

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, 2012

Interim Management Report of Fund Performance As at April 30, 2012 Front Street Canadian Equity Fund

This Interim Management Report of Fund Performance contains financial highlights but does not contain the complete Interim 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

The Fund's investment objective is to provide shareholders 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 each recovery seemed to be met by a sell-off. Fears of political and economic events around the world influenced stock market direction.

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. We also saw sharply higher rates being priced into European bond issues, to compensate the risks inherent in their central banks.

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.

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

After initially starting 2012 on a strong note, resource markets corrected sharply in March and April. Fears of an economic slowdown in China caused investors to flee the commodities sector. GDP growth there slowed to 8.1% in the first quarter, but looking at the statistics we see that the Chinese government had engineered this slowdown in an attempt to rein in inflation. Now that they have accomplished this the government have stated that they are open to monetary and fiscal easing, possibly stimulating growth in the second half of the year.

Fears of Greece continuing to implode and the contagion effects on the rest of Europe also spooked investors. After initially agreeing to another bailout the ECB eventually withheld support until the austerity conditions of the deal were met by Greece. Unfortunately in their recent federal elections no party was able to win a mandate, and many parties had campaigned against massive budget cuts. The Greeks will return to the poles later in June, so we may see some market uneasiness until there is a solution there.

All of this uncertainty led investors to seek the safest investments they could find, shifting massive amount of capital to the US dollar. So even though many commodities, like oil, rose throughout the period investors sold the producing companies. In a strange twist even gold, seen as the ultimate store of value, sold off as investors sought liquidity. We also saw a much greater decline in intermediate to small cap companies, as investors sought the perceived safety of larger capitalized entities.

During the period ended April 30, 2012, the Fund earned investment income of \$513,196 from dividends and interest; investment income of \$29 from security lending. There were net realized losses on the sale of investments of \$5.6 million and an unrealized appreciation on the value of investments of \$5.2 million.

Operating expenses, excluding management fees, performance fees and servicing fees, totalled \$249,779 during the period ended April 30, 2012.

Recent Developments

Post period end, the effects of China's tight monetary policy started to show as their inflation rate was falling quite dramatically. This should allow them to ease interest rates to help bolster economic growth. We also had a summit of European leaders reach agreement on changes to the EU treaty, mainly aimed at tighter fiscal rules, which may help some of the countries out of their debt crises.

International Financial Reporting Standards ("IFRS")

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

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

- a) IAS 32, Financial Instruments: Disclosure and Presentation, requires shareholders' equity to be classified as liability unless certain criteria are met.
- b) IFRS 13, Fair Value Measurements, that was released in May 2011 provides guidance on the fair value measurements and allows for the possible use of closing prices to value investments.

At October 31, 2011, the IASB has published an exposure draft for comment addressing specific issues relating to Investment Companies and Funds.

The Manager is monitoring these developments and will assess the impact of any changes in accounting policies or financial statement presentation as necessary to determine an appropriate approach.

The anticipated 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 current analysis, the Manager believes the changeover to IFRS will not materially affect the Fund's existing business arrangements.

Related Party Transactions

Management fees of \$ 847,267 (April 30, 2011 - \$1,226,120) were paid to the Manager during the period. Servicing fees of \$ 466,565 (April 30, 2011 - \$690,461) were paid to the Manager during the period. Operating costs of \$ 27,677 (April 30, 2011 - \$26,206) were paid to the Manager during the period. Performance fees of \$ Nil (April 30, 2011 - \$2,319,673) were incurred with the Manager during the period. Included in accrued expenses are \$137,935 (October 31, 2011 - \$133,116) of management fees payable to the Manager. Included in accrued expenses are \$72,714 (October 31, 2011 - \$81,685) of accrued servicing fees payable to the Manager. Included in accrued expenses are \$852 (October 31, 2011 - \$5,365) of accrued operating costs payable to the Manager.

1,214,934.97 (October 31, 2011 - 1,116,451.90) of series B shares outstanding at period end representing 22.50% (October 31, 2011 - 18.49%) of the series B shares of the Fund are held by Partners of the Manager.

250,582.74 (October 31, 2011 - 348,066.61) of series B shares outstanding at period end representing 4.64 % (October 31, 2011 - 5.77%) of the series B shares of the Fund are held by relatives of the Partners of the Manager.

44,352.83 (October 31, 2011 - 44,352.83) of series F shares outstanding at period end representing 14.17% (October 31, 2011 - 6.12%) of the series F shares of the Fund are held by Partners of the Manager.

8,497.59 (October 31, 2011 - 8,497.59) of series F shares outstanding at period end representing 2.71% (October 31, 2011 - 1.17%) 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 period ended April 30, 2012 Tuscarora Capital Inc., a company under common control to the Manager, received \$537,467 (April 30, 2011 - \$226) 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 financial years. This information is derived from the Fund's audited annual and interim financial statements for the six months ended April 30, 2012.

Series A

The Fund's Net Assets per Share

	April 30, 2012	October 31, 2011 ⁽¹⁾	October 31, 2010 ⁽¹⁾	October 31, 2009 ⁽¹⁾	October 31, 2008 ⁽¹⁾	October 31, 2007 ⁽¹⁾
	\$	\$	\$	\$	\$	\$
Net Assets, beginning of the period	9.24	10.79	8.95	7.12	12.63	10.15
Increase (decrease) from operations:						
Total revenue	0.05	0.08	0.05	0.09	0.10	0.16
Total expenses	(0.15)	(0.55)	(0.40)	(0.46)	(0.35)	(0.43)
Realized gains (losses) for the period	(0.60)	1.05	1.23	0.05	(2.23)	0.83
Unrealized gains (losses) for the period	0.49	(2.03)	0.82	2.18	(2.97)	1.36
Total increase (decrease) from operations⁽²⁾	(0.21)	(1.45)	1.70	1.86	(5.45)	1.92
Distributions to Shareholders:						
From income (excluding dividends)	—	—	—	—	—	—
From dividends	—	—	—	—	—	—
From capital gains	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
Total distributions to Shareholders⁽³⁾	—	—	—	—	—	—
Net Assets, end of the period	9.03	9.24	10.79	8.95	7.12	12.63

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

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	39,108	43,836	60,304	57,607	45,566	75,552
Number of shares outstanding ⁽¹⁾	4,316,324	4,736,818	5,598,733	6,444,974	6,357,986	5,927,710
Management expense ratio ⁽²⁾	3.22%	4.89%	4.19%	6.02%	3.45%	3.59%
Management expense ratio before waivers or absorptions	3.22%	4.89%	4.19%	6.02%	3.45%	3.59%
Trading expense ratio ⁽³⁾	1.80%	1.46%	1.33%	1.49%	1.12%	1.31%
Portfolio turnover rate ⁽⁴⁾	197.79%	326.81%	393.47%	595.92%	471.10%	310.74%
Net asset value per share	\$ 9.06	\$ 9.25	\$ 10.77	\$ 8.94	\$ 7.17	\$ 12.75

- (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 Share

	April 30, 2012 \$	October 31, 2011 ⁽¹⁾ \$	October 31, 2010 ⁽¹⁾ \$	October 31, 2009 ⁽¹⁾ \$	October 31, 2008 ⁽¹⁾ \$	October 31, 2007 ⁽¹⁾ \$
Net Assets, beginning of the period	9.24	10.78	8.96	7.13	12.64	10.17
Increase (decrease) from operations:						
Total revenue	0.05	0.08	0.05	0.07	0.10	0.16
Total expenses	(0.15)	(0.54)	(0.41)	(0.53)	(0.35)	(0.43)
Realized gains (losses) for the period	(0.60)	0.96	1.26	0.84	(2.24)	0.75
Unrealized gains (losses) for the period	0.49	(2.16)	0.78	2.50	(2.90)	1.24
Total increase (decrease) from operations⁽²⁾	(0.21)	(1.66)	1.68	2.88	(5.39)	1.72
Distributions to Shareholders:						
From income (excluding dividends)	—	—	—	—	—	—
From dividends	—	—	—	—	—	—
From capital gains	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
Total distributions to Shareholders⁽³⁾	—	—	—	—	—	—
Net Assets, end of the period	9.02	9.24	10.78	8.96	7.13	12.64

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

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	48,903	55,839	67,171	72,781	20,825	33,885
Number of shares outstanding ⁽¹⁾	5,400,050	6,036,717	6,239,097	8,138,118	2,903,300	2,655,860
Management expense ratio ⁽²⁾	3.21%	4.82%	4.27%	6.64%	3.45%	3.59%
Management expense ratio before waivers or absorptions	3.21%	4.82%	4.27%	6.64%	3.45%	3.59%
Trading expense ratio ⁽³⁾	1.80%	1.46%	1.33%	1.49%	1.12%	1.31%
Portfolio turnover rate ⁽⁴⁾	197.79%	326.81%	393.47%	595.92%	471.10%	310.74%
Net asset value per share	\$ 9.06	\$ 9.25	\$ 10.77	\$ 8.94	\$ 7.17	\$ 12.76

- (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 Share

	April 30, 2012 \$	October 31, 2011 ⁽¹⁾ \$	October 31, 2010 ⁽¹⁾ \$	October 31, 2009 ⁽¹⁾ \$	October 31, 2008 ⁽¹⁾ \$	October 31, 2007 ⁽¹⁾ \$
Net Assets, beginning of the period	8.96	10.37	8.60	6.86	12.15	9.93
Increase (decrease) from operations:						
Total revenue	0.05	0.08	0.05	0.08	0.09	0.14
Total expenses	(0.10)	(0.40)	(0.27)	(0.37)	(0.33)	(0.47)
Realized gains (losses) for the period	(0.47)	0.48	1.10	0.18	(2.16)	0.58
Unrealized gains (losses) for the period	0.39	(2.18)	0.33	0.71	(2.81)	1.32
Total increase (decrease) from operations⁽²⁾	(0.13)	(2.02)	1.21	0.60	(5.21)	1.57
Distributions to Shareholders:						
From income (excluding dividends)	—	—	—	—	—	—
From dividends	—	—	—	—	—	—
From capital gains	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
Total distributions to Shareholders⁽³⁾	—	—	—	—	—	—
Net Assets, end of the period	8.79	8.96	10.37	8.60	6.86	12.15

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

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	2,763	6,504	4,841	3,640	2,166	4,516
Number of shares outstanding ⁽¹⁾	313,060	725,107	467,506	424,183	314,034	368,183
Management expense ratio ⁽²⁾	2.23%	3.73%	2.92%	4.97%	3.44%	4.05%
Management expense ratio before waivers or absorptions	2.23%	3.73%	2.92%	4.97%	3.44%	4.05%
Trading expense ratio ⁽³⁾	1.80%	1.46%	1.33%	1.49%	1.12%	1.31%
Portfolio turnover rate ⁽⁴⁾	197.79%	326.81%	393.47%	595.92%	471.10%	310.74%
Net asset value per share	\$ 8.82	\$ 8.97	\$ 10.35	\$ 8.58	\$ 6.90	\$ 12.27

- (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, 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.

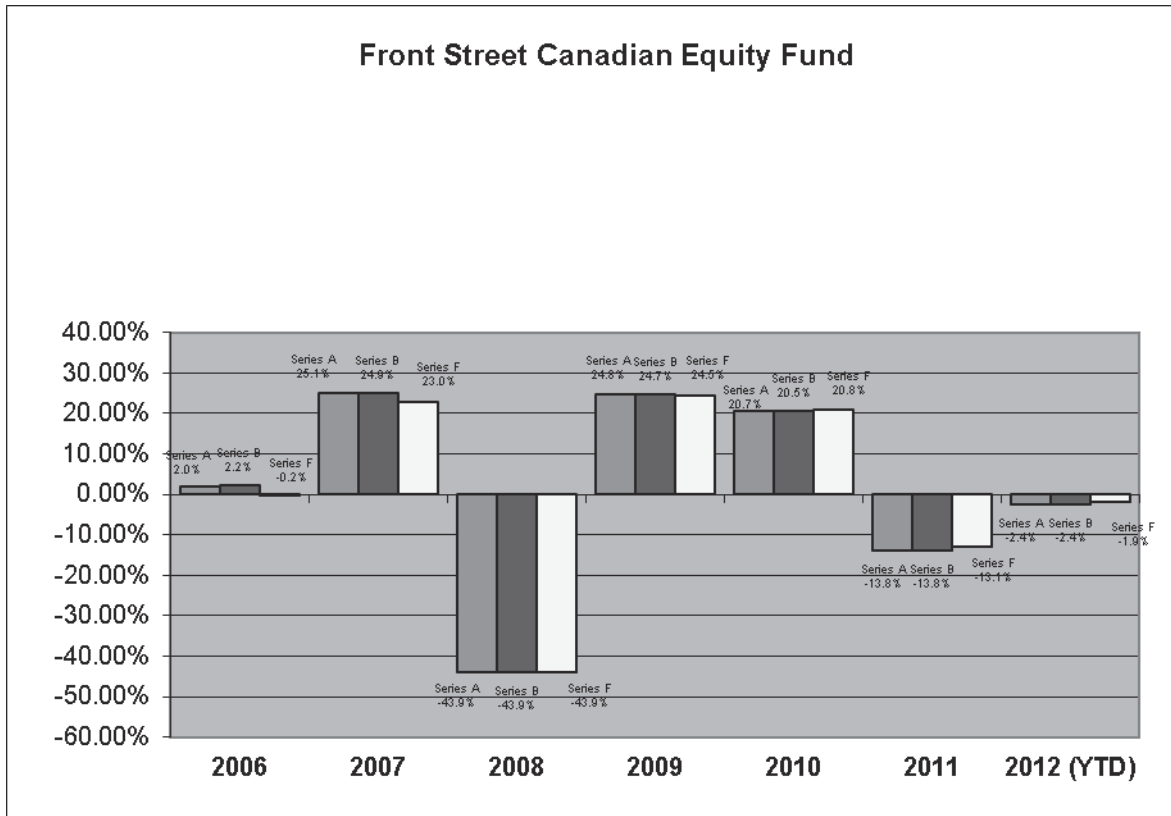
Series	Trailer Annual Rate	Annual Payment per \$1,000 of Fund securities held
A	1.00%	\$10.00
B	1.00%	\$10.00
F	0.00%	Nil

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

Summary of Investment Portfolio as at April 30, 2012

Portfolio by Category

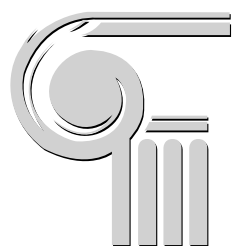
	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Cash and cash equivalents	28.9%
Energy	22.5%
Information Technology	13.7%
Materials	11.0%
Financials	8.9%
Corporate Bonds	3.0%
Australia	3.5%
United States	2.6%
Consumer Discretionary	2.5%
Cayman Islands	2.2%
Utilities	1.8%
Industrials	1.3%
Health Care	1.0%
International Bonds	0.9%
Telecommunication Services	0.5%
Isle of Man	0.4%
SHORT POSITIONS	
Energy	-1.5%
Materials	-1.5%
Financials	-0.5%
Written Option	-0.4%
Other assets less other liabilities	-0.8%
	100.0%

Top 25 Holdings

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
The Toronto-Dominion Bank	3.7%
The Descartes Systems Group Inc.	3.7%
Suncor Energy Inc.	3.3%
C&C Energia Limited	3.3%
Griffiths Energy International Inc.	3.1%
Wi-LAN Inc.	2.9%
The Bank of Nova Scotia	2.8%
Strad Energy Services Limited	2.4%
Coastal Energy Company	2.2%
Lundin Mining Corporation	1.9%
Pure Technologies Limited	1.9%
Boralex Inc. 'A'	1.8%
Talison Lithium Limited	1.7%
Open Text Corporation	1.7%
Whitecap Resources Inc.	1.5%
Xtreme Drilling and Coil Services Corporation	1.4%
Canyon Services Group Inc.	1.4%
Renegade Petroleum Limited	1.3%
Estrella International Energy Services Limited*	1.2%
Barrick Gold Corporation	1.2%
Hana Mining Limited	1.1%
Amaya Gaming Group Inc.	1.0%
African Petroleum Corporation Limited	1.0%
American Apparel Inc.	1.0%
Amaya Gaming Group Inc.*	1.0%
	49.2%
TOTAL TRANSACTIONAL NET ASSET VALUE (000)	\$90,774

* 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

INTERIM FINANCIAL STATEMENTS

FRONT STREET CANADIAN EQUITY FUND

FOR THE SIX MONTHS ENDED APRIL 30, 2012

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

STATEMENTS OF NET ASSETS

AS AT APRIL 30, 2012 (UNAUDITED) AND OCTOBER 31, 2011 (AUDITED)

	2012 (Unaudited)	2011 (Audited)
ASSETS		
Investments, at fair value (cost - \$65,567,255; 2011-\$105,618,834)	\$ 68,615,669	\$ 99,137,306
Cash and cash equivalents	26,111,335	14,848,500
Accounts receivable relating to portfolio assets sold	6,032,069	2,381,103
Accounts receivable relating to shares issued	11,920	641,628
Amounts receivable relating to accrued income	193,828	160,168
	<u>\$ 100,964,821</u>	<u>\$ 117,168,705</u>
LIABILITIES		
Liabilities for portfolio assets purchased	\$ 5,967,970	\$ 8,843,663
Obligations from portfolio assets sold short, at fair value	3,605,571	1,378,756
Accrued expenses	365,756	467,457
Accounts payable relating to shares redeemed	590,054	441,418
	<u>10,529,351</u>	<u>11,131,294</u>
Net assets representing shareholders' equity	<u>\$ 90,435,470</u>	<u>\$ 106,037,411</u>
Net assets applicable to outstanding shares allocated as follows:		
Net assets, Series A	\$ 38,962,081	\$ 43,777,840
Shares outstanding, Series A, note 3	4,316,324	4,736,818
Net assets per share, Series A	<u>\$ 9.03</u>	<u>\$ 9.24</u>
Net assets, Series B	\$ 48,721,035	\$ 55,764,464
Shares outstanding, Series B, note 3	5,400,050	6,036,717
Net assets per share, Series B	<u>\$ 9.02</u>	<u>\$ 9.24</u>
Net assets, Series F	\$ 2,752,354	\$ 6,495,107
Shares outstanding, Series F, note 3	313,060	725,107
Net assets per share, Series F	<u>\$ 8.79</u>	<u>\$ 8.96</u>

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



Gary P. Selke
Chief Executive Officer and Director



Susan Johnson
Chief Financial Officer

FRONT STREET CANADIAN EQUITY FUND

**STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED APRIL 30, 2012 AND 2011
(UNAUDITED)**

	November 1, 2011 to April 30, 2012 (Unaudited)	November 1, 2010 to April 30, 2011 (Unaudited)
Investment income		
Dividends	\$ 289,990	\$ 229,751
Interest	223,206	277,410
Security Lending	29	—
	<u>513,225</u>	<u>507,161</u>
Expenses		
Management fees, notes 4 and 7	847,267	1,226,120
Servicing fees, notes 4 and 7	466,565	690,461
Administration fees	153,753	147,050
Operating costs, notes 4 and 7	27,677	26,206
Audit fees	24,863	22,491
Securityholder reporting costs	16,908	18,713
Compensatory dividends	13,920	9,616
Legal fees	10,665	15,232
Independent review committee	1,989	3,617
Custodial fees	—	496
Performance fees, notes 4 and 7	—	2,319,673
Capital tax expenses	—	34,904
	<u>1,563,607</u>	<u>4,514,579</u>
Net investment loss for the period	<u>(1,050,382)</u>	<u>(4,007,418)</u>
Net realized and unrealized gains (losses) on investments		
Net realized gain (loss) on sale of investments	(5,565,871)	24,395,614
Transaction costs, notes 6 and 7	(889,577)	(1,083,247)
Change in the unrealized appreciation (depreciation) of the value of investments	5,228,622	(4,430,495)
Net gain (loss) on investments for the period	<u>(1,226,826)</u>	<u>18,881,872</u>
Net increase (decrease) in net assets from operations for the period	<u>\$ (2,277,208)</u>	<u>\$ 14,874,454</u>
Increase (decrease) in net assets from operations applicable to outstanding shares allocated as follows		
Increase (Decrease) in net assets from operations, Series A	\$ (970,710)	\$ 6,673,044
Increase (Decrease) in net assets from operations per share, Series A	<u>\$ (0.21)</u>	<u>\$ 1.30</u>
Increase (Decrease) in net assets from operations, Series B	\$ (1,225,770)	\$ 7,603,033
Increase (Decrease) in net assets from operations per share, Series B	<u>\$ (0.21)</u>	<u>\$ 1.18</u>
Increase (Decrease) in net assets from operations, Series F	\$ (80,728)	\$ 598,377
Increase (Decrease) in net assets from operations per share, Series F	<u>\$ (0.13)</u>	<u>\$ 1.10</u>

FRONT STREET CANADIAN EQUITY FUND

**STATEMENTS OF CHANGES IN NET ASSETS
FOR THE PERIODS ENDED APRIL 30, 2012 AND 2011
(UNAUDITED)**

	November 1, 2011 to April 30, 2012 (Unaudited)	November 1, 2010 to April 30, 2011 (Unaudited)
Series A		
Net assets, beginning of period	\$ 43,777,840	\$ 60,388,626
Net increase (decrease) in net assets from operations	(970,710)	6,673,044
Shareholder transactions		
Proceeds from the issuance of shares	1,635,440	10,103,934
Aggregate amounts paid on redemption of shares	(5,480,489)	(15,554,197)
	(3,845,049)	(5,450,263)
Net increase (decrease) in net assets for the period	(4,815,759)	1,222,781
Net assets, end of period	\$ 38,962,081	\$ 61,611,407
Series B		
Net assets, beginning of period	\$ 55,764,464	\$ 67,265,183
Net increase (decrease) in net assets from operations	(1,225,770)	7,603,033
Shareholder transactions		
Proceeds from the issuance of shares	617,380	11,339,285
Aggregate amounts paid on redemption of shares	(6,435,039)	(6,021,608)
	(5,817,659)	5,317,677
Net (decrease) increase in net assets for the period	(7,043,429)	12,920,710
Net assets, end of period	\$ 48,721,035	\$ 80,185,893

FRONT STREET CANADIAN EQUITY FUND

**STATEMENTS OF CHANGES IN NET ASSETS
FOR THE PERIODS ENDED APRIL 30, 2012 AND 2011
(UNAUDITED)**

	November 1, 2011 to April 30, 2012 (Unaudited)	November 1, 2010 to April 30, 2011 (Unaudited)
Series F		
Net assets, beginning of period	\$ 6,495,107	\$ 4,847,323
Net increase (decrease) in net assets from operations	(80,728)	598,377
Shareholder transactions		
Proceeds from the issuance of shares	139,696	2,816,803
Aggregate amounts paid on redemption of shares	(3,801,721)	(640,502)
	(3,662,025)	2,176,301
Net (decrease) increase in net assets for the period	(3,742,753)	2,774,678
Net assets, end of period	\$ 2,752,354	\$ 7,622,001
Total		
Net assets, beginning of period	\$ 106,037,411	\$ 132,501,132
Net increase (decrease) in net assets from operations	(2,277,208)	14,874,454
Shareholder transactions		
Proceeds from the issuance of shares	2,392,516	24,260,022
Aggregate amounts paid on redemption of shares	(15,717,249)	(22,216,307)
	(13,324,733)	2,043,715
Net (decrease) increase in net assets for the period	(15,601,941)	16,918,169
Net assets, end of period	\$ 90,435,470	\$ 149,419,301

FRONT STREET CANADIAN EQUITY FUND

**STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)**

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Long Positions (75.9%)			
Energy (22.6%)			
Mira Resources Corporation Warrants August 16, 2012	327,400	\$ -	\$ 15,962
Anglo Canadian Oil Corporation Warrants September 24, 2012	736,000	-	1
Arcan Resources Limited	182,140	967,931	642,954
Argosy Energy Inc.	222,500	212,790	146,850
Arpetrol Limited Warrants January 11, 2013	1,763,200	-	2
Brownstone Energy Inc. Warrants September 11, 2012	259,600	-	-
C&C Energia Limited	400,854	2,370,950	2,950,285
Canadian Natural Resources Limited	15,840	524,889	542,837
Canyon Services Group Inc.	110,620	1,052,878	1,227,882
Cenovus Energy Inc.	15,040	509,248	537,680
Crew Energy Inc.	500	5,295	3,490
Estrella International Energy Services Limited Warrants December 23, 2015	11	-	5,634
Fission Energy Corporation Warrants December 2, 2012	93,050	-	3,204
Griffiths Energy International Restricted	88,000	528,000	528,000
Griffiths Energy International Inc.	250,000	75,000	1,500,000
Griffiths Energy International Inc. Private Placement	50,000	125,000	300,000
Griffiths Energy International Inc. Units	87,500	175,000	525,000
Interex Oilfield Services Limited Special Warrants	203,500	-	-
Kombat Copper Inc. Restricted	660,000	330,000	285,120
Kombat Copper Inc. Warrants	330,000	-	67,175
Lipari Energy Inc. Warrants March 11, 2014	164,750	-	824
Madalena Ventures Inc.	115,000	142,294	59,800
Midway Energy Limited Warrants February 15, 2013	5,000	-	3,339
P1 Energy Corporation Private Placement	458,181	1,304,037	549,817
Petroamerica Oil Corporation Warrants November 19, 2012	140,000	-	700
Petroamerica Oil Corporation Warrants October 8, 2014	3,269,200	-	196,152
Renegade Petroleum Limited	326,204	1,297,797	1,161,286
Sonde Resources Corporation	120,000	380,956	272,400
Strad Energy Services Limited	384,628	1,611,003	2,123,147
Suncor Energy Inc.	92,840	2,984,820	3,027,102
Surge Energy Inc.	31,700	274,565	279,277
Suroco Energy Inc.	161,600	52,404	78,376
Suroco Energy Inc. Warrants July 9, 2012	2,500,000	-	400,390
Touchstone Exploration Inc.	654,000	338,429	196,200
Tuscany International Drilling Inc.	346,000	306,564	242,200
Vero Energy Inc.	10	65	25
Whitecap Resources Inc.	153,460	1,543,859	1,356,586
Xtreme Drilling and Coil Services Corporation	400,000	1,617,734	1,228,000
		<u>\$ 18,731,508</u>	<u>\$ 20,457,697</u>
Materials (11.1%)			
Barrick Gold Corporation	27,680	\$ 1,203,896	\$ 1,105,713
Cabo Drilling Corporation Warrants March 17, 2013	287,500	-	11,606
Colossus Minerals Inc.	44,000	65,682	113,900
EcoSynthetix Inc.	97,100	852,491	477,732
Energold Drilling Corporation	53,580	234,282	258,256
Entree Gold Inc.	222,140	431,982	233,247
First Quantum Minerals Limited	19,920	387,487	408,360
Goldcorp Inc.	30,000	1,248,402	1,134,957
Guatavita Gold Corporation Restricted	820,000	205,000	106,600
Hana Mining Limited	542,050	1,108,102	737,188
Hana Mining Limited Restricted	180,000	243,000	235,008
Inmet Mining Corporation	2,500	153,838	135,675
International Forest Products Limited 'A'	57,851	253,134	271,900
La Camera Mining Inc. 'B' Restricted Special Warrants Private Placement	654,190	224,031	13,084

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

**STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)**

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Labrador Iron Mines Holdings Limited	99,324	522,122	460,863
Lundin Mining Corporation	368,000	1,729,642	1,766,400
Mega Graphite Inc. Private Placement	555,182	527,997	832,773
Portage Minerals Inc.	892,830	90,399	26,785
Potash Corporation of Saskatchewan Inc.	9,700	425,087	407,012
Potash Ridge Corporation Restricted	293,300	219,975	219,975
Potash Ridge Corporation Restricted Warrants April 6, 2012	440,000	110,000	110,000
Quaterra Resources Inc. Warrants October 27, 2012	121,750	-	-
Rubicon Minerals Corporation	125,000	412,620	375,000
Salazar Resources Limited Warrants September 10, 2012	54,550	-	-
Solvista Gold Corporation Warrants April 27, 2013	333,500	-	11,055
South American Silver Corporation Warrants July 15, 2012	113,896	-	75,640
Southeast Asia Mining Corporation Special Warrants Private Placement	32,725	12,411	-
Tolima Gold Inc.	440,000	286,000	105,600
Tolima Gold Inc. Warrants December 8, 2013	220,000	-	3,663
Unigold Inc. Restricted	220,000	66,000	61,006
Unigold Inc. Warrants March 8, 2014	110,000	-	21,119
Western Copper and Gold Corporation	231,040	350,152	281,869
Yamana Gold Inc.	300	4,472	4,357
Zincore Metals Inc. Warrants June 15, 2014	154,600	-	6,440
		<u>\$ 11,368,204</u>	<u>\$ 10,012,783</u>
Industrials (1.3%)			
Bennett Environmental Inc. Warrants May 7, 2012	97,100	\$ 21,362	\$ 486
Bombardier Inc. 'B'	103,200	406,728	429,312
CAE Inc.	8,000	82,050	86,160
Dirtt Environmental Solutions Limited	116,985	168,790	175,478
Trilliant Inc. Restricted	833,056	499,459	499,834
		<u>\$ 1,178,389</u>	<u>\$ 1,191,270</u>
Consumer Discretionary (2.4%)			
Amaya Gaming Group Inc.	227,500	\$ 540,674	\$ 900,900
Amaya Gaming Group Inc. Warrants April 30, 2015	33,000	-	41,250
Bauer Performance Sports Limited	92,760	700,680	802,374
ePals Corporation Restricted	1,220,000	500,200	443,348
Vesta Capital Corporation Warrants August 31, 2012	442,092	-	-
		<u>\$ 1,741,554</u>	<u>\$ 2,187,872</u>

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

**STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)**

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Financials (8.9%)			
Canadian Imperial Bank of Commerce	6,420	\$ 479,363	\$ 477,776
Cap-Ex Ventures Limited Warrants March 30, 2013	71,300	-	3,696
National Bank of Canada	1,540	123,200	118,703
Royal Bank of Canada	12,420	705,894	708,685
Sun Life Financial Inc.	33,200	776,684	803,108
The Bank of Nova Scotia	46,300	2,525,343	2,535,851
The Toronto-Dominion Bank	40,580	3,369,936	3,383,155
		<u>\$ 7,980,420</u>	<u>\$ 8,030,974</u>
Health Care (1.0%)			
IMRIS Inc.	249,247	\$ 1,398,012	\$ 820,023
Immunovaccine Inc.	194,814	136,370	70,133
		<u>\$ 1,534,382</u>	<u>\$ 890,156</u>
Information Technology (13.6%)			
Absolute Software Corporation	17,620	\$ 82,122	\$ 116,821
Avigilon Corporation	50,200	213,345	200,800
Cortex Business Solutions Inc.	1,035,500	374,411	238,165
Cortex Business Solutions Inc. Warrants November 30, 2012	98,300	-	-
Embotics Corporation Private Placement	100,224	1,046,893	430,963
Mobidia Technology Inc. 'A' Preferred Restricted	301,946	332,141	301,946
Open Text Corporation	27,960	1,659,580	1,544,790
Pure Technologies Limited	339,865	1,122,427	1,658,541
Redknee Solutions Inc.	500,000	545,325	640,000
Sylogist Limited	120,997	238,062	235,944
The Descartes Systems Group Inc.	389,379	2,179,635	3,309,722
TransGaming Inc.	538,857	377,200	158,963
TransGaming Inc. Warrants December 23, 2012	321,429	-	12,075
VIQ Solutions Inc.	594,100	297,120	95,056
Wi-LAN Inc.	457,645	2,412,083	2,576,541
Wireless Matrix Corporation	1,075,516	677,250	763,616
		<u>\$ 11,557,594</u>	<u>\$ 12,283,943</u>
Telecommunication Services (0.5%)			
Adenyo Inc. Warrants	1,883,239	\$ -	\$ 2
QuStream Corporation	787,280	263,528	15,746
QuStream Corporation Warrants March 7, 2014	460,000	-	-
XMG Studio Inc. Restricted	463,160	440,002	440,002
		<u>\$ 703,530</u>	<u>\$ 455,750</u>
Utilities (1.8%)			
Boralex Inc. 'A'	201,706	<u>\$ 1,615,693</u>	<u>\$ 1,633,819</u>
Corporate Bonds (3.0%)			
Embotics Corporation 10.000% Convertible Debentures November 5, 2012	210,000	\$ 210,000	\$ 210,000
QuStream Corporation Notes 10.000% March 7, 2014	460,000	414,000	138,000
Amaya Gaming Group Inc. 10.500% April 30, 2014	660,000	660,000	877,800
Estrella International Energy Services Limited 12.000% Convertible Debentures December 31, 2015	1,100,000	1,100,000	1,100,000
Colossus Minerals Inc. 9.000% December 31, 2016	500,000	500,000	402,500
		<u>\$ 2,884,000</u>	<u>\$ 2,728,300</u>

FRONT STREET CANADIAN EQUITY FUND

**STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)**

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Global Equities			
Australia (3.5%)			
African Petroleum Corporation Limited	624,600	\$ 559,018	\$ 932,009
Berkeley Resources Limited Warrants May 15, 2013	43,934	-	4,973
Macarthur Minerals Limited	685,938	1,646,034	473,297
Macarthur Minerals Limited Warrants February 24, 2013	147,200	-	-
Mawson West Limited	153,800	218,465	146,110
Perseus Mining Limited	40,000	95,200	107,200
Talison Lithium Limited	465,332	1,984,004	1,516,982
		<u>\$ 4,502,721</u>	<u>\$ 3,180,571</u>
Bermuda (0.0%)			
Continental Gold Limited Warrants	37,200	\$ 58,900	\$ 27,900
British Virgin Island (0.0%)			
Frontier Rare Earths Limited Warrants	71,750	\$ 25,267	\$ 359
Talon Metals Corporation Warrants October 29, 2012	57,600	28,800	-
		<u>\$ 54,067</u>	<u>\$ 359</u>
Cayman Islands (2.2%)			
Coastal Energy Corporation	52,316	\$ 530,111	\$ 848,042
Coastal Energy Company Warrants January 23, 2014	4	-	1,112,303
Greenfields Petroleum Corporation	600	4,214	3,570
		<u>\$ 534,325</u>	<u>\$ 1,963,915</u>
Isle of Man (0.4%)			
Geodrill Limited	98,800	\$ 328,437	\$ 321,100
Switzerland (0.0%)			
Weatherford International Limited	2	\$ 24	\$ 28
United States (2.7%)			
American Apparel Inc.	936,660	\$ 804,155	\$ 912,049
C.O.R.E. Holdings Inc. 'B' Private Placement	1,292	208,156	-
Committed Capital Acquisition Corporation	88,000	446,338	430,614
Govi Highpower Exploration Inc. Special Warrants Private Placement	561,880	1,223,847	499,903
High Power Exploration Inc. Private Placement	196,880	-	-
Inviro Medical Inc. Private Placement	92,500	101,339	9,144
TiCan Metals Company Inc. Class 'A'	842,167	137,639	8,422
U.S. Geothermal Inc.	687,883	739,651	278,803
U.S. Geothermal Inc. Warrants September 16, 2015	205,550	-	18,935
Virgin Gaming Limited	330,000	263,024	260,978
		<u>\$ 3,924,149</u>	<u>\$ 2,418,848</u>
International Bonds (0.9%)			
P1 Energy Inc. 12.000% Convertible Debentures September 30, 2013	840,000	\$ 869,358	\$ 830,384
Total Long Positions (75.9%)		<u>\$ 69,567,255</u>	<u>\$ 68,615,669</u>
Short Positions			
Consumer Staples (-0.0%)			
Alliance Grain Traders Inc.	(2)	\$ (36)	\$ (27)

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

**STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)**

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Energy (-1.5%)			
Calfrac Well Services Limited	(23,400)	\$ (703,341)	\$ (634,140)
Celtic Exploration Limited	(200)	(3,310)	(2,896)
Ensign Energy Services Inc.	(15,000)	(235,349)	(214,800)
TransCanada Corporation	(12,000)	(516,962)	(521,520)
		<u>\$ (1,458,962)</u>	<u>\$ (1,373,356)</u>
Industrials (0.0%)			
Sonoro Energy Limited	(300)	\$ (27)	\$ (30)
Westport Innovations Inc.	(80)	(2,638)	(2,480)
		<u>\$ (2,665)</u>	<u>\$ (2,510)</u>
Financials (-0.5%)			
Bank of Montreal	(7,800)	<u>\$ (459,364)</u>	<u>\$ (457,626)</u>
Materials (-1.5%)			
Alamos Gold Inc.	(2,940)	\$ (51,672)	\$ (53,214)
Bellhaven Copper & Gold Inc.	(400)	(172)	(156)
Goldcorp Inc.	(30,000)	(1,184,169)	(1,135,501)
Tahoe Resources Inc.	(6,400)	(150,493)	(119,488)
Yamana Gold Inc.	(2,000)	(27,790)	(29,100)
		<u>\$ (1,414,296)</u>	<u>\$ (1,337,459)</u>
Global Equities			
Bermuda (0.0%)			
Continental Gold Limited	(3,000)	<u>\$ (19,298)</u>	<u>\$ (22,140)</u>
United States (0.0%)			
U.S. Geothermal Inc.	(5,000)	<u>\$ (2,580)</u>	<u>\$ (2,200)</u>
Written Options (-0.5%)			
Barrick Gold Corpor May/41 WCO	(100)	\$ (7,479)	\$ (8,699)
Canadian Imperial B May/74 WCO	(120)	(10,800)	(13,680)
Cenovus Energy Inc. May/35 WCO	(120)	(7,562)	(20,166)
Coastal Energy Comp May/17 WCO	(220)	(24,992)	(11,000)
Coastal Energy Comp May/18 WCO	(220)	(19,668)	(5,500)
First Quantum Miner May/24 WCO	(200)	(18,800)	(6,000)
Goldcorp Inc. May/41 WCO	(60)	(5,967)	(1,542)
Open Text Corporati May/60 WCO	(125)	(21,426)	(15,446)
Open Text Corporati May/65 WCO	(360)	(55,769)	(12,456)
Potash Corporation May/45 WCO	(100)	(4,920)	(3,163)
Sun Life Financial May/25 WCO	(200)	(8,400)	(4,600)
Suncor Energy Inc. May/33 WCO	(200)	(9,450)	(19,178)
Suncor Energy Inc. May/35 WCO	(132)	(10,188)	(3,523)
The Bank of Nova Sc May/55 WCO	(180)	(8,500)	(10,800)
The Toronto-Dominio May/83 WCO	(120)	(8,040)	(15,120)
Apple Inc. May/575 WPO	(36)	(20,665)	(43,061)
Athabasca Oil Sands May/10 WPO	(400)	(15,600)	(2,400)
Bank of Montreal May/59 WPO	(80)	(7,200)	(6,320)
Barrick Gold Corpor Jun/37 WPO	(220)	(16,538)	(12,831)
Barrick Gold Corpor May/40 WPO	(308)	(31,717)	(28,621)
Calfrac Well Servic May/26 WPO	(125)	(8,938)	(8,125)
Canadian Imperial B May/74 WPO	(220)	(16,060)	(14,080)
Canadian Natural Re May/31 WPO	(240)	(19,248)	(3,559)
Canadian Natural Re May/33 WPO	(120)	(6,406)	(5,338)
Crew Energy Inc. May/7 WPO	(300)	(6,450)	(12,000)
Crew Energy Inc. May/8 WPO	(200)	(6,800)	(14,000)
First Quantum Miner May/18 WPO	(220)	(19,580)	(6,600)

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND

**STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)**

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Goldcorp Inc. May/37 WPO	(160)	(10,417)	(9,806)
Open Text Corporati May/50 WPO	(205)	(13,361)	(17,226)
Potash Corporation May/42 WPO	(200)	(17,800)	(20,000)
Potash Corporation May/43 WPO	(120)	(6,617)	(13,168)
Royal Bank of Canad May/56 WPO	(110)	(11,330)	(3,740)
Suncor Energy Inc. May/30 WPO	(176)	(14,272)	(2,784)
Teck Resources Limi May/33 WPO	(308)	(54,047)	(6,394)
The Bank of Nova Sc May/54 WPO	(120)	(8,280)	(4,680)
TransCanada Corpora May/43 WPO	(80)	(4,240)	(2,560)
Whitecap Resources I May/8 WPO	(200)	(3,800)	(3,000)
Yamana Gold Inc. Jun/13 WPO	(280)	(10,255)	(5,536)
Yamana Gold Inc. May/14 WPO	(596)	(25,333)	(13,551)
		<u>\$ (576,915)</u>	<u>\$ (410,253)</u>
Total Short Positions (-4.0%)		<u>\$ (3,934,116)</u>	<u>\$ (3,605,571)</u>
Transaction costs, note 2		<u>\$ (142,418)</u>	
Total Investments (71.9%)		<u>\$ 65,490,721</u>	65,010,098
Cash and cash equivalents (28.9%)			26,111,335
Other assets less other liabilities (-0.8%)			<u>(685,963)</u>
Net assets (100.0%)			<u>\$ 90,435,470</u>

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

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.

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, 2012.

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 shareholders 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

APRIL 30, 2012 AND 2011

(UNAUDITED)

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 have been 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 have been classified as loans and receivables. Liabilities for portfolio assets purchased, accrued expenses and accounts payable relating to shares redeemed have been classified as other financial liabilities.

The Canadian Securities Administrators adopted changes to National Instrument 81-106 on Investment Fund Continuous Disclosure. The changes are essentially aimed at modifying the requirements pertaining to the calculation of the unit value due to the inclusion of Section 3855, Financial Instruments - Recognition and Measurement of the 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.

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

APRIL 30, 2012 AND 2011

(UNAUDITED)

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, forwards 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

APRIL 30, 2012 AND 2011

(UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

c) Financial instruments disclosure and presentation and fair value measurements

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

The Fund adopted the amendments to CICA 3862, Financial Instruments - Disclosures. 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.

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 APRIL 30, 2012 AND 2011 (UNAUDITED)

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 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 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. 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

APRIL 30, 2012 AND 2011

(UNAUDITED)

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

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

- (a) IAS 32, Financial Instruments: Disclosure and Presentation, requires shareholders' equity to be classified as liability unless certain criteria are met.
- (b) IFRS 13, Fair Value Measurements, that was released in May 2011 provides guidance on the fair value measurements and allows for the possible use of closing prices to value investments.

At October 31, 2011, the IASB has published an exposure draft for comment addressing specific issues relating to Investment Companies and Funds.

The Manager is monitoring these developments and will assess the impact of any changes in accounting policies or financial statement presentation as necessary to determine an appropriate approach.

The anticipated 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 current analysis, the Manager believes the changeover to IFRS will not materially affect the Fund's existing business arrangements.

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

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.

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:

	November 1, 2011 to April 30, 2012	November 1, 2010 to April 30, 2011
Shares outstanding, beginning of the period:		
Series A	4,736,818	5,598,733
Series B	6,036,717	6,239,097
Series F	725,107	467,506
Shares issued during the period:		
Series A	177,023	826,933
Series B	66,629	916,717
Series F	15,638	243,360
Shares redeemed during the period:		
Series A	597,517	1,316,435
Series B	703,296	502,176
Series F	427,685	55,151
Shares outstanding, end of the period:		
Series A	4,316,324	5,109,231
Series B	5,400,050	6,653,638
Series F	313,060	655,715

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

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 and 1/12 of 0.50% of the net asset value of the Series X 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 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

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

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 period, 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, 2012 was \$889,577 (April 30, 2011 - \$1,083,247).

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

7. RELATED PARTY TRANSACTIONS

Management fees of \$ 847,267 (April 30, 2011 - \$1,226,120) were paid to the Manager during the period (see note 4). Servicing fees of \$ 466,565 (April 30, 2011 - \$690,461) were paid to the Manager during the period (see note 4). Operating costs of \$ 27,677 (April 30, 2011 - \$26,206) were paid to the Manager during the period (see note 4). Performance fees of \$ Nil (April 30, 2011 - \$2,319,673) were incurred with the Manager during the period (see note 4). Included in accrued expenses are \$137,935 (October 31, 2011 - \$133,116) of management fees payable to the Manager. Included in accrued expenses are \$72,714 (October 31, 2011 - \$81,685) of accrued servicing fees payable to the Manager. Included in accrued expenses are \$852 (October 31, 2011 - \$5,365) of accrued operating costs payable to the Manager.

1,214,934.97 (October 31, 2011 - 1,116,451.90) of series B shares outstanding at period end representing 22.50% (October 31, 2011 - 18.49%) of the series B shares of the Fund are held by Partners of the Manager.

250,582.74 (October 31, 2011 - 348,066.61) of series B shares outstanding at period end representing 4.64 % (October 31, 2011 - 5.77%) of the series B shares of the Fund are held by relatives of the Partners of the Manager.

44,352.83 (October 31, 2011 - 44,352.83) of series F shares outstanding at period end representing 14.17% (October 31, 2011 - 6.12%) of the series F shares of the Fund are held by Partners of the Manager.

8,497.59 (October 31, 2011 - 8,497.59) of series F shares outstanding at period end representing 2.71% (October 31, 2011 - 1.17%) 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 period ended April 30, 2012 Tuscarora Capital Inc., a company under common control to the Manager, received \$537,467 (April 30, 2011 - \$226) 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.

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

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 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.

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, 2012

	Transactional NAV	<u>Net Asset Value</u>		<u>Net Asset Value per Share</u>	
		Section 3855 Adjustment	GAAP NA	Transactional NAV	GAAP NA
Series A	\$ 39,107,982	\$ (145,901)	\$ 38,962,081	\$ 9.06	\$ 9.03
Series B	48,903,150	(182,114)	48,721,035	9.06	9.02
Series F	2,762,620	(10,266)	2,752,354	8.82	8.79
Total	\$ 90,773,752	\$ (338,281)	\$ 90,435,470		

As at October 31, 2011

	Transactional NAV	<u>Net Asset Value</u>		<u>Net Asset Value per Share</u>	
		Section 3855 Adjustment	GAAP NA	Transactional NAV	GAAP NA
Series A	\$ 43,836,377	\$ (58,537)	\$ 43,777,840	\$ 9.25	\$ 9.24
Series B	55,839,002	(74,538)	55,764,464	9.25	9.24
Series F	6,503,770	(8,663)	6,495,107	8.97	8.96
Total	\$ 106,179,149	\$ (141,738)	\$ 106,037,411		

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

9. FINANCIAL INSTRUMENTS

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

	As at April 30, 2012	As at October 31, 2011
Assets		
Held for trading	\$ 68,615,669	\$ 99,137,306
Cash and cash equivalents	26,111,335	14,848,500
Loans and receivables	<u>6,237,817</u>	<u>3,182,899</u>
Total Assets	<u>100,964,821</u>	<u>117,168,705</u>
Liabilities		
Held for trading	3,605,571	1,378,756
Other financial liabilities at amortized cost	<u>6,923,780</u>	<u>9,752,538</u>
Total liabilities	<u>10,529,351</u>	<u>11,131,294</u>
Net Assets	<u>\$ 90,435,470</u>	<u>\$ 106,037,411</u>

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, 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.

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

9. FINANCIAL INSTRUMENTS (Continued...)

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, 2012, 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.

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

Currency	Investments, at fair value	Cash	Total	Percentage of GAAP NA
Australia	\$ 936,981.85	\$ -	\$ 936,982.00	1.04%
United States Dollar	<u>6,188,421.23</u>	<u>7,358,063.00</u>	<u>13,546,484.00</u>	<u>14.98%</u>
	<u>\$ 7,125,403.08</u>	<u>\$ 7,358,063.00</u>	<u>\$ 14,483,466.00</u>	<u>16.02%</u>

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

9. FINANCIAL INSTRUMENTS (Continued...)

iii) Interest rate risk

The Fund may invest in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future. Interest payable on bank overdraft or broker margin account positions will be affected by fluctuations in interest rates. As at April 30, 2012, there were 3.9% (October 31, 2011 – 2.2%) of investments owned which are held in bonds. There were short-term investments representing 8.8% (October 31, 2011 – 8.5%) of the net asset value, all maturing in less than 30 days. The remaining portion of the Fund's investments are substantially non-interest bearing equity investments and its exposure to interest rate changes is minimal.

	Floating Rate Financial Assets	Fixed Rate Financial Assets	Non-Interest Bearing	Total
Financial assets				
Held for trading	\$ -	\$ 3,558,684	\$ 65,056,985	\$ 68,615,669
Other receivables	-	-	6,237,817	6,237,817
Cash and cash equivalents	<u>26,111,335</u>	<u>-</u>	<u>-</u>	<u>26,111,335</u>
Total	<u>\$ 26,111,335</u>	<u>\$3,558,684</u>	<u>\$ 71,294,802</u>	<u>\$100,964,821</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 3,605,571	\$ 3,605,571
Other financial liabilities	-	-	6,923,780	6,923,780
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,529,351</u>	<u>\$ 10,529,351</u>
GAAP NA				<u>\$ 90,435,470</u>

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

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	\$ 210,000	\$1,846,184	\$1,502,500	\$ -	\$65,056,985	\$ 68,615,669
Other receivables	6,237,817	-	-	-	-	6,237,817
Cash and cash equivalents	26,111,335	-	-	-	-	26,111,335
Total	<u>\$32,559,152</u>	<u>\$1,846,184</u>	<u>\$1,502,500</u>	<u>\$ -</u>	<u>\$65,056,985</u>	<u>\$100,964,821</u>
Financial liabilities						
Held for trading	\$ -	\$ -	\$ -	\$ -	\$ 3,605,571	\$ 3,605,571
Other financial liabilities	6,923,780	-	-	-	-	6,923,780
Total	<u>\$ 6,923,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,605,571</u>	<u>\$ 10,529,351</u>
GAAP NA						<u>\$ 90,435,470</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at April 30, 2012, the fair value of such assets was 10.6% (October 31, 2011 – 8.8%) 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 APRIL 30, 2012 AND 2011 (UNAUDITED)

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, 2012, the Fund had 3.9% (October 31, 2011 – 2.2%) 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 2011.

The Fund does not have any externally imposed capital requirements.

FRONT STREET CANADIAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

11. FAIR VALUE HIERARCHY

The following is a summary of the inputs used as of April 30, 2012 in valuing the Fund's investments and derivatives at fair value as discussed in note 2(c):

	Quoted price in active market for identical assets	Significant other observable inputs	Significant unobservable inputs	
Assets at fair value as at April 30, 2012	Level 1	Level 2	Level 3	Total
Investments, at fair value	\$ 54,460,733	\$ 4,564,632	\$ 9,590,304	\$ 68,615,669
Short-term notes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 54,460,733</u>	<u>\$ 4,564,632</u>	<u>\$ 9,590,304</u>	<u>\$ 68,615,669</u>
Liabilities at fair value as at April 30, 2012	Level 1	Level 2	Level 3	Total
Obligations from portfolio assets sold short, at fair value	\$ <u>3,605,571</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,605,571</u>

During the period ended April 30, 2012 reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Investments, at fair value Equities	Investments, at fair value Bonds
Beginning balance at November 1, 2011	\$ 7,088,682	\$ 2,282,328
Purchases	1,561,001	-
Sales	(1,063,502)	-
Transfers in	-	-
Transfers out	(199,500)	-
Gain (losses)		
Realized	103,160	-
Unrealized	<u>(177,922)</u>	<u>(3,943)</u>
Balance at April 30, 2012	<u>\$ 7,311,919</u>	<u>\$ 2,278,385</u>

The transfers out of equities represent equity reallocated to level one as a result of being acquired by public company.



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