



**FRONT STREET**  
Canadian Hedge

**FRONT STREET CANADIAN HEDGE**

**INTERIM UNAUDITED FINANCIAL  
STATEMENTS**

**JUNE 30, 2013**

**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 Hedge

## Statements of Net Assets

As at June 30, 2013 (unaudited) and December 31, 2012 (audited)

	2013	2012
	\$	\$
<b>Assets</b>		
Investments owned, at fair value	102,108,958	100,890,462
Cash and cash equivalents (Note 3)	12,157,581	25,804,399
Receivable for investments sold	4,895,115	393,023
Subscriptions receivable	-	114,654
Interest and dividends receivable	416,087	240,367
	<b>119,577,741</b>	<b>127,442,905</b>
<b>Liabilities</b>		
Investments sold short, at fair value	2,416,154	1,740,995
Payable for investments purchased	307,550	2,005,094
Accounts payable and accrued liabilities	113,291	107,297
Redemption payable	1,182,946	1,246,345
Management fees payable (Note 5)	205,496	228,896
	<b>4,225,437</b>	<b>5,328,627</b>
<b>Total net assets</b>	<b>115,352,304</b>	<b>122,114,278</b>
<b>Net Assets, Series "B" (formerly "B2")</b>	<b>99,941,692</b>	<b>106,372,436</b>
<b>Net Assets, Series "F"</b>	<b>15,410,612</b>	<b>15,741,842</b>
<b>Total net assets</b>	<b>115,352,304</b>	<b>122,114,278</b>
<b>Number of units outstanding (Note 6)</b>		
Series "B" (formerly "B2")	6,875,597	7,468,682
Series "F"	913,409	953,030
<b>Net Assets per unit (Note 9)</b>		
Series "B" (formerly "B2")	14.54	14.24
Series "F"	16.87	16.47

Approved on behalf of the Trust,



Gary P. Selke, Chief Executive Officer

**Front Street Canadian Hedge**  
**Statements of Operations**  
For the six month periods ended June 30, 2013 and 2012 (unaudited)

	2013	2012
	\$	\$
Investment Income		
Dividends	801,942	372,057
Interest	330,738	541,256
Security lending income	43,037	9,741
	<b>1,175,717</b>	<b>923,054</b>
Expenses		
Management fees (Note 5)	1,241,745	1,441,229
Operating	143,767	83,957
Dividends paid on investments sold short	25,054	60,667
Audit fees	18,145	18,390
Legal fees	8,345	7,458
Trustee fees	6,473	6,362
	<b>1,443,529</b>	<b>1,618,063</b>
Net investment loss	<b>(267,812)</b>	<b>(695,009)</b>
Realized and unrealized gain (loss) on investments		
Commissions and other portfolio transaction costs (Note 2)	(887,713)	(1,222,205)
Net realized gain (loss) on investments, including foreign exchange adjustments	1,300,617	(1,622,679)
Net change in unrealized appreciation (depreciation) in value of investments	2,323,408	(1,008,456)
Net gain (loss) on investments	<b>2,736,312</b>	<b>(3,853,340)</b>
<b>Increase (decrease) in Net Assets from operations</b>	<b>2,468,500</b>	<b>(4,548,349)</b>
Increase (decrease) in Series "B" (formerly "B2")	2,091,043	4,017,210
Increase (decrease) in Series "F"	377,457	531,139
<b>Increase (decrease) in Net Assets from operations</b>	<b>2,468,500</b>	<b>4,548,349</b>
<b>Increase (decrease) in Net Assets from operations per unit (Note 2)</b>		
Series "B" (formerly "B2")	<b>0.29</b>	(0.51)
Series "F"	<b>0.40</b>	(0.37)

## Front Street Canadian Hedge

### Statements of Changes in Net Assets

For the six month periods ended June 30, 2013 and 2012 (unaudited)

	2013			2012
	Series B (formerly B2)	Series F	Total	Total
<b>Increase (decrease) in Net Assets from operations</b>	<b>2,091,043</b>	<b>377,457</b>	<b>2,468,500</b>	<b>(4,548,349)</b>
Capital Transactions (Note 6)				
Sale of units	-	-	-	387,309
Redemption of units	(8,521,787)	(708,687)	(9,230,474)	(12,077,575)
	<b>(8,521,787)</b>	<b>(708,687)</b>	<b>(9,230,474)</b>	<b>(11,690,266)</b>
Decrease in Net Assets	(6,430,744)	(331,230)	(6,761,974)	(16,238,615)
Net Assets, beginning of period	106,372,436	15,741,842	122,114,278	139,994,481
<b>Net Assets, end of period</b>	<b>99,941,692</b>	<b>15,410,612</b>	<b>115,352,304</b>	<b>123,755,866</b>

**Front Street Canadian Hedge**  
**Statement of Investment Portfolio**  
**As at June 30, 2013 (unaudited)**

Number of Shares/Units		Average Cost	Fair Value	% of net assets
		\$	\$	%
<b>Investments - Long Positions</b>				
<b>Equities</b>				
<b>Energy</b>				
714,747	African Petroleum Corporation Limited	693,430	86,061	
7,600	Athabasca Oil Corporation	48,404	49,324	
176,211	Aurora Oil & Gas Limited	653,381	488,104	
132,010	Bellatrix Exploration Limited	695,750	851,465	
94,286	Canadian Natural Resources Limited	2,882,629	2,801,157	
52,110	Cenovus Energy Inc.	1,590,733	1,561,216	
5	Coastal Energy Company Warrants January 23, 2014 (private)	-	1,208,903	
64,700	Delphi Energy Corporation	89,933	82,816	
221,000	Donnycreek Energy Inc.	462,130	457,470	
14	Estrella International Energy Services Limited Warrants January 24, 2016 (private)	-	1,239	
67,872	Griffiths Energy International Inc. (private)	344,873	393,658	
22,900	Legacy Oil + Gas Inc.	122,814	113,126	
195,750	Lipari Energy Inc. Warrants March 11, 2014 (private)	-	979	
501,817	PI Energy Corporation Private Placement (private)	1,428,231	150,545	
418,120	Parex Resources Inc.	2,095,680	1,710,111	
2,421,852	Petroamerica Oil Corporation Warrants October 8, 2014	-	36,328	
120,200	Precision Drilling Corporation	1,044,472	1,075,790	
134,740	RMP Energy Inc.	490,245	565,908	
370,691	Strad Energy Services Limited	1,179,895	1,208,453	
88,950	Suncor Energy Inc.	2,756,769	2,758,495	
400	Trican Well Service Limited	5,600	5,584	
40,900	Trinidad Drilling Limited	275,722	313,294	
146,260	Whitecap Resources Inc.	1,254,328	1,583,996	
373,467	Xtreme Drilling and Coil Services Corporation	1,193,669	918,729	
	<b>Total Energy</b>	<b>19,308,688</b>	<b>18,422,751</b>	<b>15.97%</b>
<b>Materials</b>				
1,250,000	Billabong Gold (private)	500,000	-	
47,400	Conifex Timber Inc.	381,599	350,760	
660,000	ECI Exploration and Mining Inc. (private)	750,000	132,000	
330,000	ECI Exploration and Mining Inc. Warrants February 22, 2012 (private)	-	-	
99,600	EcoSynthetix Inc.	652,648	430,272	
443,294	GoviEx Uranium Inc. (private)	869,698	405,567	
960,000	Guatavita Gold Corporation (private)	240,000	96,000	
443,294	High Power Exploration Inc. (private)	-	-	
105,669	International Forest Products Limited 'A'	702,918	1,079,937	
193,800	Intertape Polymer Group Inc.	1,771,027	2,517,462	
420,000	Kombat Copper Inc. Warrants March 1, 2015	-	4,434	
350,000	Lachlan Star Limited Warrants August 26, 2013	-	-	
15,820	NGEx Resources Inc.	62,917	29,583	
10,300	Orefinders Resources Inc.	5,150	2,060	
1,107,170	Portage Minerals Inc.	112,101	11,072	
69,500	Potash Corporation of Saskatchewan Inc.	2,882,975	2,786,782	
731,301	Potash Ridge Corporation	326,804	292,520	
75,437	Sabre Graphite Corporation	22,631	10,184	
51,975	Southeast Asia Mining Corporation Special Warrants (private)	93,875	-	
17,900	The Dow Chemical Company	639,373	605,369	
1,254,622	TiCan Titane Metals Company Inc. 'A' (private)	313,656	12,546	
280,000	Tolima Gold Inc. Warrants December 8, 2013 (private)	-	-	
140,000	Unigold Inc. Warrants March 8, 2014 (private)	-	-	
600	Westlake Chemical Corporation	48,324	60,781	
23,600	Yamana Gold Inc.	266,519	236,017	
202,900	Zincore Metals Inc. Warrants June 15, 2014 (private)	-	-	
	<b>Total Materials</b>	<b>10,642,215</b>	<b>9,063,346</b>	<b>7.86%</b>

**Front Street Canadian Hedge**  
**Statement of Investment Portfolio**  
**As at June 30, 2013 (unaudited)**

Number of Shares/Units		Average Cost	Fair Value	% of net assets
		\$	\$	%
<b>Industrials</b>				
1,722	3801110 Canada Inc. (private)	17	17	
800	AG Growth International Inc.	27,391	27,304	
104,500	Air Canada 'B'	230,188	251,845	
105,200	Bombardier Inc. 'B'	424,979	491,284	
3,800	Boyd Group Income Fund	69,468	91,010	
145,649	CAE Inc.	1,462,514	1,586,118	
235,392	Dirtt Environmental Solutions Limited (private)	416,418	353,088	
60,100	GENIVAR Inc.	1,358,878	1,437,592	
113,500	Superior Plus Corporation	1,271,218	1,397,185	
84,936	Vicwest Inc.	1,149,781	1,004,793	
11,860	WaterFurnace Renewable Energy Inc.	219,511	240,758	
<b>Total Industrials</b>		<b>6,630,363</b>	<b>6,880,994</b>	<b>5.97%</b>
<b>Information Technology</b>				
78,000	Absolute Software Corporation	474,649	518,700	
1,850	Apple Inc.	827,529	770,657	
53,262	Avigilon Corporation	579,904	852,192	
179,800	BSM Technologies Inc.	241,023	300,266	
1,512	C.O.R.E. Holdings Inc. 'B' (private)	500,261	-	
18,200	CGI Group Inc. 'A'	497,081	558,740	
35,901	Cisco Systems Inc.	844,224	917,789	
579,900	COM DEV International Limited	2,148,391	2,325,399	
62,290	Embotics Corporation Preferred Class 'A' (private)	267,558	267,847	
98,018	Embotics Corporation (private)	1,049,232	421,477	
2,100	Enghouse Systems Limited	39,848	50,337	
42,900	Facebook Inc. 'A'	1,169,266	1,121,527	
200	Google Inc. 'A'	187,239	185,004	
37,000	Halogen Software Inc.	466,929	576,090	
33,100	Microsoft Corporation	1,183,988	1,201,921	
318,900	Mobidia Technology Inc. 'A' Series 3 Preferred (private)	350,790	398,625	
13,700	NVIDIA Corporation	209,345	202,129	
246,907	Pure Technologies Limited	589,054	1,123,427	
912,500	QHR Technologies Inc.	498,418	520,125	
33,700	Qualcomm Inc.	2,205,418	2,164,614	
123,809	Redknee Solutions Inc.	178,823	397,427	
7,500	Research in Motion Limited	113,500	82,419	
240,300	Sandvine Corporation	481,635	490,212	
107,400	Sierra Wireless Inc.	1,182,202	1,429,494	
200,000	Stockhouse Media Corporation (private)	2,476	-	
56,001	Sylogist Limited	110,182	290,085	
357,945	The Descartes Systems Group Inc.	2,275,731	4,298,919	
223,000	ViXS Systems Inc.	780,500	780,500	
1,564,439	Wi2Wi Corporation	750,931	391,110	
179,855	Wi-LAN Inc.	897,738	870,498	
1,244,385	Wireless Matrix Corporation	266,536	43,553	
7,500	Xerox Corporation	66,562	71,377	
<b>Total Information Technology</b>		<b>21,436,963</b>	<b>23,622,460</b>	<b>20.48%</b>

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**Statement of Investment Portfolio**  
**As at June 30, 2013 (unaudited)**

Number of Shares/Units		Average Cost	Fair Value	% of net assets
		\$	\$	%
<b>Financials</b>				
12,600	Allstate Corporation	616,673	637,334	
14,000	American International Group Inc.	652,483	658,534	
238,300	Bank of America Corporation	3,037,498	3,220,169	
32,000	Canadian Imperial Bank of Commerce	2,473,541	2,388,480	
55,650	Citigroup Inc.	2,714,029	2,806,113	
112,000	Committed Capital Acquisition Corporation	568,067	500,563	
4,580	Great-West Lifeco Inc.	131,752	130,072	
62,160	JPMorgan Chase & Company	3,357,266	3,449,448	
132,010	Manulife Financial Corporation	2,020,407	2,219,088	
32,640	Royal Bank of Canada	1,984,279	1,999,853	
51,500	Sun Life Financial Inc.	1,440,611	1,596,500	
23,700	The Bank of Nova Scotia	1,346,858	1,331,940	
34,110	The Toronto-Dominion Bank	2,806,111	2,880,590	
21,400	Wells Fargo & Company	844,143	928,527	
<b>Total Financials</b>		<b>23,993,718</b>	<b>24,747,211</b>	<b>21.45%</b>
<b>Telecommunication Services</b>				
3,800	AT&T Inc.	141,881	141,382	
1,260,000	QuStream Corporation Warrants March 7, 2014	-	1	
11,450	Verizon Communications Inc.	592,927	606,136	
589,470	XMG Studio Inc. (private)	559,997	559,997	
<b>Total Telecommunication Services</b>		<b>1,294,805</b>	<b>1,307,516</b>	<b>1.13%</b>
<b>Health Care</b>				
230,400	IMRIS Inc.	1,029,767	631,296	
127,500	Invivo Medical Inc. (private)	290,052	-	
76,200	Oncolytics Biotech Inc.	309,982	228,600	
<b>Total Health Care</b>		<b>1,629,801</b>	<b>859,896</b>	<b>0.75%</b>
<b>Consumer Discretionary</b>				
458,899	Amaya Gaming Group Inc.	1,747,976	2,863,530	
42,000	Amaya Gaming Group Inc. Warrants April 30, 2015	-	137,340	
186,900	Bauer Performance Sports Limited	1,878,146	2,220,372	
300,500	DHX Media Limited	471,751	952,585	
500,000	GeoMonkey Inc. Private Placement (private)	247,439	-	
295,290	Martinrea International Inc.	2,577,705	3,203,897	
300	MEGA Brands Inc.	3,882	4,368	
1,248,400	Mega Brands Inc. Warrants March 30, 2015	314,021	287,132	
420,000	Virgin Gaming Limited Private Common (private)	334,758	353,338	
42,800	ViXS Systems Inc. (private)	21,500	137,816	
<b>Total Consumer Discretionary</b>		<b>7,597,178</b>	<b>10,160,378</b>	<b>8.81%</b>
<b>Utilities</b>				
2,191,988	Trilliant Inc. (private)	1,925,881	1,315,193	
217,640	U.S. Geothermal Inc. Warrants September 16, 2015 (private)	-	5,370	
<b>Total Utilities</b>		<b>1,925,881</b>	<b>1,320,563</b>	<b>1.14%</b>
<b>Total Equities - Long</b>		<b>94,459,612</b>	<b>96,385,115</b>	<b>83.56%</b>



**Front Street Canadian Hedge**  
**Statement of Investment Portfolio**  
**As at June 30, 2013 (unaudited)**

Number of Shares/Units		Average Cost	Fair Value	% of net assets
		\$	\$	%
<b>Corporate Bonds</b>				
830,000	American Apparel Inc 13.00% April 15, 2020	818,665	860,174	
925,000	Crumbs Bake Shop Inc. Convertible Note 6.50% May 7, 2018 (private)	929,854	972,732	
500,000	Delavaco Real Estate Opportunités Corporation Convertible Debentures January 1, 2099 (private)	498,226	525,801	
1,400,000	Estrella International Energy Services Limited Convertible Debentures 12.00% December 31, 2015 (private)	1,400,000	1,400,000	
1,558,000	Gran Columbia Gold Corporation 5.00% August 11, 2018	1,544,440	753,662	
244,000	Oak Point Energy Limited 15.00% Convertible Debentures September 30, 2013 (private)	244,000	244,000	
920,000	P1 Energy Inc. 12.00% Convertible Debentures September 30, 2013 (private)	952,154	967,474	
	<b>Total Corporate Bonds</b>	<b>6,387,339</b>	<b>5,723,843</b>	<b>4.96%</b>
	<b>Transaction costs</b>	<b>(159,050)</b>	<b>-</b>	
	<b>Total Investments - Long</b>	<b>100,687,901</b>	<b>102,108,958</b>	<b>88.52%</b>
<b>Investments - Short Positions</b>				
<b>Equities</b>				
<b>Energy</b>				
(570)	Ensign Energy Services Inc.	(9,385)	(9,297)	
(700)	Painted Pony Petroleum Limited	(6,675)	(5,943)	
(8,500)	Suncor Energy Inc.	(266,366)	(263,500)	
	<b>Total Energy</b>	<b>(282,426)</b>	<b>(278,740)</b>	<b>(0.24)%</b>
<b>Materials</b>				
(25,000)	Alamos Gold Inc.	(334,538)	(318,750)	
(4,300)	Lundin Mining Corporation	(16,735)	(17,243)	
(17,020)	Potash Corporation of Saskatchewan Inc.	(686,475)	(683,013)	
(24,500)	Yamana Gold Inc.	(251,269)	(245,735)	
	<b>Total Materials</b>	<b>(1,289,017)</b>	<b>(1,264,741)</b>	<b>(1.10)%</b>
<b>Information Technology</b>				
(400)	Sphere 3D Corporation	(206)	(220)	
	<b>Total Information Technology</b>	<b>(206)</b>	<b>(220)</b>	<b>0.00%</b>
<b>Telecommunication Services</b>				
(200)	TELUS Corporation	(7,521)	(6,142)	
	<b>Total Telecommunication Services</b>	<b>(7,521)</b>	<b>(6,142)</b>	<b>(0.01)%</b>
<b>Consumer Discretionary</b>				
(250)	Ford Motor Company	(3,503)	(4,064)	
(400)	Linamar Corporation	(9,236)	(11,796)	
	<b>Total Industrials</b>	<b>(12,739)</b>	<b>(15,860)</b>	<b>(0.01)%</b>
	<b>Total Equities - Short</b>	<b>(1,591,909)</b>	<b>(1,565,703)</b>	<b>(1.36)%</b>

**Front Street Canadian Hedge**  
**Statement of Investment Portfolio**  
**As at June 30, 2013 (unaudited)**

Number of Shares/Units		Average Cost	Fair Value	% of net assets
		\$	\$	%
<b>Written Call Options</b>				
(588)	Bank of America Corp. Jul/13 WCO	(16,004)	(17,932)	
(140)	Canadian Imperial Bank of Commerce Jul/77 WCO	(6,860)	(4,060)	
(333)	Canadian Imperial Bank of Commerce Jul/79 WCO	(6,327)	(3,663)	
(190)	Cisco Systems Inc. Jul/25 WCO	(4,604)	(2,797)	
(211)	Citigroup Inc. Aug/55 WCO	(32,845)	(3,772)	
(280)	Citigroup Inc. Jul/49 WCO	(13,274)	(25,323)	
(272)	Citigroup Inc. Jul/52.5 WCO	(45,654)	(3,718)	
(318)	JPMorgan Chase & Co. Aug/55 WCO	(43,082)	(23,074)	
(165)	Manulife Financial Corp. Jul/17 WCO	(5,610)	(4,785)	
(145)	Microsoft Corporation Jul/34 WCO	(9,282)	(16,468)	
(260)	Potash Corporation Jul/40 WCO	(8,480)	(3,828)	
(442)	Qualcomm Inc. Jul/62.5 WCO	(21,372)	(21,381)	
(216)	Research in Motion Limited Jul/15 WCO	(15,783)	(454)	
(230)	Research in Motion Limited Jul/16 WCO	(14,981)	(484)	
(162)	Royal Bank of Canada Jul/65 WCO	(13,219)	(1,620)	
(413)	Sun Life Financial Inc. Jul/32 WCO	(10,738)	(11,151)	
(220)	Suncor Energy Inc. Jul/30 WCO	(6,770)	(10,642)	
(325)	Suncor Energy Inc. Jul/33 WCO	(21,046)	(1,025)	
(130)	The Toronto-Dominion Bank Jul/85 WCO	(3,510)	(6,240)	
(318)	Wells Fargo & Company Jul/42 WCO	(13,670)	(18,058)	
(390)	Yamana Gold Inc. Jul/12 WCO	(27,558)	(2,051)	
<b>Total Written Call Options</b>		<b>(340,669)</b>	<b>(182,526)</b>	<b>(0.16)%</b>
<b>Written Put Options</b>				
(260)	Alamos Gold Inc. Jul/12 WPO	(11,440)	(9,100)	
(1,001)	Bank of America Corp. Jul/13 WPO	(55,538)	(44,211)	
(199)	Canadian Imperial Bank of Commerce Jul/75 WPO	(22,686)	(24,875)	
(192)	Canadian Imperial Bank of Commerce Jul/76 WPO	(27,072)	(36,288)	
(368)	Cenovus Energy Inc. Jul/29 WPO	(18,032)	(9,936)	
(475)	Citigroup Inc. Jul/49 WPO	(62,159)	(94,408)	
(400)	eBay Inc. Jul/50 WPO	(61,912)	(36,596)	
(50)	JPMorgan Chase & Co Jul/50 WPO	(4,240)	(2,051)	
(50)	JPMorgan Chase & Co Jul/52.5 WPO	(9,526)	(6,415)	
(1,024)	Legacy Oil + Gas Inc Jul/6 WPO	(98,816)	(112,640)	
(156)	NetApp Inc. Jul/37 WPO	(17,061)	(10,991)	
(70)	Qualcomm Inc. Jul/60 WPO	(2,931)	(4,417)	
(140)	Rogers Communication Inc. Aug/42 WPO	(20,860)	(26,040)	
(295)	Royal Bank of Canada Jul/59 WPO	(31,860)	(6,785)	
(343)	Suncor Energy Inc. Jul/30 WPO	(32,519)	(34,627)	
(360)	The Bank of Nova Scotia Jul/56 WPO	(47,580)	(20,160)	
(400)	The Dow Chemical Company Jul/33 WPO	(31,575)	(50,477)	
(295)	The Mosaic Company Jul/57.5 WPO	(67,323)	(127,191)	
(286)	The Toronto-Dominion Bank Jul/80 WPO	(39,468)	(6,006)	
(160)	Yamana Gold Inc. Jul/9 WPO	(5,487)	(4,711)	
<b>Total Written Put Options</b>		<b>(668,085)</b>	<b>(667,925)</b>	<b>(0.58)%</b>
<b>Total Options</b>		<b>(1,008,754)</b>	<b>(850,451)</b>	<b>(0.74)%</b>
<b>Transaction costs</b>		<b>(16,780)</b>		
<b>Total Investments Sold Short</b>		<b>(2,617,443)</b>	<b>(2,416,154)</b>	<b>(2.10)%</b>
<b>Total Investments</b>		<b>98,070,458</b>	<b>99,692,804</b>	<b>86.42%</b>
<b>Other assets, less liabilities</b>			<b>15,659,500</b>	<b>13.58%</b>
		<b>98,070,458</b>	<b>115,352,304</b>	<b>100.00%</b>

# Front Street Canadian Hedge

## Notes to the financial statements

As at June 30, 2013 (Unaudited)

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### 1. Establishment of the investment trust and nature of operations

Front Street Canadian Hedge (the "Trust") is an investment trust created under the laws of the Province of Ontario pursuant to a Trust Agreement dated September 30, 2003 which was amended and restated on January 31, 2005, May 1, 2009 and as of January 29, 2010 (the "Trust Agreement"). Valiant Trust Company (Canada), a trust company incorporated under the laws of Canada, which is authorized under the laws of the Province of Ontario to carry on the business of a trust company, is the trustee of the Trust (the "Trustee"). Front Street Capital, a Trust formed pursuant to a Trust Agreement dated as of October 1, 2001, is the manager of the Trust (the "Manager") pursuant to the Trust Agreement.

The Trust's investment objective is to provide holders of units (the "Unitholders") with long term capital growth primarily through the selection and strategic trading of both long and short positions in equity, debt and derivative securities. The Trust's portfolio (the "Portfolio") will consist primarily of investments which generate capital gains, but will also include investments which generate income.

The beneficial interest in the Trust will be divided into two series of Units (the "Trust Units"), designated as Series B Units (the "B Units"), formerly Series B2 Units and Series F Units (the "F Units"). Effective January 29, 2010, in accordance with the terms of the Trust Agreement governing the Fund, all Series B-1 Units were converted into Series B2 Units and immediately thereafter the Series B2 Units were re-designated as Series B Units.

The Trust is not a "mutual fund" that is a reporting issuer or equivalent for securities law purposes. As a result, the protections provided to investors in mutual funds that are reporting issuers or equivalent under such laws are not available to investors in the Trust.

### 2. Summary of significant accounting policies

#### *Basis of presentation*

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In applying GAAP, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, investment income and expenses reported during the period. Actual results could differ from these estimates. These estimates are reviewed periodically by management and as adjustments become necessary, they are reported in the Statement of Operations in the year in which they become known.

A net asset value ("Net Asset Value") is calculated on every valuation date for each series of units. The Net Asset Value of a particular series of units is computed by calculating the value of that series' proportionate share of the assets and liabilities of the Trust common to all series less the liabilities of the Trust attributable only to the series. Expenses directly attributable to a series are charged directly to that series. Income, realized and unrealized gains and losses from investment transactions and other expenses are allocated proportionately to each series based upon the relative Net Asset Value of each class/series.

The following summarizes the accounting policies of the Trust:

#### *Financial instruments*

In accordance with The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3862, Financial Instruments - Disclosures, the Trust is required to classify its financial instruments using a fair value hierarchy that reflects the significance of the inputs used to measure fair value into three broad levels. Investments measured at fair value are classified into one of three fair value hierarchy levels, based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

# Front Street Canadian Hedge

## Notes to the financial statements

As at June 30, 2013 (Unaudited)

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### 2. Summary of significant accounting policies (continued)

#### *Financial instruments (continued)*

The three fair value hierarchy levels are as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie., as prices) or indirectly (ie., derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refer to Note 8 for Fair Value Measurements Analysis.

#### *Valuation of investments*

In accordance with Accounting Guideline 18 - Investment Companies, the Trust's investments are deemed to be categorized as held for trading, and are required to be recorded at fair value as defined by CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement" (Section 3855). The net assets of the Trust for financial reporting purposes ("Net Assets") are calculated in accordance with Section 3855.

Section 14.2 of National Instrument 81-106 ("NI 81-106") issued by the Canadian Securities Administrators requires the Trust to calculate its Net Asset Value for the purchase and redemption of units based on the fair value of the Trust's assets and liabilities. The Trust has not changed their methodology in this respect. In accordance with NI 81-106, the Net Asset Value per unit compared to the Net Assets per unit and an explanation of the differences between such amounts are required in the notes to the financial statements. Refer to Note 9 for such comparison for each class/series.

The fair value of investments for the purpose of calculating Net Assets as at the financial reporting date is determined as follows:

- a) Investments held that are traded in an active market through recognized public stock exchanges, over-the-counter markets on which the investments are traded, or through recognized investment dealers, are valued at their bid price. Investments held include equities, listed warrants, options, short-term notes, treasury bills, bonds, asset-backed securities and other debt instruments. Investments sold short are valued at their ask price. Investments with no available bid or ask price are valued at their closing sale price.
- b) Investments held or sold short that are not traded in an active market are valued primarily based on the results of valuation techniques, using observable market inputs. The fair value of certain securities may be estimated by the Manager using valuation techniques based on assumptions that are not supported by observable market inputs.
- c) Foreign exchange forward contracts are valued based on the difference between the contract forward rate and the forward bid rate (for currency held) and the forward ask rate (for currency sold short).

The fair value of investments for the purpose of calculating daily Net Asset Value is determined as follows:

- a) Investments listed upon a recognized public stock exchange are valued at their closing sale price on the valuation date. Investments not traded on that date are valued at the average of the closing bid and ask price.
- b) Investments not listed upon a recognized public stock exchange are valued based upon any available public quotations in common use or at a price estimated to be at fair value on such basis and in such manner established by the Investment Manager.

# Front Street Canadian Hedge

## Notes to the financial statements

As at June 30, 2013 (Unaudited)

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### 2. Summary of significant accounting policies (continued)

#### *Valuation of investments (continued)*

- c) Short-term notes and treasury bills are stated at cost. The cost of the investments, together with the amortized discounts and accrued interest receivable, represents fair value due to their short term to maturity.
- d) Bonds, asset-backed securities and other debt instruments are valued at the average of the closing bid and ask price from recognized investment dealers.
- e) Options are valued at the latest sale price reported by the principal exchange or over-the-counter market on which the contract is traded. If no sale is reported, the average of the latest bid and ask price is used.
- f) Foreign exchange forward contracts are valued based on the difference between the contract forward rate and the forward rate prevailing on the valuation date.

#### *Commissions and other portfolio transaction costs*

Commissions and other portfolio 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, and transfer taxes and duties. Such costs are expensed and are included in "Commissions and other portfolio transaction costs" in the Statement of Operations.

#### *Cost of investments*

The cost of investments represents the amount paid for each security and is determined on an average cost basis excluding commissions and other portfolio transaction costs.

#### *Investment transactions and income*

Investment transactions are accounted for on the trade date. Interest income is accrued daily and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated on an average cost basis.

#### *Translation of foreign currency*

The financial statements of the Trust are expressed in Canadian dollars.

- a) Assets including fair value of investments and liabilities denominated in foreign currencies are converted into Canadian dollars at the rate of exchange established on each valuation date.
- b) Purchases and sales of investments, dividends and interest income denominated in foreign currencies are converted into Canadian dollars at the rate of exchange prevailing on the respective dates of such transactions.
- c) Realized exchange gains (losses) on sale of investments denominated in foreign currencies are included in "Net realized gain (loss) on investments, including foreign exchange adjustments" in the Statement of Operations.
- d) Unrealized exchange gains (losses) on investments denominated in foreign currencies are included in "Net change in unrealized appreciation (depreciation) in value of investments" in the Statement of Operations.
- e) Realized and unrealized exchange gains (losses) on assets (other than investments), liabilities and investment income denominated in foreign currencies are included in the Statement of Operations.

#### *Net Asset per unit*

The Net Assets per unit is calculated by dividing the Net Assets of a particular series of units by the total number of units of that particular class/series outstanding at the end of the period.

# Front Street Canadian Hedge

## Notes to the financial statements

As at June 30, 2013 (Unaudited)

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### 2. Summary of significant accounting policies (continued)

#### *Increase in Net Assets from operations per unit*

Increase in Net Assets from operations per unit is based on the increase in Net Assets from operations attributed to each series of units, divided by the average number of units outstanding of that series during the period.

#### *Derivative transactions*

The Trust may use derivative contracts to enhance returns of the Trust and to manage risks associated with the investments. The value of the contracts are marked to market on the valuation date and the resultant gains and losses, both realized and unrealized, are recognized in the Statement of Operations.

#### *Written call options*

The premium received upon writing a call option is recorded as a deferred credit. Upon expiry of the option or when the option is exercised by its holder, the premium is recognized as a gain (loss) and is included in "Net realized gain (loss) on investments, including foreign exchange adjustments" in the Statement of Operations.

#### *Other assets and liabilities*

Receivables for investments sold, interest and dividends receivable, and subscriptions receivable are designated as loans and receivables and recorded at cost or amortized cost. Amounts due to broker, accounts payable and accrued liabilities, management fees payable and performance fee payable are designated as financial liabilities and reported at amortized cost. Financial liabilities are generally settled within three months of issuance. Other assets and liabilities are short-term in nature, and are carried at amortized cost which approximates fair value.

#### *Future accounting standards*

Effective for its fiscal year commencing January 1, 2014, the Trust must adopt IFRS. In preparation thereof, the Manager continues to monitor and implement the Trust'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 Trust'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 unitholders' equity to be classified as liability unless certain criteria are met. The Trust's unitholders' equity meets the definition of a puttable instrument. The Manager has assessed the Trust's unitholder structure and has determined the liability treatment is the most appropriate classification.

(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. The Manager has assessed the guidance that will apply under IFRS and has determined that the use of closing market prices is appropriate in valuing investments.

The anticipated impact of IFRS on accounting policies and implementation decisions will predominantly be on the financial statement presentation and note disclosures in the Trust's financial statements. In particular, the Trust will be required to present a statement of cash flows, and will be required to include certain additional and enhanced disclosures.

The Trust'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 Trust's existing business arrangements.

# Front Street Canadian Hedge

## Notes to the financial statements

As at June 30, 2013 (Unaudited)

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### 3. Cash and cash equivalents

Cash is held by a broker in an account holding cash balances and short-term, highly liquid investments with original terms of maturities of 365 days or less.

### 4. Due to broker

Due to broker are margin accounts representing cash loans at market rates of interest with brokers and are secured by the underlying securities owned by the Trust.

### 5. Related party transactions

#### *Management fees*

Management fees equal to one-twelfth of 2.0% of the Series Net Asset Value in respect of the B units and one-twelfth of 1% of the Series Net Asset Value in respect of the F units, based on the weekly net asset value calculations during each month plus applicable taxes and related expenses, are payable within ten business days after the end of each month. Management fees are payable to the Manager.

#### *Performance fee*

The performance fee per unit of the B units or F units is paid to the Manager based on the Trust's annual performance. The performance fee is calculated and accrued monthly as 20% of the Trust performance in excess of the minimum performance as specifically defined in the Trust Agreement, plus applicable taxes.

### 6. Units of the trust

#### *Authorized*

The Trust is authorized to issue an unlimited number of redeemable units of beneficial interest, each of which represents an equal, undivided interest in the net assets of the Trust. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Trust. The redemption price per unit will be equal to the net asset value per unit calculated on the redemption date.

Units of the Trust surrendered for redemption at least 30 days prior to the last business day of each quarter (a "Valuation Date") will be redeemed at a redemption price equal to the net asset value per unit on such valuation date. Redemption of units prior to the first anniversary of the purchase of such units will be subject to an early redemption fee equal to 1% of the Net Asset value of the units so redeemed.

# Front Street Canadian Hedge

## Notes to the financial statements

As at June 30, 2013 (Unaudited)

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### 6. Units of the trust (continued)

*Authorized (continued)*

	June 30, 2013	
	Series B	Series F
Balance, beginning of period	7,468,682	956,030
Subscriptions	-	-
Redeemed	(593,085)	(42,621)
Balance, end of period	6,875,597	913,409

  

	December 31, 2012	
	Series B	Series F
Balance, beginning of period	8,115,871	1,523,019
Subscriptions	-	30,823
Redeemed	(647,189)	(597,812)
Balance, end of year	7,468,682	956,030

#### *Capital disclosure*

The capital of the Trust is represented by issued and redeemable units. The units are entitled to distributions, if any, and to payment of a proportionate share based on the Trust's Net Asset Value per unit upon redemption. The Trust has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown on the Statement of Changes in Net Assets. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 7, the Trust endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

### 7. Financial instruments

#### *Management of financial instrument risks*

In the normal course of business, the Trust is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The value of investments within the Trust's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, market and company news related to specific securities within the Trust. The level of risk depends on the Trust's investment objectives and the type of securities it invests in.

The investment objective of the Trust is to provide high long-term total investment returns with relatively moderate risk, through a combination of long-term capital growth and current income. The Trust invests primarily in common shares and trust units of Canadian and foreign companies.

#### *Credit risk*

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust.

Where the Trust invests in debt instruments and derivatives, this represents the main concentration of credit risk. The fair value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the Trust.



# Front Street Canadian Hedge

## Notes to the financial statements

As at June 30, 2013 (Unaudited)

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### 7. Financial instruments (continued)

#### *Credit risk (continued)*

All transactions executed by the Trust in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

As at June 30, 2013, the Trust had 4.96% (December 31, 2012 – 7.23%) of investments in debt instruments on which credit ratings are not available.

#### *Liquidity risk*

Liquidity risk is defined as the risk that the Trust may not be able to settle or meet its obligation on time or at a reasonable price.

The Trust's exposure to liquidity risk is concentrated in the periodic cash redemptions of units. The Trust primarily invests in securities that are traded in active markets and can be readily disposed of. In addition, the Trust generally retains sufficient cash and cash equivalent positions to maintain liquidity.

The Trust may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives. Liabilities are generally settled within 90 days.

The Trust maintains sufficient cash and marketable securities, and manages liquidity risk through its ability to close out market positions. The following table details the Trust's liquidity analysis for the financial liabilities:

	June 30, 2013		
	Term of less than 1 year	Term of more than 1 year	Total
	\$	\$	\$
<b>Financial assets</b>			
Investment owned	96,385,115	-	96,385,115
Bonds and treasury bills	1,211,474	4,512,369	5,723,843
Other receivables	5,311,202	-	5,311,202
Cash and cash equivalents	12,157,581		12,157,581
<b>Total</b>	<b>115,065,372</b>	<b>4,512,369</b>	<b>119,577,741</b>
<b>Financial liabilities</b>			
Investment sold short	(2,416,154)	-	(2,416,154)
Other financial liabilities	(1,809,283)	-	(1,809,283)
<b>Total</b>	<b>(4,225,437)</b>	<b>-</b>	<b>(4,225,437)</b>
<b>GAAP Net Assets</b>	<b>110,839,935</b>	<b>4,512,369</b>	<b>115,352,304</b>

# Front Street Canadian Hedge

## Notes to the financial statements

As at June 30, 2013 (Unaudited)

### 7. Financial instruments (continued)

#### *Liquidity risk (continued)*

	December 31, 2012		
	Term of less than 1 year	Term of more than 1 year	Total
	\$	\$	\$
Financial assets			
Investment owned	92,061,188	-	92,061,188
Bonds and treasury bills	1,159,122	7,670,152	8,829,274
Other receivables	748,044	-	748,044
Cash and cash equivalents	25,804,399	-	25,804,399
<b>Total</b>	<b>119,772,753</b>	<b>7,670,152</b>	<b>127,442,905</b>
Financial liabilities			
Investment sold short	(1,740,995)	-	(1,740,995)
Other financial liabilities	(3,587,632)	-	(3,587,632)
<b>Total</b>	<b>(5,328,627)</b>	<b>-</b>	<b>(5,328,627)</b>
<b>GAAP Net Assets</b>	<b>114,444,126</b>	<b>7,670,152</b>	<b>122,114,278</b>

#### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Interest rate risk arises when the Trust invests in interest-bearing financial instruments. The Trust is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates.

The Trust may invest in fixed and floating rate securities. The income of the Trust 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 June 30, 2013, there were 4.96% (December 31, 2012 – 7.23%) of investments owned which are held in bonds. The remaining portion of the Trust's assets are substantially non-interest bearing equity investments and the exposure to interest rate changes is minimal.

#### *Other price risk*

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

All investments represent a risk of loss of capital. The Investment Manager of the Trust aims to moderate this risk through a careful selection and diversification of securities and other financial instruments in accordance with the Trust's investment objectives and strategy. Except for written options and securities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from written options and securities sold short can be unlimited. The Trust's overall market positions are monitored on a regular basis by the Investment Manager. Financial instruments held by the Trust are susceptible to market price risk arising from uncertainties about future prices of the instruments.

# Front Street Canadian Hedge

## Notes to the financial statements

As at June 30, 2013 (Unaudited)

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### 7. Financial instruments (continued)

#### *Other price risk (continued)*

As at June 30, 2013, 77% (December 31, 2012 – 66%) of the Trust's net assets were invested in securities traded on North American stock exchanges. If security prices on the North American stock exchanges had increased or decreased by 10% as at the year end, with all other factors remaining constant, net assets could possibly have increased or decreased by approximately \$9 million (December 31, 2012 - \$8 million) respectively. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

#### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Trust. The Trust may enter into foreign exchange forward contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

The Trust holds assets denominated in currencies other than Canadian Dollars which is the functional currency. The Trust is therefore exposed to currency risk, as the value of the securities denominated in other currencies fluctuates due to change in exchange rates.

The table below summarizes the Trust's exposure to currency risk due to concentration of assets in foreign currencies:

	June 30, 2013			
	Financial instruments	Cash and cash equivalents	Total	Percentage of NAV (%)
	\$	\$	\$	%
<b>Currency</b>				
Australian dollar	86,061	-	86,061	0.07
United States dollar	34,022,509	1,081,051	35,103,560	30.43
<b>Total</b>	<b>34,108,570</b>	<b>1,081,051</b>	<b>35,189,621</b>	<b>30.50</b>

  

	December 31, 2012			
	Financial instruments	Cash and cash equivalents	Total	Percentage of NAV (%)
	\$	\$	\$	%
<b>Currency</b>				
Australian dollar	1,054,882	-	1,054,882	0.86
United States dollar	8,383,163	1,694,796	10,077,959	8.25
<b>Total</b>	<b>9,438,045</b>	<b>1,694,796</b>	<b>11,132,841</b>	<b>9.11</b>

# Front Street Canadian Hedge

## Notes to the financial statements

As at June 30, 2013 (Unaudited)

### 7. Financial instruments (continued)

#### *Currency risk (continued)*

The amounts in the above table are based on the fair value of the Trust's financial instruments (including cash and cash equivalents). Other financial assets (including dividends and interest receivable, receivable for equities sold, and subscription receivable) and financial liabilities (including payables for equities purchased) that are denominated in foreign currencies do not expose the Trust to significant currency risk.

As at June 30, 2013, if the Canadian dollar had strengthened or weakened by 5 percent in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$1,675,696 (December 31, 2012 - \$530,000). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

### 8. Classification of financial instruments - fair value measurements

The following tables summarize the levels within the fair value hierarchy in which the fair value measurements of the Trust's investments fall as of June 30, 2013 and December 31, 2012:

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Assets</b>				
Equities - long	88,885,411	1,721,489	5,778,215	96,385,115
Bonds - long	-	1,613,836	4,110,007	5,723,843
	88,885,411	3,335,325	9,888,222	102,108,958
<b>Liabilities</b>				
Equities - short	(1,565,703)	-	-	(1,565,703)
Options - short	(850,451)	-	-	(850,451)
	(2,416,154)	-	-	(2,416,154)

The changes in investments measured at fair value using significant level 3 inputs are reflected below:

	Beginning balance January 1, 2013 (FV)	Net purchases and sales	Net transfers in (out)	Realized gains and losses, net	Unrealized gains and losses, net	Ending balance June 30, 2013 (FV)
	\$			\$	\$	\$
<b>Assets</b>						
Equities	7,282,410	(1,221,146)	-	363,270	(646,319)	5,778,215
Bonds	3,056,472	929,853	-	-	123,682	4,110,007
	10,338,882	(291,293)	-	363,270	(522,637)	9,888,222

# Front Street Canadian Hedge

Notes to the financial statements

As at June 30, 2013 (Unaudited)

## 8. Classification of financial instruments - fair value measurements (continued)

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Assets</b>				
Equities - long	82,333,323	2,445,455	7,282,410	92,061,188
Bonds - long	-	5,772,802	3,056,472	8,829,274
	82,333,323	8,218,257	10,338,882	100,890,462
<b>Liabilities</b>				
Equities - short	(993,755)	-	-	(993,755)
Options - short	(747,240)	-	-	(747,240)
	(1,740,995)	-	-	(1,740,995)

The changes in investments measured at fair value using significant level 3 inputs are reflected below:

	Beginning balance January 1, 2012 (FV)	Net purchases and sales	Net transfers in (out)	Realized gains and losses, net	Unrealized gains and losses, net	Ending balance December 31, 2012 (FV)
	\$			\$	\$	\$
<b>Assets</b>						
Equities	8,933,411	(205,244)	(508,513)	183,271	(1,120,515)	7,282,410
Bonds	2,943,596	364,226	(230,000)	(874,075)	852,725	3,056,472
	11,877,007	158,982	(738,513)	(690,804)	(267,790)	10,338,882

During the year ended December 31, 2012, there were transfers between Level 3 to Level 1 as certain security became listed company.

# Front Street Canadian Hedge

## Notes to the financial statements

As at June 30, 2013 (Unaudited)

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### 9. Comparison of Net Asset Value and Net Assets

The primary reason for the difference between the Net Asset Value per unit and the Net Assets per unit is described in Note 2 above - Valuation of Investments.

	Net Assets per unit	Section 3855 adjustment	Net Asset Value per unit
	\$	\$	\$
At June 30, 2013			
Series B (formerly "B2")	14.54	0.08	14.62
Series F	16.87	0.10	16.97
At December 31, 2012			
Series B (formerly "B2")	14.24	0.07	14.31
Series F	16.47	0.07	16.54

### 10. Expenses

The Manager has the power to incur and make payment out of the Trust property any charges or expenses which, in the opinion of the Manager, are necessary or incidental to, or proper for, carrying out any of the purposes of the Trust Agreement, including without limitation all fees and expenses relating to the management and administration of the Trust. The Trust is responsible for any income or excise taxes and brokerage commissions on portfolio transactions.

### 11. Income taxes

The Trust qualifies as a unit fund trust under the provisions of the Income Tax Act (Canada) (the "Tax Act"), and accordingly, is not subject to tax on its net taxable income for the tax year which ends in December, including net realized capital gains, which is paid or payable to its unitholders as at the end of the tax year. However, such part of the Trust's net income and net realized capital gains as is not so paid or payable, is subject to income tax. It is the intention of the Trust to distribute all of its income and sufficient net realized capital gains so that the Trust will not be subject to income tax. The Trust may be subject to alternative minimum tax, potentially recoverable.

The Trust has \$9,878,659 in non-capital losses available to be applied against taxable income of future years which will expire as follow

	\$
2028	1,582,286
2030	7,099,485
2032	1,196,898
	<hr/>
	9,878,659

The Trust has \$5,031,183 in net capital losses available to be applied against capital gains of future years. These losses do not expire.

### 12. Filing exemption

The Trust is relying on the exemption pursuant to Section 2.11 of National Instrument 81-106, to not file its financial statements with the Ontario Securities Commission.





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