar Resources Limited Warrants	40,850	-	10,827
Sonic Technology Solutions Inc. Warrants	1,475,600	-	374,982
Sonoro Energy Limited	1,475,600	132,804	494,326
South American Silver Corporation Restricted	269,192	169,591	353,503
South American Silver Corporation Warrants	134,596	-	100,821
Southeast Asia Mining Corporation Special Warrants	261,800	12,411	-
Tawsho Mining Inc.	142,037	34,065	35,509
Thompson Creek Metals Limited	161,500	1,643,787	1,981,605
Torex Gold Resources Inc. Warrants	225,000	27,000	78,750
Uranium One Inc.	61,500	235,943	255,225
		<u>\$ 25,172,295</u>	<u>\$ 30,420,008</u>
Consumer Discretionary (1.5%)			
Dynasty Gaming Inc.	155,000	\$ 2,325	\$ 7,898
Groove Media Inc.	125,713	37,714	6,286
Thomson Reuters Corporation	46,350	1,756,969	1,804,869
United Hunter Oil & Gas Corporation	884,584	133,014	97,304
Vesta Capital Corporation Warrants	442,092	-	6,295
		<u>\$ 1,930,022</u>	<u>\$ 1,922,652</u>
Consumer Staples (2.2%)			
Coolbrands International Inc.	656,722	\$ 598,160	\$ 2,666,291
Village Farms International Inc.	203,700	277,032	274,995
		<u>\$ 875,192</u>	<u>\$ 2,941,286</u>

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2010

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Financials (3.0%)			
BOS Solutions Limited	180,375	450,938	243,506
CanElson Drilling Inc.	480,750	929,583	1,322,063
The Toronto-Dominion Bank	33,100	2,468,935	2,431,195
		<u>\$ 3,849,456</u>	<u>\$ 3,996,764</u>
Healthcare (2.0%)			
Atrium Innovations Inc.	71,039	\$ 1,052,427	\$ 1,051,377
ConjuChem Biotechnologies Inc.	426,847	48,042	-
Immunovaccine Inc.	285,714	200,000	262,857
IMRIS Inc.	253,700	1,399,566	1,276,111
		<u>\$ 2,700,035</u>	<u>\$ 2,590,345</u>
Industrials (4.8%)			
Airboss of America Corporation	106,300	\$ 577,186	\$ 665,438
Bennett Environmental Inc. Warrants	97,100	21,362	26,217
Canadian National Railway Company	650	41,487	42,913
Cantronic Systems Inc.	1,242,029	302,912	372,609
Davie Yards Inc.	1,062,197	249,379	42,488
Dirtt Environmental Solutions Limited	128,865	185,931	154,638
Intermap Technologies Corporation	643,488	1,925,857	424,702
Neo Material Technologies Inc.	419,949	1,504,119	2,469,300
Pure Technologies Limited	418,360	1,294,953	1,748,745
Trilliant Inc. Restricted	653,056	391,417	391,834
		<u>\$ 6,494,603</u>	<u>\$ 6,338,884</u>

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2010

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Information Technology (6.7%)			
01 Communique Laboratory Inc.	16,400	\$ 24,994	\$ 22,960
Embotics Corporation	100,224	1,046,893	501,120
Guestlogix Inc.	470,375	581,477	470,375
Mobidia Technology Inc. Class A	201,546	221,701	221,701
Mood Media Corporation	20,400	35,904	35,292
Mosaid Technologies Inc.	600	12,911	16,206
OPEL International Inc. Warrants	166,500	-	-
Redknee Solutions Inc.	808,800	930,873	1,091,880
Sierra Wireless Inc.	69,100	742,045	849,930
Sylogist Limited Restricted	130,997	272,801	309,389
The Descartes Systems Group Inc.	440,984	1,787,874	2,839,937
TransGaming Inc.	642,857	450,000	507,857
TransGaming Inc. Warrants	321,429	-	70,165
View 22 Technologies Inc.	108,367	111,627	32,510
View 22 Technologies Inc. Warrants	51,116	-	-
Wi-LAN Inc.	405,315	1,187,143	1,949,565
		<u>\$ 7,406,243</u>	<u>\$ 8,918,887</u>
Telecommunication Services (3.4%)			
DHX Media Limited	409,400	\$ 532,220	\$ 532,220
EXFO Inc.	137,228	761,362	823,368
Hemisphere GPS Inc.	669,855	1,175,377	609,568
QuStream Corporation	787,280	263,528	35,428
QuStream Corporation Warrants	460,000	-	-
Silverback Media Limited Restricted	1,883,239	869,714	863,642
Silverback Media Limited Warrants	941,619	-	1
Tranzeo Wireless Technologies	154,400	211,560	74,112
Vecima Networks Inc.	69,700	348,703	265,557
Wireless Matrix Corporation	1,372,316	863,750	1,358,593
		<u>\$ 5,026,214</u>	<u>\$ 4,562,489</u>

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2010

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Utilities (2.2%)			
Boralex Inc. 'A'	345,305	\$ 2,761,190	\$ 2,893,656
Corporate Bonds (2.7%)			
AG Growth International 7.0%, Dec 31, 2014	940,000	\$ 940,000	\$ 1,019,900
Canacol Energy Limited 8.0%, June 30, 2015	985,346	985,346	1,684,055
Coalcorp Mining Inc. Series A Notes 12.0%, Aug 31, 2011	41,686	30,894	42,482
Glassbox Television Inc. 15.0%, May 21, 2011	750,000	750,000	750,000
QuStream Corporation Note 10.0%, Mar 07, 2012	460,000	414,000	138,000
		<u>\$ 3,120,240</u>	<u>\$ 3,634,437</u>
Global Equities			
Australia (0.7%)			
African Petroleum Corporation Limited	201,400	\$ 162,117	\$ 160,864
Berkeley Resources Limited	459,543	276,665	729,513
Berkeley Resources Limited Options	43,934	-	35,969
		<u>\$ 438,782</u>	<u>\$ 926,346</u>
Bermuda (0.6%)			
African Minerals Limited	110,000	\$ 744,387	\$ 782,867
Cayman Islands (0.8%)			
Coastal Energy Corporation	144,600	\$ 596,013	\$ 643,470
Tethys Petroleum Limited	312,500	396,185	471,875
		<u>\$ 992,198</u>	<u>\$ 1,115,345</u>
Switzerland (0.0%)			
Weatherford International Limited	2	\$ 24	\$ 34

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2010

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
United States (5.1%)			
Alliance Distributors Holding Inc.	5,455	\$ 1,055	\$ 211
Allied Nevada Gold Corporation	34,100	811,976	853,523
C.O.R.E. Holdings Inc. Class B	1,292	208,156	-
Canba Investments LLC Membership Units	6,991	897,844	819,319
Coastal Energy Company Warrants	4	-	217,186
Geovic Mining Corporation Warrants	188,713	6,634	1,887
Geovic Mining Corporation 'B' Warrants	17,060	222	597
Govi High Power Explorations Inc. Special Warrants	561,880	1,223,848	1,431,527
GoviEx IP Holdings Inc.	196,880	-	-
Gran Tierra Energy Inc.	162,143	950,698	1,229,044
Inviro Medical Inc. Private Placement	92,500	101,339	47,133
The Mosaic Company	2,700	169,382	201,167
TiCan Titate Metals Company Inc. Class 'A'	842,167	137,639	8,422
Tuscany International Drilling Inc.	841,600	1,084,207	1,144,575
Tuscany International Drilling Inc. Warrants	244,300	61,075	12,215
U.S. Geothermal Inc.	807,000	868,228	696,582
U.S. Geothermal Inc. Warrants	381,550	80,960	81,188
		<u>\$ 6,603,263</u>	<u>\$ 6,744,576</u>
International Bonds (1.6%)			
APO Energy Inc. 12.0%, Sep 30, 2013	2,100,000	\$ 2,173,396	\$ 2,140,106
		<u>\$ 103,475,026</u>	<u>\$ 122,981,894</u>

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

STATEMENT OF INVESTMENT PORTFOLIO

AS AT OCTOBER 31, 2010

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Short Positions			
Consumer Staples (0.0%)			
Alliance Grain Traders Inc.	(2)	\$ (36)	\$ (63)
Energy (-0.1%)			
Birchcliff Energy Limited	(13,900)	\$ (124,333)	\$ (118,706)
Pan Orient Energy Corporation	(10,000)	(50,710)	(74,500)
		\$ (175,043)	\$ (193,206)
Industrials (-0.1%)			
Canadian Pacific Railway Limited	(1,110)	\$ (73,546)	\$ (73,793)
Financials (-0.4%)			
Bank of Nova Scotia	(9,200)	\$ (505,035)	\$ (502,964)
Materials (-1.0%)			
Canaco Resources Inc.	(49,100)	\$ (151,991)	\$ (151,228)
Detour Gold Corporation	(27,945)	(798,162)	(832,482)
First Quantum Minerals Limited	(3,100)	(277,965)	(277,697)
Medoro Resources Limited	(20,500)	(38,663)	(39,360)
Quest Rare Minerals Limited	(3,948)	(18,426)	(18,635)
		\$ (1,285,207)	\$ (1,319,402)
Written Options (-0.0%)			
Goldcorp Inc. Nov/40 WPO	(462)	\$ (33,612)	\$ (9,887)
Osisko Mining Corporation Dec/16 WCO	(168)	(5,566)	(6,720)
		\$ (39,178)	\$ (16,607)

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2010

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Total Short Positions (-1.6%)		\$ (2,078,045)	<u>\$ (2,106,035)</u>
Transaction costs, note 2		<u>\$ (198,066)</u>	
Total Investments (91.2%)		<u>\$ 101,198,915</u>	\$ 120,875,859
Cash and cash equivalents (4.6%)			6,121,198
Other assets less other liabilities (4.2%)			<u>5,504,075</u>
Net assets (100.0%)			<u>\$ 132,501,132</u>

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

1. THE FUND

Front Street Canadian Equity Fund (the "Fund") is a class of shares of Front Street Mutual Funds Limited (the "Corporation"), a mutual fund corporation incorporated under the Canada Business Corporations Act on April 11, 2006, and is authorized to issue an unlimited number of classes of shares in multiple series. Reference is made to the Fund's Simplified Prospectus for additional information on the Fund's structure. Series A commenced operations on June 28, 2006. Series B commenced operations on June 22, 2006. Series F commenced operations on August 3, 2006.

At a special meeting held on October 15, 2008, the applicable securityholders approved the special resolutions authorizing the amalgamation of Front Street Mutual Funds Limited and Front Street Opportunity Funds Ltd. to form Front Street Mutual Funds Limited pursuant to an amalgamation agreement entered into as of October 31, 2008 and the filing of such articles of amalgamation with an effective date of November 1, 2008. Pursuant to the amalgamation, the Fund amalgamated with Front Street Equity Opportunities Fund of Front Street Opportunity Funds Ltd. to form Front Street Canadian Equity Fund. Each former shareholder of Front Street Canadian Equity Fund Class received one share of the Front Street Canadian Equity Fund. Each former shareholder of Front Street Equity Opportunities Fund received 0.9996 shares for each Series A and 0.9987 shares for each Series B, share respectively.

The transactional net asset value of the Front Street Equity Opportunities Fund acquired was as follows:

Total assets	\$	1,841,632
Total liabilities		36,696
Net assets representing shareholders' equity		1,804,936

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series A	59,440	\$ 425,326
Series B	192,635	1,379,610
Series F	-	-
	<u>252,075</u>	<u>\$ 1,804,936</u>

Summary financial information for Front Street Equity Opportunities Fund, for the 11 1/2 months ended October 31, 2008 is as follows:

Investment income	\$	37,280
Total expenses		92,209
Net realized loss on investments		699,626
Net decrease in net assets from operations for the year		754,555

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

1. THE FUND (Continued...)

On March 2, 2009, the Fund acquired the net assets of Front Street Performance Fund II whereby the shares were converted at the rate of 1.0086 Series B shares of the Fund.

The transactional net asset value of the Front Street Performance Fund II acquired were as follows:

Total assets	\$ 41,795,618
Total liabilities	2,590,945
Net assets representing shareholders' equity	39,204,673

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series B	<u>6,031,753</u>	<u>\$ 39,204,673</u>

On November 24, 2009 the shareholders of Front Street Mutual Funds Limited (the "Corporation") approved the special resolutions to authorize the amalgamation of the corporation with Front Street Special Opportunities Canadian Fund Ltd., another mutual fund corporation managed by Front Street Capital 2004. The effective date of the amalgamation was the close of business on December 1, 2009. The merger was accomplished by the amalgamation of these two mutual fund corporations under the Canada Business Corporations Act (Canada).

Upon amalgamation, Front Street Mutual Funds Limited was considered to be the continuing Fund for securities regulatory purposes. A new class of shares of Front Street Mutual Funds Limited was created, namely Front Street Special Opportunities Canadian Fund (of which Series A, B, F, X and Y shares were created). Existing shareholders of the Series A, Series B and Series F of Front Street Special Opportunities Canadian Fund Ltd. received Series X, Series Y and Series F shares respectively of Front Street Special Opportunities Canadian Fund class of shares of Front Street Mutual Funds Limited.

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, 2010.

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

The Fund's investment objective is to provide Fund securityholders with long term capital growth through the selection, management and strategic trading of long and short positions in equity, debt and derivative securities. The Fund will invest primarily in Canadian equities and may focus its assets in specific industry sectors and asset classes based on analysis of business cycles, industry sectors and market outlook. The Fund may also invest in foreign equities.

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Financial instruments

Investments, at fair value, and obligations from portfolio assets sold short, at fair value are classified as held for trading. Accounts receivable relating to portfolio assets sold, accounts receivable relating to shares issued and amounts receivable relating to accrued income are classified as loans and receivables. Liabilities for portfolio assets purchased, accounts payable relating to shares redeemed, accrued expenses and performance fees payable are classified as other financial liabilities.

In June 2008, the Canadian Securities Administrators adopted changes to National Instrument 81-106 on Investment Fund Continuous Disclosure. The changes are essentially aimed at modifying the requirements pertaining to the calculation of the unit value due to the inclusion of Section 3855, Financial Instruments - Recognition and Measurement of the CICA Handbook. These changes allow the Fund to report two distinct net asset values: one for the financial statements, which is calculated in accordance with Canadian GAAP (called "net assets") and another for all other purposes, such as unit pricing (called "net asset value"). A reconciliation between the net assets per unit and the net asset value per unit is required (see note 8) as well as description of the differences between the valuation principles and practices used by the Manager to calculate the net asset value and those prescribed by Canadian GAAP. The changes are effective September 8, 2008 and have been reflected in these financial statements.

b) Valuation of investments

i) Investments listed on an exchange are valued at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The difference between this amount and cost is shown as the change in the unrealized appreciation (depreciation) of the value of investments. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques to be used in the determination of fair value. When current market prices or quotations are not readily available, valuations are established using specific procedures in order to estimate what the fair value would be, in an arms length transaction, motivated by normal business considerations. Valuation techniques principally include the use of the last publicly traded price, the issuance price of securities at the date of the most recent financing of the entity or a price established by the Manager in accordance with its fair value policy.

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

b) Valuation of investments (continued...)

- ii) Investments which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided in paragraph (i) above less a discount of 2% per month up to four months.

The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been established had a ready market existed for these investments.

- iii) Trust units are valued at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The cost of the trust units is reduced on an annual basis by distributions from the trust and increased by the annual income allocated to the units by the trust.
- iv) Investments in mutual funds or pooled funds are valued based on the net asset value per unit at the close of trading on the financial statement date.
- v) The Fund values its investments in limited partnerships at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The Fund calculates the cost value of its investment in limited partnerships using the equity method. Under this method, the limited partnership investments are recorded at cost plus the Fund's pro rata share in undistributed earnings since acquisition.
- vi) The Fund may make short sales whereby a security that it does not own is sold in anticipation of a decline in the fair value of the security. Securities which are sold short are valued at the last ask price reported by the principal securities exchange on which the issue is traded on the financial statement date. To enter a short sale, the Fund may need to borrow the security for delivery to the buyer.

While the transaction is open, the Fund will also incur a liability for any paid dividends or interest which are due to the lender of the security.

- vii) The Fund invests in derivative contracts which represent financial instruments which may require little or no initial investment and which are settled in the future. These investments are commonly referred to as futures or option contracts. Derivative contracts listed upon a principal exchange are valued at their last bid price (for long contracts) and last ask price (for short contracts) at the financial statement date. Contracts with no available bid and ask prices are valued at the fair value as determined by the Manager.

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

c) Financial instruments disclosure and presentation and fair value measurements

The Fund has adopted CICA Handbook Sections 3862, Financial Instruments - Disclosures and 3863, Financial Instruments - Presentation, which have replaced Section 3861, Financial Instruments - Disclosure and Presentation. These new standards place increased emphasis on disclosures with respect to the nature and extent of risks arising from financial instruments and how the Fund has managed those risks. See note 9 for additional details.

The Fund adopted the amendments to CICA 3862, Financial Instruments – Disclosures on January 1, 2009. CICA 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on the inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

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

See note 11 for additional details.

These changes have no impact on the net assets, results of operations or changes in net assets of the Fund.

d) Transaction costs

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

e) Cash and cash equivalents

Cash and cash equivalents consist of cash balances with banks and highly liquid short-term investments with original terms to maturity of less than three months.

f) Investment transactions and income recognition

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

Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date.

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

g) Foreign currency translation

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

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

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

i) Net assets per share

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

j) Capital disclosures

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

k) General standards on financial statement presentation

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

l) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting year. Significant estimates include the fair value of the Fund's investment in private companies and the fair value of the Fund's investment in corporate warrants which are not traded in active markets. Actual results may differ from those estimates.

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

m) Future accounting pronouncements

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

International financial reporting standards ("IFRS")

Effective for its fiscal year commencing November 1, 2012, the Fund must adopt IFRS. In preparation thereof, the Manager continues to monitor and implement the Fund's changeover plan and will continue to assess the impact of the implementation as new IFRS guidance becomes available from the International Accounting Standards Board.

The Manager has reviewed the current IFRS against the Fund's current accounting policies and financial statement presentation under Canadian generally accepted accounting principles ("Canadian GAAP"), and does not expect the adoption of IFRS to have a material effect on the Fund's net asset value per share for all series of shares. The primary impact of IFRS on accounting policies and implementation decisions will be on the financial statement presentation and note disclosures in the Fund's financial statements. In particular, the Fund will be required to present a statement of shareholders' equity and a statement of cash flows, and will be required to include certain additional and enhanced disclosures.

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

3. SHARES ISSUED AND OUTSTANDING

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

Series A shares

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

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

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

Series B shares

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

Series F shares

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

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

The following share transactions took place during the year:

	2010	2009
Shares outstanding, beginning of the year:		
Series A	6,444,974	6,357,986
Series B	8,138,118	2,903,300
Series F	424,183	314,034
Shares issued during the year:		
Series A	879,716	1,047,668
Series B	556,097	7,226,424
Series F	596,322	266,047
Shares redeemed during the year:		
Series A	1,725,957	960,680
Series B	2,455,118	1,991,606
Series F	552,999	155,898
Shares outstanding, end of the year:		
Series A	5,598,733	6,444,974
Series B	6,239,097	8,138,118
Series F	467,506	424,183

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

4. FEES AND EXPENSES

The Fund pays a monthly management fee equal to 1/12 of 1.5% of the net asset value of the Fund calculated and paid at the end of each month in arrears from each Fund series.

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

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 Fund pays a performance fee if the percentage gain in the net asset value of a series of the Fund (as adjusted for any prior return deficiencies) over the preceding fiscal quarter or quarters since a performance fee was last payable exceeds the percentage gain or loss of the S&P/TSX Composite Index (the "Benchmark") over the same year. The fee is equal to this excess return per share multiplied by the number of shares outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per share of the Fund (including distributions) is greater than all previous values at the end of each previous fiscal quarter. The starting reference point for the next fiscal quarter's calculation is based on the higher of either the Benchmark performance adjusted net asset value per share or the adjusted actual net asset value per share, both with respect to the previous quarter in which a performance fee was payable.

5. INCOME TAX AND DISTRIBUTION

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

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

5. INCOME TAX AND DISTRIBUTION (Continued...)

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 Fund anticipates that gains and losses realized on the disposition of investments will normally give rise to capital gains not ordinary income. The Fund intends to declare sufficient capital gains dividends so that it is entitled to a refund of the full amount of tax paid or payable on their capital gains. The suspended loss rules in the Income Tax Act (Canada) may prevent the Fund from recognizing capital losses on the disposition of securities in certain circumstances, which may increase the amount of capital gains dividends that the Fund must pay to Fund shareholders.

If allowable capital losses exceed taxable capital gains of the Fund in any taxation year, the excess cannot be allocated to shareholders, but may be carried back three years and carried forward indefinitely and be applied against taxable capital gains in such previous or subsequent years.

The Fund will allocate taxes payable and recoverable of the Fund to each of the classes. The Fund can pay ordinary taxable dividends or capital gains dividends to shareholders of any class in order to receive a refund of taxes on Canadian dividends or capital gains taxes. The Fund intends to pay out such dividends so as to maximize tax refunds and minimize taxes payable at the corporate level.

The Fund may be subject to provincial capital taxes.

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

6. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to security transactions for the year ended October 31, 2010 was \$1,811,072 (2009 - \$1,550,048)

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

7. RELATED PARTY TRANSACTIONS

Management fees of \$2,001,481 (2009 - \$1,757,992) were paid to the Manager during the year (see note 4). Servicing fees of \$1,388,874 (2009 - \$881,327) were paid to the Manager during the year (see note 4). Operating costs of \$59,820 (2009 - \$Nil) were paid to the Manager during the year (see note 4). Performance fees of \$1,523,490 (2009 - \$2,610,926) were incurred with the Manager during the year (see note 4). Included in accrued expenses are \$172,777 (2009 - \$310,214) of management fees payable to the Manager. Included in accrued expenses are \$65,183 (2009 - \$29,661) of accrued servicing fees payable to the Manager. Included in accrued expenses are \$5,365 (2009 - \$Nil) of accrued operating costs payable to the Manager. Performance fees payable reflects performance fees of \$Nil (2009 - \$2,610,926) payable to the Manager.

701,429.261 (2009 - 701,429.261) of series B shares outstanding at year end representing 12.53% (2009 - 8.62%) of the series B shares of the Fund are held by Partners of the Manager.

955.968 (2009 - 955.868) of series F shares outstanding at year end representing 0.20% (2009 - 0.23%) of the series F shares of the Fund are held by relatives of the Partners of 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, 2010 Tuscarora Capital Inc., a company under common control to the Manager, received \$15,334 (2009 - \$2,424) in commissions on portfolio transactions for the Fund.

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

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

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the transactional net asset value ("NAV") and net assets calculated using generally accepted accounting principles ("GAAP NA") of an investment fund is required for financial reporting years ending on or after October 31, 2007. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) and ask prices (for investments sold) to be used in the fair valuation of investments, rather than the use of closing trade prices currently used for the purpose of determining transactional NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques (see note 2) rather than the use of valuation techniques in general practice in the investment funds industry.

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

8. RECONCILIATION OF NET ASSET VALUE TO NET ASSETS FOR FINANCIAL STATEMENTS (Continued...)

These changes account for the difference between transactional NAV and GAAP NA. The impact of the adoption of Section 3855 on the net asset value of the Fund is as follows:

As at October 31, 2010

	<u>Net Asset Value</u>			<u>Net Asset Value per Share</u>	
	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV	GAAP NA
Series A	\$ 60,303,952	\$ 84,674	\$ 60,388,626	\$ 10.77	\$ 10.79
Series B	67,170,867	94,315	67,265,183	10.77	10.78
Series F	4,840,533	6,790	4,847,323	10.35	10.37
Total	\$ 132,315,352	\$ 185,779	\$ 132,501,132		

9. FINANCIAL INSTRUMENTS

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

As at October 31, 2010

	2010	2009
Assets		
Held for trading	\$ 122,981,894	\$ 111,909,528
Cash and cash equivalents	6,121,198	17,679,071
Loans and receivables	<u>10,821,489</u>	<u>20,360,839</u>
Total Assets	<u>139,924,581</u>	<u>149,949,438</u>
Liabilities		
Held for trading	2,106,035	1,061,682
Other financial liabilities at amortized cost	<u>5,317,414</u>	<u>14,653,321</u>
Total liabilities	<u>7,423,449</u>	<u>15,715,003</u>
Net Assets	<u>\$ 132,501,132</u>	<u>\$ 134,234,435</u>

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

9. FINANCIAL INSTRUMENTS (Continued...)

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

Risk management

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

The Fund's investment activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The Statement of Investment Portfolio presents the securities held by the Fund as at October 31, 2010, and groups the securities by asset type, sector and/or market segment. Significant risks that are relevant to the Fund are discussed below.

i) Market price risk

Market price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

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

ii) Currency risk

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

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

9. FINANCIAL INSTRUMENTS (Continued...)

ii) Currency risk (continued...)

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

	Investment, at fair value	Cash	Foreign exchange contract	Total	Percentage of GAAP NA
Australian Dollar	\$ 926,346	\$ -	\$ -	\$ 926,346	0.70%
Britain Pound Sterling	782,867	-	-	782,867	0.59%
United States Dollar	<u>6,654,309</u>	<u>712,112</u>	<u>-</u>	<u>7,366,421</u>	<u>5.02%</u>
	<u>\$ 8,363,522</u>	<u>\$ 712,112</u>	<u>\$ -</u>	<u>\$ 9,075,634</u>	<u>6.31%</u>

iii) Interest rate risk

The Fund may invest in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future. Interest payable on bank overdraft or broker margin account positions will be affected by fluctuations in interest rates. As at October 31, 2010, there were 4.32% of investments owned which are held in bonds. The remaining portion of the Fund's investments are substantially non-interest bearing equity investments and its exposure to interest rate changes is minimal.

Financial assets	Floating Rate Financial Assets	Fixed Rate Financial Assets	Non-interest bearing	Total
Held for trading	\$ -	\$ 5,774,543	\$ 117,207,351	\$ 122,981,894
Other receivables	-	-	10,821,489	10,821,489
Cash and cash equivalents	<u>6,121,198</u>	<u>-</u>	<u>-</u>	<u>6,121,198</u>
Total	<u>\$ 6,121,198</u>	<u>\$ 5,774,543</u>	<u>\$ 128,028,840</u>	<u>\$ 139,924,581</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 2,106,035	\$ 2,106,035
Other financial liabilities	-	-	5,317,414	5,317,414
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,423,449</u>	<u>\$ 7,423,449</u>
GAAP NA				<u>\$ 132,501,132</u>

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

9. FINANCIAL INSTRUMENTS (Continued...)

iv) Liquidity risk

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

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

	0-12 months	1-3 years	3-5 years	Beyond 5 years	Indefinite Maturity	Total
Financial assets						
Held for trading	\$ 792,482	\$ 2,278,106	\$ 2,703,955	\$ -	\$ 117,207,351	\$ 122,981,894
Other receivables	10,821,489	-	-	-	-	10,821,489
Cash and cash equivalents	<u>6,121,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,121,198</u>
Total	<u>\$ 17,735,169</u>	<u>\$ 2,278,106</u>	<u>\$ 2,703,955</u>	<u>\$ -</u>	<u>\$ 117,207,351</u>	<u>\$ 139,924,581</u>
Financial liabilities						
Held for trading	\$ 16,607	\$ -	\$ -	\$ -	\$ 2,089,428	\$ 2,106,035
Other financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,317,414</u>	<u>5,317,414</u>
Total	<u>\$ 16,607</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,406,842</u>	<u>\$ 7,423,449</u>
GAAP NA						<u>\$ 132,501,132</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at October 31, 2010, the fair value of such assets was 6.5% (2009 – 4.7%) of the total net assets.

v) Cash flow risk

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

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

9. FINANCIAL INSTRUMENTS (Continued...)

vi) Credit risk

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

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

As at October 31, 2010, the Fund had 4.36% (2009 – 1.23%) of holdings in long term debt instruments on which credit ratings are not available.

10. CAPITAL MANAGEMENT

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

The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Fund's prospectus, while maintaining sufficient liquidity to meet participating shareholder redemptions. The Fund's overall strategy for managing capital remains unchanged from 2009.

The Fund does not have any externally imposed capital requirements.

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

11. FAIR VALUE HIERARCHY

The following is a summary of the inputs used as of October 31, 2010 in valuing the Fund's investments and derivatives carried at fair values as discussed in note 2(c):

Assets at fair value as at October 31, 2010	Quoted price in active market for identical assets	Significant other observable input	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
Investments, at fair value	<u>\$ 106,477,417</u>	<u>\$ 7,858,214</u>	<u>\$ 8,646,263</u>	<u>\$ 122,981,894</u>
Liabilities at fair value as at October 31, 2010	Level 1	Level 2	Level 3	Total
Obligations from portfolio used, at fair value	<u>\$ 2,089,428</u>	<u>\$ 16,607</u>	<u>\$ -</u>	<u>\$ 2,106,035</u>

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010 AND 2009

11. FAIR VALUE HIERARCHY (Continued...)

During the year ended October 31, 2010 reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Fair value measurement	Investments, at fair value
	Equities - long	Bonds
Beginning balance as at November 1, 2009	\$ 6,467,524	\$ 521,768
Purchases	2,321,482	2,954,289
Sales	(818,678)	(104,850)
Transfers in	249,379	-
Transfers out	(2,329,266)	-
Gain (losses)		
Realized	(140,210)	(23,906)
Unrealized	(174,556)	(276,713)
	<u>\$ 5,575,675</u>	<u>\$ 3,070,588</u>

The security involved in the transfers in was reallocated from level 1 to level 3 as a result of corporate restructuring and restrictions that have been placed on the security.

The security involved in the transfers out was reallocated to level 1 as a result of having quoted prices in active market for identical assets now available with respect to these holdings.

12. SUBSEQUENT EVENTS

On December 23, 2010, Front Street Mutual Funds Limited ("FSMFL") and Front Street Resource Performance Fund Ltd. ("FSRPFL") issued a notice of special meeting of shareholders pertaining to the proposed amalgamation of Front Street Mutual Funds Limited and Front Street Resource Performance Fund Ltd. If the resolution is approved by the shareholders of the FSMFL and FSRPFL, the effective date of the amalgamation will be the close of business on February 28, 2011. The merger will be accomplished by the amalgamation of these two mutual fund corporations under the Canada Business Corporations Act (Canada).

Upon amalgamation, FSMFL is considered to be the continuing fund for securities regulatory purposes. A new class of shares of FSMFL will be created, namely Series L of Front Street Resource Fund. Existing shareholders of FSRPFL will receive one share of Series L shares of Front Street Resource Fund class of shares of FSMFC.

13. COMPARATIVE AMOUNTS

Certain of the prior year figures have been reclassified to conform with the current year's presentation.