

FRONT STREET
Mutual Funds Limited

FRONT STREET MUTUAL FUNDS LIMITED

FRONT STREET CANADIAN EQUITY FUND

Management Report of Fund Performance

and

Interim Financial Statements

April 30, 2010

Interim Management Report of Fund Performance As at April 30, 2010 Front Street Canadian Equity Fund

This Interim 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 interim 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 Interim 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

Through 2009 and early 2010 the Fund benefited from a recovery in resource markets throughout this year. Oil and base metal stocks, in particular, performed strongly as commodities rose on buying out of China, economic stimulus programs, and early signs of an economic recovery elsewhere in the world. The price of gold rose to an all time high as investors bought the metal as protection against inflation, as well as for a store of value against falling currencies and rising national debt levels.

Those companies that have strong balance sheets are starting to buy assets at compelling valuations. The Fund is long the group, focusing on companies with strong balance sheets or strategic assets, whose values now will look very attractive when the world comes out of its economic slowdown.

Recent Developments

After the Fund's year end, equity and commodity markets were quite weak during May 2010. Fears of a double dip recession caused by sovereign debt problems in Greece and worries about a slowdown in China caused this sell off. This volatility may continue through the summer as debt problems in other European countries appear.

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 will be harmonized with the federal goods and services tax ("GST"), resulting in a federally administered tax of 13%. Management fees and other service fees charged to the Fund are currently not subject to Ontario Retail Sales Tax ("ORST"). Under Ontario's proposed harmonization with the GST, these services will be subject to an additional tax of 8%. This proposal is expected to have an effect on investment funds. Such funds will not be entitled to recover this additional cost, as they are not currently able to recover the 5% GST.

International Financial Reporting Standards ("IFRS")

Effective for its fiscal year commencing November 1, 2011, 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 \$1,134,501 (2009 - \$708,970) were paid to the Manager during the period. Performance fees of \$1,523,490 (2009 - \$2,346,069) were incurred with the Manager during the period. Included in accrued expenses are \$329,619 (2009 - \$302,869) of management fees payable to the Manager. Performance fees payable reflects performance fees of \$Nil (2009 - \$Nil) payable to 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 period ended April 30, 2010 Tuscarora Capital Inc., a company under common control to the Manager, received \$11,775 (2009 - \$194) in commissions on portfolio transactions for the Fund.

Management fees 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 since inception. This information is derived from the Fund's audited annual and interim financial statements for the six months ended April 30, 2010.

Series A

The Fund's Net Assets per Unit ⁽¹⁾

	April 30, 2010 \$	October 31, 2009 \$	October 31, 2008 \$	October 31, 2007 \$	October 31, 2006 \$
Net Assets, beginning of the period	8.95	7.12	12.63	10.15	10.00
Increase (decrease) from operations:					
Total revenue	0.02	0.09	0.10	0.16	0.05
Total expenses	(0.25)	(0.46)	(0.35)	(0.43)	(0.34)
Realized gains (losses) for the period	0.95	0.05	(2.23)	0.83	0.08
Unrealized gains (losses) for the period	0.34	2.18	(2.97)	1.36	0.52
Total increase (decrease) from operations ⁽²⁾	1.06	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 period	10.01	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 period.
- (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⁾	65,128	57,607	45,566	74,852	8,348
Number of units outstanding ⁽¹⁾	6,522,255	6,444,974	6,357,986	5,927,710	818,687
Management expense ratio ⁽²⁾	5.22%	6.02%	3.45%	3.59%	9.95%
Management expense ratio before waivers or absorptions	5.22%	6.02%	3.45%	3.59%	9.95%
Trading expense ratio ⁽³⁾	1.27%	1.49%	1.12%	1.31%	0.67%
Portfolio turnover rate ⁽⁴⁾	196.42%	595.92%	471.10%	310.74%	156.19%
Net asset value per unit	\$ 9.99	\$ 8.94	\$ 7.17	\$ 12.75	\$ 10.20

- (1) This information is provided as at end of the period shown
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as annualized percentage of daily average net asset value during the period.
- (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 period.
- (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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. 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⁾

	April 30, 2010 \$	October 31, 2009 \$	October 31, 2008 \$	October 31, 2007 \$	October 31, 2006 \$
Net Assets, beginning of the period	8.96	7.13	12.64	10.17	10.00
Increase (decrease) from operations:					
Total revenue	0.02	0.07	0.10	0.16	0.05
Total expenses	(0.25)	(0.53)	(0.35)	(0.43)	(0.32)
Realized gains (losses) for the period	0.94	0.84	(2.24)	0.75	0.11
Unrealized gains (losses) for the period	0.36	2.50	(2.90)	1.24	0.41
Total increase (decrease) from operations ⁽²⁾	1.07	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 period	10.01	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 period.
- (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⁾	76,370	72,781	20,825	33,571	2,026
Number of units outstanding ⁽¹⁾	7,644,130	8,138,118	2,903,300	2,655,860	198,270
Management expense ratio ⁽²⁾	5.24%	6.64%	3.45%	3.59%	8.86%
Management expense ratio before waivers or absorptions	5.24%	6.64%	3.45%	3.59%	8.86%
Trading expense ratio ⁽³⁾	1.27%	1.49%	1.12%	1.31%	0.67%
Portfolio turnover rate ⁽⁴⁾	196.42%	595.92%	471.10%	310.74%	156.19%
Net asset value per unit	\$ 9.99	\$ 8.94	\$ 7.17	\$ 12.76	\$ 10.22

- (1) This information is provided as at end of the period shown
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as annualized percentage of daily average net asset value during the period.
- (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 period.
- (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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. 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⁾

	April 30, 2010 \$	October 31, 2009 \$	October 31, 2008 \$	October 31, 2007 \$	October 31, 2006 \$
Net Assets, beginning of the period	8.60	6.86	12.15	9.93	10.00
Increase (decrease) from operations:					
Total revenue	0.02	0.08	0.09	0.14	0.03
Total expenses	(0.19)	(0.37)	(0.33)	(0.47)	(0.23)
Realized gains (losses) for the period	0.97	0.18	(2.16)	0.58	0.04
Unrealized gains (losses) for the period	0.14	0.71	(2.81)	1.32	0.26
Total increase (decrease) from operations ⁽²⁾	0.94	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 period	9.61	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 period.
- (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⁾	5,861	3,640	2,166	4,474	241
Number of units outstanding ⁽¹⁾	611,484	424,183	314,034	368,183	24,168
Management expense ratio ⁽²⁾	4.05%	4.97%	3.44%	4.05%	9.38%
Management expense ratio before waivers or absorptions	4.05%	4.97%	3.44%	4.05%	9.38%
Trading expense ratio ⁽³⁾	1.27%	1.49%	1.12%	1.31%	0.67%
Portfolio turnover rate ⁽⁴⁾	196.42%	595.92%	471.10%	310.74%	156.19%
Net asset value per unit	\$ 9.59	\$ 8.58	\$ 6.90	\$ 12.27	\$ 9.98

- (1) This information is provided as at end of the period shown
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as annualized percentage of daily average net asset value during the period.
- (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 period.
- (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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. 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 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.

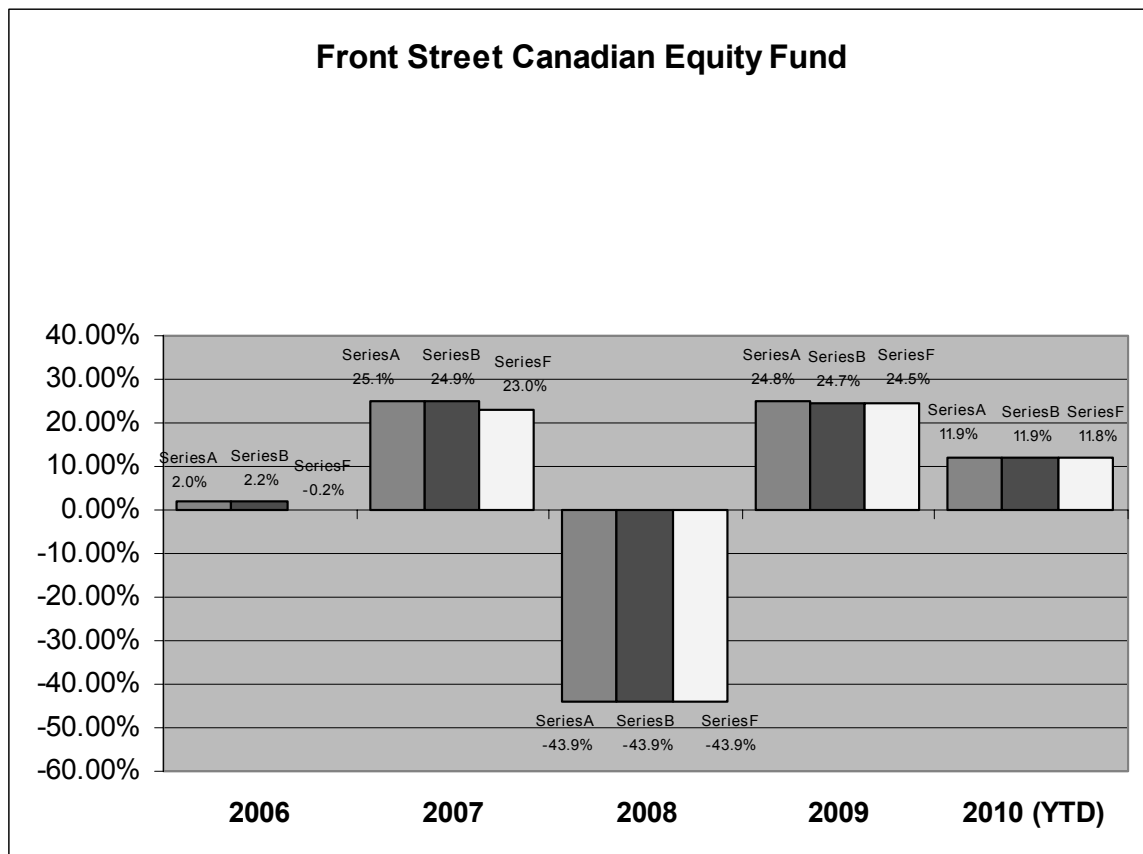
Series	Trailer Annual Rate	Annual Payment per \$1,000 of Fund securities held
A	1.00%	\$10.00
B	1.00%	\$10.00
F	0.00%	Nil

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	24.96%
Front Street Canadian Equity Fund Series B	24.92%
Front Street Canadian Equity Fund Series F	24.74%
S&P/TSX Composite Index	16.13%

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 April 30, 2010

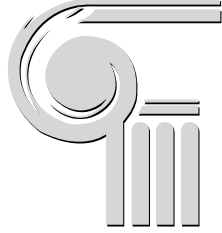
Portfolio by Category

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Energy	30.2%
Materials	23.3%
Cash and cash equivalents	14.9%
Information Technology	6.5%
United States	5.2%
Industrials	4.7%
Financials	3.9%
Telecommunication Services	3.1%
Health Care	2.7%
Utilities	2.2%
Australia	1.4%
Consumer Staples	1.4%
Consumer Discretionary	1.3%
Corporate Bonds	0.8%
Bermuda	0.5%
Cayman Islands	0.3%
SHORT POSITIONS	
Cayman Islands	-0.1%
Energy	-0.1%
Written Put Option	-0.1%
Materials	-0.4%
Financials	-0.6%
Industrials	-0.6%
Other	-0.5%
	100.0%

Top 25 Holdings

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Suncor Energy Inc.	4.6%
Barrick Gold Corporation	3.7%
Canadian Natural Resources Limited	3.7%
Bankers Petroleum Limited	2.9%
Pacific Rubiales Energy Corporation	2.9%
Crew Energy Inc.	2.8%
Petrobank Energy and Resources Limited	2.8%
Gran Tierra Energy Inc.	2.4%
Hanfeng Evergreen Inc.	2.4%
Boralex Inc. 'A'	2.2%
Flint Energy Services Limited	2.1%
The Descartes Systems Group Inc.	2.1%
Bank of Montreal	2.0%
Thompson Creek Metals Limited	2.0%
FNX Mining Company Inc.	1.6%
Neo Material Technologies Inc.	1.6%
C&C Energy Canada Limited	1.5%
Coolbrands International Inc.	1.4%
Goldcorp Inc.	1.4%
Petroamerica Oil Corporation	1.4%
Atrium Innovations Inc.	1.3%
Lundin Mining Corporation	1.3%
Pure Technologies Limited	1.3%
Thomson Reuters Corporation	1.2%
DragonWave Inc.	1.1%
	53.7%
TOTAL TRANSACTIONAL NET ASSET VALUE (000)	\$147,359

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



FRONT STREET

Canadian Equity Fund

INTERIM FINANCIAL STATEMENTS

FRONT STREET CANADIAN EQUITY FUND

FOR THE SIX MONTHS ENDED APRIL 30, 2010

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS

The accompanying interim financial statements have not been reviewed by the external auditors of the Fund in accordance with standards established by the Canadian Institute of Chartered Accountants. The external auditors will be auditing the annual financial statements of the Fund in accordance with Canadian generally accepted auditing standards.

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

STATEMENTS OF NET ASSETS
AS AT APRIL 30, 2010 (UNAUDITED) AND OCTOBER 31, 2009 (AUDITED)

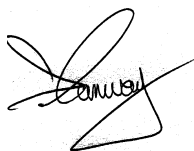
	2010	2009
ASSETS		
Investments, at fair value (cost - \$115,443,035; 2009 - \$103,293,963)	\$ 129,109,817	\$ 111,909,528
Cash and cash equivalents	21,978,478	17,679,071
Accounts receivable relating to shares issued	638,607	418,695
Accounts receivable relating to portfolio assets sold	10,763,290	19,698,443
Amounts receivable relating to accrued income	55,666	243,701
	<u>\$ 162,545,858</u>	<u>\$ 149,949,438</u>
LIABILITIES		
Obligations from portfolio assets sold short, at fair value	\$ 2,727,000	\$ 1,061,682
Performance fees payable	—	2,610,926
Accrued expenses	694,872	651,539
Liabilities for portfolio assets purchased	10,922,563	10,833,817
Accounts payable relating to shares redeemed	509,378	557,039
	<u>14,853,813</u>	<u>15,715,003</u>
Net assets representing shareholders' equity	<u>\$ 147,692,045</u>	<u>\$ 134,234,435</u>
Net assets applicable to outstanding shares allocated as follows:		
Net assets, Series A	\$ 65,275,213	\$ 57,695,443
Shares outstanding, Series A, note 3	6,522,255	6,444,974
Net assets per share, Series A	<u>10.01</u>	<u>8.95</u>
Net assets, Series B	\$ 76,542,576	\$ 72,893,067
Shares outstanding, Series B, note 3	7,644,130	8,138,118
Net assets per share, Series B	<u>10.01</u>	<u>8.96</u>
Net assets, Series F	\$ 5,874,256	\$ 3,645,925
Shares outstanding, Series F, note 3	611,484	424,183
Net assets per share, Series F	<u>9.61</u>	<u>8.60</u>

See accompanying notes to the financial statements

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

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED APRIL 30, 2010 (UNAUDITED)

	2010	2009
Investment income		
Dividends	\$ 231,124	\$ 482,715
Interest	100,103	180,415
	<u>331,227</u>	<u>663,130</u>
Expenses		
Performance fees, note 4	1,523,490	2,346,069
Management fees, note 4	1,134,501	708,970
Administration fees	209,874	144,848
Audit fees	46,199	22,191
Securityholder reporting costs	42,016	133,637
Legal fees	40,192	129,199
Independent review committee	10,780	4,931
Compensatory dividends	9,620	54,056
Custodial fees	5,767	24,963
Servicing fees, note 4	700,890	253,755
Other expenses	—	5,191
	<u>3,723,329</u>	<u>3,827,810</u>
Net investment loss for the period	<u>(3,392,102)</u>	<u>(3,164,680)</u>
Net realized and unrealized gains (losses) on investments		
Net realized gain (loss) on sale of investments	14,957,789	(5,083,314)
Transaction costs, note 6	(908,056)	(643,273)
Change in the unrealized appreciation of the value of investments	5,083,165	16,357,089
Net gain on investments for the period	<u>19,132,898</u>	<u>10,630,502</u>
Net increase in net assets from operations for the period	<u>\$ 15,740,796</u>	<u>\$ 7,465,822</u>
Increase (decrease) in net assets from operations applicable to outstanding shares allocated as follows:		
Increase in net assets from operations, Series A	\$ 6,806,373	\$ 1,858,066
Increase in net assets from operations per share, Series A	<u>\$ 1.06</u>	<u>\$ 0.30</u>
Increase in net assets from operations, Series B	\$ 8,470,161	\$ 5,971,663
Increase in net assets from operations per share, Series B	<u>\$ 1.07</u>	<u>\$ 1.21</u>
Increase (decrease) in net assets from operations, Series F	\$ 464,262	\$ (363,907)
Increase (decrease) in net assets from operations per share, Series F	<u>\$ 0.94</u>	<u>\$ (1.26)</u>

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED APRIL 30, 2010 (UNAUDITED)

	2010	2009
Series A		
Net assets, beginning of period	\$ 57,695,443	\$ 45,292,725
Net increase in net assets from operations	6,806,373	1,858,066
Shareholder transactions		
Proceeds from the issuance of shares	6,500,745	2,055,207
Aggregate amounts paid on redemption of shares	(5,727,348)	(3,831,934)
	773,397	(1,776,727)
Net increase in net assets for the period	7,579,770	81,339
Net assets, end of period	\$ 65,275,213	\$ 45,374,064
Series B		
Net assets, beginning of period	\$ 72,893,067	\$ 20,700,478
Net increase in net assets from operations	8,470,161	5,971,663
Shareholder transactions		
Proceeds from the issuance of shares	4,399,540	44,717,710
Aggregate amounts paid on redemption of shares	(9,220,192)	(6,920,379)
	(4,820,652)	37,797,331
Net increase in net assets for the period	3,649,509	43,768,994
Net assets, end of period	\$ 76,542,576	\$ 64,469,472

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED APRIL 30, 2010 (UNAUDITED)

	2010	2009
Series F		
Net assets, beginning of period	\$ 3,645,925	\$ 2,153,058
Net increase (decrease) in net assets from operations	464,262	(363,907)
Shareholder transactions		
Proceeds from the issuance of shares	2,183,919	834,351
Aggregate amounts paid on redemption of shares	(419,850)	(491,118)
	1,764,069	343,233
Net increase (decrease) in net assets for the period	2,228,331	(20,674)
Net assets, end of period	\$ 5,874,256	\$ 2,132,384
Total		
Net assets, beginning of period	\$ 134,234,435	\$ 68,146,261
Net increase in net assets from operations	15,740,796	7,465,822
Shareholder transactions		
Proceeds from the issuance of shares	13,084,204	47,607,268
Aggregate amounts paid on redemption of shares	(15,367,390)	(11,243,431)
	(2,283,186)	36,363,837
Net increase in net assets for the period	13,457,610	43,829,659
Net assets, end of period	\$ 147,692,045	\$ 111,975,920

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND
(formerly, Front Street Canadian Equity Fund Class)
STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2010

	Number of Shares/ Units	Cost \$	Fair Value \$
Long Positions			
Energy (30.4%)			
Alange Energy Corporation	1,567,338	\$ 674,483	\$ 815,016
Arpetrol Inc. Restricted	108,678	168,282	54,339
Bankers Petroleum Limited	481,702	2,225,011	4,316,050
C&C Energy Canada Limited	264,083	400,666	528,166
C&C Energy Canada Limited	709,500	1,419,000	1,419,000
C&C Energy Canada Limited Restricted	154,000	509,600	308,000
Canadian Natural Resources Limited	60,775	4,481,594	4,749,566
Canyon Services Group Inc.	283,390	769,878	1,204,408
Crew Energy Inc.	223,892	2,952,318	4,086,028
Eaglewood Energy Inc.	684,400	1,206,440	1,101,884
Flint Energy Services Limited	231,450	2,441,561	3,103,745
Griffiths Energy International Inc.	250,000	75,000	75,000
Griffiths Energy International Inc.	87,500	175,000	175,000
Interex Oilfield Services Limited Warrants	203,500	-	-
Legacy Oil + Gas Inc.	105,466	892,398	1,381,605
Magma Energy Corporation	285,736	428,604	417,175
Midway Energy Limited	220,200	778,171	821,346
OPEL International Inc. Warrants	166,500	-	-
OPEL International Inc. Warrants	151,045	-	-
Petroamerica Oil Corporation	3,335,200	847,649	1,484,164
Petroamerica Oil Corporation Warrants	3,269,200	-	523,072
Petrobank Energy and Resources Limited	79,040	4,150,303	4,047,638
Petrolifera Petroleum Limited	387,300	329,205	340,824
Plutonic Power Corporation	30	86	97
Questerre Energy Corporation	110,500	439,473	376,805
Ram Power Corporation	505,800	1,527,696	1,416,240
SouthGobi Energy Resources Limited	65,700	1,090,686	900,090
Storm Gas Resource Corporation Restricted	39,000	199,500	253,500
Strategic Oil & Gas Limited	87,600	110,811	121,764
Suncor Energy Inc.	100,700	3,388,051	3,494,290
Suroco Energy Inc.	3,284,000	858,883	2,200,280
Suroco Energy Inc. Warrants	3,200,000	-	1,672,458
TransGlobe Energy Corporation	11,700	69,948	88,920
Trilogy Energy Corporation	22,100	195,505	206,193
Vero Energy Inc.	148,910	997,337	1,011,099
Western Coal Corporation	281,767	1,181,900	1,639,884
Xtreme Coil Drilling Corporation	114,200	450,882	433,960
		<u>\$ 35,435,921</u>	<u>\$ 44,767,606</u>
Materials (23.3%)			
Agrium Inc.	12,234	\$ 803,481	\$ 774,657
Avcorp Industries Inc.	16,000	160,000	16,000
Barrick Gold Corporation	118,142	4,815,855	5,219,514
Barrick Gold Corporation	4,800	205,098	211,581
Bennett Environmental Inc. Units	194,200	592,310	527,059
Bioexx Specialty Proteins Limited	559,100	230,432	989,607

FRONT STREET CANADIAN EQUITY FUND
(formerly, Front Street Canadian Equity Fund Class)
STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2010

	Number of Shares/ Units	Cost \$	Fair Value \$
Canaco Resources Inc.	167,800	\$ 92,407	\$ 112,426
Canacol Energy Limited	176,100	132,075	133,836
Cathay Forest Products Corporation	1,288,281	763,284	644,141
Coalcorp Mining Inc. Warrants	30,551	1,355	153
Coalcorp Mining Inc. Warrants	31,050	1,302	155
Consolidated Thompson Iron Mines Limited	400	3,518	3,444
Cortex Business Solutions Inc.	659,300	304,926	303,278
Detour Gold Corporation	5,900	129,682	124,136
Eastmain Resources Warrants	130,412	-	-
Electric Metals Inc. Warrants	260,000	-	-
Electric Metals, Inc.	520,000	130,000	44,200
Entree Gold Inc.	3,185	7,681	8,759
FNX Mining Company Inc.	170,997	2,278,426	2,284,520
FNX Mining Company Inc. Warrants	25,400	31,496	104,140
Galway Resources Limited Warrants	300,000	-	123,740
Geovic Mining Corporation Warrants	69,192	517	4,152
Gleichen Resources Limited	459,000	456,071	550,800
Gleichen Resources Limited Warrants	225,000	27,000	69,750
Goldcorp Inc.	45,700	1,849,244	2,002,574
GoviEx IP Holdings Inc.	196,880	-	-
Grande Cache Coal Corporation	56,800	465,677	377,720
Guatavita Gold Corporation Restricted	820,000	205,000	205,000
Hanfeng Evergreen Inc.	481,740	3,637,926	3,473,345
Hedman Resources Limited	1,988,569	29,829	
Inmet Mining Corporation	19,690	1,143,707	1,036,088
Keegan Resources Inc.	167,100	1,028,679	1,109,544
La Camera Mining Inc. 'B' Restricted Warrants	654,190	224,031	32,710
Lucara Diamond Corporation	810,000	810,000	761,400
Lundin Mining Corporation	388,179	1,617,834	1,859,377
Macarthur Minerals Limited Restricted	145,200	217,800	221,749
New Gold Inc. Warrants	211,133	4,679	7,390
Pacific Rubiales Energy Corporation	189,301	2,211,717	4,314,170
Philippine Metals Corporation	196,700	88,515	72,386
Phoenix Coal Inc. Warrants	126,065	19,115	630
Potash North Resource Corporation	76,374	-	30,091
Potash North Resource Corporation Warrants	97,904	4,536	-
San Gold Corporation	298,400	1,070,667	1,289,088
SEMAFO Inc.	63,400	373,599	408,296
Sherritt International Corporation	122,900	996,435	964,765
Sonic Technology Solutions Inc.	1,475,600	132,804	201,124
Sonic Technology Solutions Inc. Warrants	1,475,600	-	103,296
Southeast Asia Mining Corporation Warrants	261,800	12,411	-
Tawsho Mining Inc.	142,037	34,065	20,595
Teck Resources Limited "B"	8,300	394,344	330,174
Thompson Creek Metals Limited	225,300	3,084,082	2,924,394
Uranium Participation Corporation	55,000	334,461	328,900
Yamana Gold Inc.	4,400	48,066	48,488
		<u>\$ 31,206,139</u>	<u>\$ 34,373,342</u>

FRONT STREET CANADIAN EQUITY FUND
(formerly, Front Street Canadian Equity Fund Class)
STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2010

	Number of Shares/ Units	Cost \$	Fair Value \$
Consumer Discretionary (1.3%)			
Dynasty Gaming Inc.	155,000	\$ 2,325	\$ 3,925
Groove Media Inc.	125,713	37,714	6,286
Thomson Reuters Corporation	50,000	1,826,500	1,819,000
Vesta Capital Corporation	884,184	132,960	132,960
Vesta Capital Corporation Warrants	442,092	-	-
		<u>\$ 1,999,499</u>	<u>\$ 1,962,171</u>
Consumer Staples (1.4%)			
Coolbrands International Inc.	1,589,339	\$ 1,442,550	\$ 2,034,354
Financials (3.8%)			
Anthem Ventures Capital Corporation Restricted	286,000	\$ 143,000	\$ 143,000
Bank of Nova Scotia	14,500	751,166	749,795
BOS Solutions Limited	180,375	450,938	243,506
CanElson Drilling Inc.	540,750	1,045,600	1,541,138
		<u>\$ 5,419,382</u>	<u>\$ 5,675,287</u>
Health Care (2.6%)			
Atrium Innovations Inc.	130,439	\$ 1,932,769	\$ 1,980,064
ConjuChem Biotechnologies Inc.	426,847	48,042	4,268
Immunovaccine Inc.	285,714	200,000	334,285
IMRIS Inc.	247,700	1,370,074	1,585,280
		<u>\$ 3,550,885</u>	<u>\$ 3,903,897</u>
Industrials (4.6%)			
Canadian National Railway Company	200	\$ 12,488	\$ 12,142
Cantronic Systems Inc.	1,242,029	302,912	434,710
Davie Yards Inc.	1,062,197	249,379	90,287
Dirtt Environmental Solutions Limited	128,865	185,931	154,638
Intermap Technologies Corporation	913,086	3,295,510	1,223,535
Miranda Technologies Inc.	64,122	365,500	316,763
Neo Material Technologies Inc.	573,749	2,031,740	2,300,733
Pure Technologies Limited	418,360	1,294,953	1,861,702
Trilliant Inc. Restricted	652,361	391,417	391,417
Trilliant Inc. Warrant	695	-	417
		<u>\$ 8,129,830</u>	<u>\$ 6,786,344</u>
Information Technology (6.5%)			
DragonWave Inc.	194,931	\$ 1,081,883	\$ 1,686,153
Embotics Corporation	100,224	1,046,893	501,120
Guestlogix Inc.	456,575	560,827	712,257
Mobidia Technology Inc. Class A	201,546	221,701	221,701
Redknee Solutions Inc.	778,800	888,642	1,253,868
Sierra Wireless Inc.	73,700	801,067	598,444

FRONT STREET CANADIAN EQUITY FUND
(formerly, Front Street Canadian Equity Fund Class)
STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2010

	Number of Shares/ Units	Cost \$	Fair Value \$
Information Technology (continued)			
The Descartes Systems Group Inc.	498,184	\$ 2,019,778	\$ 3,098,703
TransGaming Inc.	642,857	450,000	456,428
TransGaming Inc. Warrants	321,429	-	59,339
View 22 Technologies Inc.	108,367	111,627	54,184
View 22 Technologies Inc. Warrants	51,116	-	-
Wi-LAN Inc.	332,215	940,695	990,001
		<u>\$ 8,123,113</u>	<u>\$ 9,632,198</u>
Telecommunication Services (3.1%)			
DHX Media Limited	409,400	\$ 532,220	\$ 450,340
EXFO Inc.	127,928	708,925	793,154
Hemisphere GPS Inc.	1,001,355	1,835,889	841,138
QuStream Corporation	787,280	263,528	35,428
Silverback Media Limited Restricted	1,883,239	869,714	858,350
Silverback Media Limited Warrants	941,619	-	1
Tranzeo Wireless Technologie	104,500	176,623	131,670
Vecima Networks Inc.	69,700	348,703	481,627
Wireless Matrix Corporation	1,372,316	863,750	988,068
		<u>\$ 5,599,352</u>	<u>\$ 4,579,776</u>
Utilities (2.2%)			
Boralex Inc. 'A'	336,305	\$ 2,682,414	\$ 3,178,082
Corporate Bonds (0.8%)			
AG Growth International 7.0%, Dec 31, 2014	940,000	\$ 940,000	\$ 987,000
Coalcorp Mining Inc. Series A Notes 12.0%, Aug, 2011	41,686	30,894	42,222
QuStream Corporation Note 10.0%	460	414,000	138,000
		<u>\$ 1,384,894</u>	<u>\$ 1,167,222</u>
Global Equities			
Australia (1.4%)			
Andean Resources Limited	20,000	\$ 57,480	\$ 61,200
Berkeley Resources Limited	410,687	219,467	479,793
Berkeley Resources Limited Option	43,934	-	20,696
Mirabela Nickel Limited	216,100	492,524	481,903
Perseus Mining Limited	585,000	849,172	1,053,000
		<u>\$ 1,618,643</u>	<u>\$ 2,096,592</u>

FRONT STREET CANADIAN EQUITY FUND
(formerly, Front Street Canadian Equity Fund Class)
STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2010

	Number of Shares/ Units	Cost \$	Fair Value \$
Bermuda (0.5%)			
African Minerals Limited	25,200	\$ 161,787	\$ 143,872
African Minerals Limited Restricted	110,000	744,387	602,893
		<u>\$ 906,174</u>	<u>\$ 746,765</u>
Cayman Islands (0.3%)			
Coastal Energy Company Warrant	39,062	\$ -	\$ 12,536
Tethys Petroleum Limited Restricted	107,900	88,478	206,197
Tethys Petroleum Limited Restricted	143,700	222,735	263,402
		<u>\$ 311,213</u>	<u>\$ 482,135</u>
Switzerland (0.0%)			
Weatherford International Limited	2	\$ 24	\$ 37
United States (5.2%)			
Alliance Distributors Holding Inc.	5,455	\$ 1,055	\$ 221
Bunge Limited	2,500	142,487	134,026
C.O.R.E. Holdings Inc. Class B	1,292	208,156	39,258
Canadian Natural Resources Limited	8,800	641,932	685,774
Canba Investments LLC Mebership Units	9,321	1,197,082	1,085,692
Coastal Energy Company Warrants	4	-	201,369
Geovic Mining Corp Warrants	188,713	6,634	5,661
Geovic Mining Corporation 'B' Warrants	17,060	222	853
Govi High Power Explorations Inc. Warrants	196,880	291,821	199,411
Gran Tierra Energy Inc.	574,937	3,026,290	3,541,611
Inviro Medical Inc.	92,500	101,339	46,844
The Mosaic Company	3,700	191,805	191,650
TiCan Titrate Metals Company Inc. Class 'A'	842,167	137,639	16,843
Tuscany International Drilling Inc.	488,600	782,186	732,900
Tuscany International Drilling Inc. Warrants	244,300	-	12,215
U.S. Geothermal Inc.	345,400	385,330	335,038
U.S. Geothermal Inc. Restricted	411,100	438,064	371,831
U.S. Geothermal Inc. Warrants	205,550	-	105,851
U.S. Geothermal Inc. Warrants	176,000	80,960	16,961
		<u>\$ 7,633,002</u>	<u>\$ 7,724,009</u>
Total Long Positions (87.4%)		<u>\$ 115,443,035</u>	<u>\$ 129,109,817</u>
Short Positions			
Consumer Staples (0.0%)			
Alliance Grain Traders Inc.	(2)	\$ (36)	\$ (63)

FRONT STREET CANADIAN EQUITY FUND
(formerly, Front Street Canadian Equity Fund Class)
STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2010

	Number of Shares/ Units	Cost \$	Fair Value \$
Energy (-0.1%)			
Petrominerales Limited	(4,100)	\$ (130,020)	\$ (133,250)
Rock Energy Inc.	(500)	(2,463)	(2,635)
		<u>\$ (132,483)</u>	<u>\$ (135,885)</u>
Industrials (-0.5%)			
AG Growth International Incorporated	(23,360)	\$ (856,824)	\$ (844,230)
Financials (-0.5%)			
National Bank of Canada	(13,550)	\$ (851,421)	\$ (841,726)
Materials (-0.3%)			
IAMGOLD Corporation	(16,200)	\$ (252,429)	\$ (294,516)
Jaguar Mining Inc.	(8,825)	(95,808)	(100,164)
Mercator Minerals Limited	(760)	(1,787)	(1,725)
Sino-Forest Corporation	(900)	(18,149)	(16,254)
		<u>\$ (368,173)</u>	<u>\$ (412,659)</u>
Written Options (-0.3%)			
Agrium Inc. May/60 WPO	(132)	\$ (15,483)	\$ (18,718)
Agrium Inc. May/65 WPO	(132)	(26,170)	(53,479)
Bunge Limited May/55 WPO	(264)	(28,236)	(78,881)
Canadian Natural Re May/85 WCO	(132)	(15,585)	(4,679)
DragonWave Inc. May/9 WCO	(132)	(3,709)	(5,940)
Goldcorp Inc. Jun/46 WCO	(132)	(11,776)	(15,108)
Goldcorp Inc. May/38 WPO	(88)	(7,758)	(1,337)
Goldcorp Inc. May/45 WCO	(132)	(6,558)	(9,225)
Potash Corporation May/100 WPO	(132)	(19,752)	(10,696)
Potash Corporation May/105 WPO	(44)	(9,177)	(7,710)
Suncor Energy Inc. May/32 WPO	(88)	(5,999)	(4,991)
Teck Resources Limi May/40 WPO	(88)	(15,076)	(19,698)
Teck Resources Limi May/42 WPO	(132)	(16,018)	(48,131)
The Mosaic Company May/55 WPO	(264)	(48,659)	(121,664)
		<u>\$ (229,956)</u>	<u>\$ (400,257)</u>
Global Equities			
Cayman Islands (-0.1%)			
Costal Energy Corporation	(22,000)	\$ (87,930)	\$ (92,180)
Total Short Positions (-1.8%)		<u>\$ (2,526,823)</u>	<u>\$ (2,727,000)</u>
Transaction costs, note 2		<u>\$ (212,386)</u>	
Total Investments (85.6%)		<u>\$ 112,703,826</u>	\$ 126,382,817
Cash and cash equivalents (14.9%)			21,978,478
Other assets less other liabilities (-0.5%)			(669,250)
Net assets (100.0%)			<u>\$ 147,692,045</u>

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

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 period		754,555

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

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 April 30, 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
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

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, performance fees payable, accrued expenses and accounts payable relating to shares redeemed are classified as other financial liabilities.

Financial instruments which are traded in active markets are measured based on the bid price for long securities and the ask price for short securities. Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities are charged to net income in the period. The cost of individual investments in the Statement of Investment Portfolio are recorded at total cost including transaction costs.

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
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

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
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

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
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

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 period.

i) Net assets per share

The net assets per share is 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 period.

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 period. Actual results may differ from those estimates.

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

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, 2011, 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
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

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 period.

The following share transactions took place during the period:

	2010	2009
Shares outstanding, beginning of the period:		
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 period:		
Series A	664,540	355,231
Series B	450,655	6,814,583
Series F	231,588	61,799
Shares redeemed during the period:		
Series A	587,259	567,547
Series B	944,643	994,709
Series F	44,287	75,287
Shares outstanding, end of the period:		
Series A	6,522,255	6,145,670
Series B	7,644,130	8,723,174
Series F	611,484	300,546

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

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 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 period. 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
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

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 period ended April 30, 2010 was \$908,056 (2009 - \$643,273)

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

7. RELATED PARTY TRANSACTIONS

Management fees of \$1,134,501 (2009 - \$708,970) were paid to the Manager during the period (see note 4). Performance fees of \$1,523,490 (2009 - \$2,346,069) were incurred with the Manager during the period (see note 4). Included in accrued expenses are \$329,619 (2009 - \$302,869) of management fees payable to the Manager. Performance fees payable reflects performance fees of \$Nil (2009 - \$Nil) payable to 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 period ended April 30, 2010 Tuscarora Capital Inc., a company under common control to the Manager, received \$11,775 (2009 - \$194) in commissions on portfolio transactions for the Fund.

Management fees 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 periods 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
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

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 April 30, 2010

	Transactional NAV	<u>Net Asset Value</u>		GAAP NA	<u>Net Asset per Share</u>	
		Section 3855 Adjustment			Transactional NAV	GAAP NA
Series A	\$ 65,128,366	\$ 146,846	\$ 65,275,212	\$ 9.99	\$ 10.01	
Series B	76,369,871	172,705	76,542,576	9.99	10.01	
Series F	5,861,074	13,183	5,874,257	9.59	9.61	
Total Net Asset Value	\$ 147,359,311	\$ 332,734	\$ 147,692,045			

9. FINANCIAL INSTRUMENTS

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

As at April 30, 2010

	2010	2009
Assets		
Held for trading	\$ 129,109,817	\$ 93,842,223
Cash and cash equivalents	21,978,478	34,714,597
Loans and receivables	<u>11,457,563</u>	<u>5,461,692</u>
Total Assets	<u>162,545,858</u>	<u>134,018,782</u>
Liabilities		
Held for trading	2,727,000	4,551,682
Other financial liabilities at amortized cost	<u>12,126,813</u>	<u>17,491,000</u>
Total liabilities	<u>14,853,813</u>	<u>22,042,862</u>
Net Assets	<u>\$ 147,692,045</u>	<u>\$ 111,975,920</u>

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

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, performance fees payable, obligations from portfolio assets sold short, at fair value, accrued expenses and accounts payable relating to shares redeemed. 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 April 30, 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
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

9. **FINANCIAL INSTRUMENTS (Continued...)**

ii) **Currency risk (continued...)**

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

Currency	Investments, at fair value	Cash	Foreign exchange contracts	Total	Percentage of GAAP NA
Australian Dollar	\$ 500,489	\$ 301,896	\$ -	\$ 802,385	0.54%
Britain Pound Sterling	759,301	-	-	759,301	0.51%
United States Dollar	<u>3,779,801</u>	<u>616,733</u>	<u>-</u>	<u>4,396,534</u>	<u>2.98%</u>
	<u>\$ 5,039,591</u>	<u>\$ 918,629</u>	<u>\$ -</u>	<u>\$ 5,958,219</u>	<u>4.03%</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 April 30, 2010, the bulk 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	\$ -	\$ 1,167,222	\$ 127,942,595	\$ 129,109,817
Other receivables	-	-	11,457,563	11,457,563
Cash and cash equivalents	<u>21,978,478</u>	<u>-</u>	<u>-</u>	<u>21,978,478</u>
Total	<u>\$ 21,978,478</u>	<u>\$ 1,167,222</u>	<u>\$ 139,400,158</u>	<u>\$ 162,545,858</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 2,727,000	\$ 2,727,000
Other financial liabilities	<u>-</u>	<u>-</u>	<u>12,126,813</u>	<u>12,126,813</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,853,813</u>	<u>\$ 14,853,813</u>
GAAP NA				<u>\$ 147,692,045</u>

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

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	\$ -	\$ 42,222	\$ 987,000	\$ -	\$ 128,080,595	\$ 129,109,817
Other receivables	11,457,563	-	-	-	-	11,457,563
Cash and cash equivalents	<u>21,978,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,978,478</u>
Total	<u>\$ 33,436,041</u>	<u>\$ 42,222</u>	<u>\$ 987,000</u>	<u>\$ -</u>	<u>\$ 128,080,595</u>	<u>\$ 162,545,858</u>
Financial liabilities						
Held for trading	\$ -	\$ -	\$ -	\$ -	\$ 2,727,000	\$ 2,727,000
Other financial liabilities	<u>12,126,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,126,813</u>
Total	<u>\$ 12,126,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,727,000</u>	<u>\$ 14,853,813</u>
GAAP NA						<u>\$ 147,692,045</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at April 30, 2010, the fair value of such assets was 3.84% (2009 – 5.48%) 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
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

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 April 30, 2010, the Fund had no significant investments in long term debt instruments.

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
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2010

11. FAIR VALUE HIERARCHY

The following is a summary of the inputs used as of April 30, 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, 2009	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Investments, at fair value	\$ 113,676,995	\$ 7,008,703	\$ 7,256,897	\$ 127,942,595
Bonds	-	1,029,222	138,000	1,167,222
Short-term notes	-	-	-	-
	<u>\$ 113,676,995</u>	<u>\$ 8,037,925</u>	<u>\$ 7,394,897</u>	<u>\$ 129,109,817</u>
Liabilities at fair value as at October 31, 2009				
	Level 1	Level 2	Level 3	Total
Obligations from portfolio used, at fair value	<u>\$ 2,727,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,727,000</u>
	<u>\$ 2,727,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,727,000</u>

During the year ended April 30, 2010 reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Equities - long	Bonds
Balance at November 1, 2009	\$ 6,467,524	\$ 521,768
Purchases	1,433,046	-
Sales	-	(104,850)
Transfers in (out)	249,379	-
Gains (losses)		
Realized	(427,279)	(23,906)
Unrealized	<u>(465,773)</u>	<u>(255,011)</u>
Balance at April 30, 2010	<u>\$ 7,256,897</u>	<u>\$ 138,000</u>



FRONT STREET CAPITAL

33 Yonge Street, Suite 600
Toronto, ON M5E 1G4

Tel.: 1 (800) 513-2832

or (416) 364-1990

Fax: (416) 364-8893

www.FrontStreetCapital.com