

Financial statements of

Front Street Hedge Fund

December 31, 2014 and 2013

Front Street Hedge Fund

December 31, 2014 and 2013

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Independent Auditor's Report

To the Unitholders of Front Street Hedge Fund (the "Fund")

We have audited the accompanying financial statements of Front Street Hedge Fund, which comprise the statements of financial position as at December 31, 2014 and 2013 and January 1, 2013, and the statements of comprehensive income, statements of changes in net assets attributable to unitholders of redeemable units and statements of cash flows for the years ended December 31, 2014 and December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2014 and 2013 and January 1, 2013, its financial performance, its change in net assets and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
March 31, 2015

Front Street Hedge Fund

Statements of financial position

as at December 31, 2014, December 31, 2013 and January 1, 2013

	December 31, 2014	December 31, 2013 (Restated - Note 9)	January 1, 2013 (Restated - Note 9)
	\$	\$	\$
Assets			
Financial assets at fair value through profit or loss*	112,403,555	118,109,006	101,411,095
Cash and cash equivalents	11,370,422	2,944,091	25,804,399
Subscriptions receivable	668,826	-	114,654
Receivable for investments sold	78,827	1,036,307	393,023
Interest and other receivable	142,050	150,373	151,654
Dividends receivable	127,361	92,733	88,713
Total assets	124,791,041	122,332,510	127,963,538
Liabilities			
Financial liabilities at fair value through profit or loss	1,563,531	127,182	1,711,330
Redemptions payable	1,041,318	324,283	1,246,345
Management fees payable	236,506	212,972	228,896
Accrued expenses	164,251	138,468	107,297
Payable for investments purchased	18,280	1,516,061	2,005,094
Dividends payable	4,485	-	-
Foreign exchange forward contracts at fair value through profit or loss	-	56,195	-
Total liabilities	3,028,371	2,375,161	5,298,962
Net assets attributable to unitholders of redeemable units	121,762,670	119,957,349	122,664,576
Net assets attributable to unitholders of redeemable units			
	\$	\$	\$
Class B	111,106,582	108,036,514	106,852,960
Class F	10,656,088	11,920,835	15,811,616
Number of units outstanding (Note 5)			
Class B	6,027,422	6,450,687	7,468,682
Class F	490,360	610,431	956,030
Net assets attributable to unitholders of redeemable units per units			
	\$	\$	\$
Class B	18.43	16.75	14.31
Class F	21.73	19.53	16.54

* Cost of investments is reflected on the schedule of investment portfolio.

Approved on behalf of the Trust,



Gary P. Selke, Chief Executive Officer

The accompanying notes form an integral part of the financial statements.

Front Street Hedge Fund

Statements of comprehensive income for the years ended December 31, 2014 and 2013

	2014	2013
		(Restated - Note 9)
	\$	\$
Investment Income		
Interest for distribution purposes	338,567	617,847
Dividends	1,963,262	1,619,128
Securities lending income	25,409	58,703
Foreign currency gain (loss) on cash and other net assets	814,173	148,998
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on investments	17,907,134	7,563,316
Net realized gain (loss) on foreign exchange forward contracts	(132,999)	
Change in unrealized appreciation (depreciation) on investments and derivatives	(3,875,242)	13,175,282
	17,040,304	23,183,274
Expenses		
Management fees (note 4)	2,741,075	2,503,881
Transaction costs	1,249,441	1,358,968
Operating costs	532,341	342,408
Dividend expense	155,916	29,202
Withholding tax	52,780	23,089
Audit fee	49,835	37,000
Legal fees	30,720	10,893
Trustee fees	10,001	13,198
Total expenses	4,822,109	4,318,639
Increase in net assets attributable to unitholders of redeemable units	12,218,195	18,864,635
Increase in net assets attributable to unitholders of redeemable units		
Class B	10,869,230	16,360,866
Class F	1,348,965	2,503,769
Increase in net assets attributable to unitholders of redeemable units per unit		
Class B	1.75	2.35
Class F	2.30	2.87

The accompanying notes form an integral part of the financial statements.

Front Street Hedge Fund

Statements of changes in net assets attributable to unitholders
of redeemable units
for the years ended December 31, 2014 and 2013

	2014	2013
	\$	\$
Net assets attributable to unitholders of redeemable units		
beginning of year		
Class B	108,036,514	106,852,960
Class F	11,920,835	15,811,616
	119,957,349	122,664,576
Increase (decrease) net assets attributable to unitholders of redeemable units		
Class B	10,869,230	16,360,866
Class F	1,348,965	2,503,769
	12,218,195	18,864,635
Redeemable unit transactions		
Proceeds from units issued		
Class F	668,826	-
Redemption of redeemable units		
Class B	(7,799,162)	(15,177,312)
Class F	(3,282,538)	(6,394,550)
	(10,412,874)	(21,571,862)
Net increase (decrease) from redeemable unit transactions		
	1,805,321	(2,707,227)
Net increase (decrease) in net assets attributable to unitholders of redeemable units		
Net assets attributable to unitholders of redeemable units		
end of year		
Class B	111,106,582	108,036,514
Class F	10,656,088	11,920,835
	121,762,670	119,957,349

Front Street Hedge Fund

Statements of cash flows

for the years ended December 31, 2014 and 2013

	2014	2013
	\$	\$
Cash flow from operating activities		
Increase/(decrease) in net assets attributable to unitholders of redeemable units	12,218,195	18,864,635
Adjustments for:		
Net realized (gain) loss on investments	(17,907,134)	(7,563,316)
Net realized (gain) loss on foreign exchange forward contracts	132,999	-
Change in unrealized (appreciation) depreciation on investments and derivatives	3,875,242	(13,175,282)
(Increase) decrease in interest and other receivable	8,323	1,281
(Increase) decrease in dividends receivable	(34,628)	(4,020)
Increase (decrease) in dividends payable	4,485	-
Increase (decrease) in other payable and accrued liabilities	49,317	15,247
Purchase of Investments	(309,974,695)	(283,089,504)
Proceeds from sales of Investments	330,551,891	284,469,921
Proceeds from (to) settlement of foreign exchange forward contracts and futures	(132,999)	-
Net cash generated (used) by operating activities	18,790,996	(481,038)
Cash flows from financing activities		
Proceeds from redeemable units issued	-	114,654
Amount paid on redemption of redeemable units	(10,364,665)	(22,493,924)
Net cash generated (used) by financing activities	(10,364,665)	(22,379,270)
Net increase (decrease) in cash and cash equivalents	8,426,331	(22,860,308)
Cash and cash equivalents beginning of year	2,944,091	25,804,399
Cash and cash equivalents end of year	11,370,422	2,944,091
Cash and cash equivalents comprise		
Cash at bank	11,370,422	2,944,091
	11,370,422	2,944,091
Interest received	372,229	677,831
Dividends received, net of withholding tax	1,875,854	1,592,019
Dividends paid	(151,431)	(23,089)

Front Street Hedge Fund

Schedule of Investment Portfolio

As at December 31, 2014

Number of Shares/Units Par Value		Average Cost	Fair Value	% of net assets
		\$	\$	%
Investments - Long Positions				
Equities				
Energy				
10	Cenovus Energy Inc.	310	240	
224,000	North American Energy Partners Inc.	1,714,188	820,238	
3,000	Parex Resources Inc.	20,201	22,740	
7,300	RMP Energy Inc.	49,876	33,434	
	Total Energy	1,784,575	876,652	0.72%
Materials				
32,900	Domtar Corporation	1,543,997	1,535,772	
3,650	E. I. du Pont de Nemours and Company	275,583	313,083	
286,452	GoviEx Uranium Inc.- Class B shares (Private)	561,990	149,599	
156,842	GoviEx Uranium Inc. Class A Shares (Restricted)	307,708	81,910	
46,600	GoviEx Uranium Inc. Class A Shares	108,741	24,337	
79,361	Huntsman Corporation	2,235,338	2,098,094	
700	Interfor Corporation	11,469	15,365	
102,662	Intertape Polymer Group Inc.	1,221,949	1,910,540	
420,000	Kombat Copper Inc. Warrants April 20, 2015 (private)	-	-	
20,300	Lundin Mining Corporation	96,058	116,116	
29,100	The Dow Chemical Company	1,618,087	1,539,329	
280,000	Tolima Gold Inc. Warrants December 5, 2016 (private)	-	-	
134,900	Western Forest Products Inc.	330,194	364,230	
	Total Materials	8,311,114	8,148,375	6.69%
Industrials				
1,722	3801110 Canada Inc. (private)	17	17	
3,038	Aecon Group Inc.	46,736	32,537	
325,335	Air Canada	2,554,271	3,861,726	
86,100	ATS Automation Tooling Systems Inc.	1,143,079	1,334,550	
1,440	Badger Daylighting Inc.	38,734	38,088	
46,600	Bombardier Inc. 'B'	171,511	193,390	
47,940	Boyd Group Income Fund	1,637,883	2,281,944	
344,400	EnWave Corporation	482,160	413,280	
172,200	Enwave Corporation Warrants December 20, 2015 (private)	-	18,422	
75,510	Kinaxis Inc.	994,493	1,396,935	
150,000	Patent Properties Inc.	485,850	365,574	
25,000	Patent Properties Inc. Warrant September 18, 2016 (private)	-	8,191	
27,100	People Corporation	73,697	69,918	
26,500	Savaria Corporation Warrant April 15, 2017 (private)	1	19,731	
128,100	WestJet Airlines Limited	3,349,667	4,273,416	
76,700	WSP Global Inc.	2,710,180	2,673,762	
	Total Industrials	13,688,279	16,981,481	13.95%
Information Technology				
400	Alibaba Group Holdings - SP ADR	49,207	48,251	
22,460	Apple Inc.	2,445,902	2,877,162	
100	Avago Technologies Limited	8,256	11,674	
23,000	Celestica Inc.	286,295	313,950	
1,300	Ciena Corporation	24,202	29,284	
524,200	COM DEV International Limited	1,957,792	2,091,558	
62,290	Embotics Corporation Preferred Class 'A' (private)	267,558	62,290	
98,018	Embotics Corporation Private Placement (private)	1,049,233	98,018	
29,020	Facebook Inc. 'A'	2,228,610	2,627,649	
236,000	Frankly Inc.	719,800	719,800	
3,180	Google Inc. - Class C	1,972,100	1,942,706	
3,800	Halogen Software Inc.	32,260	32,300	
21,200	Microsoft Corporation	1,113,667	1,142,841	
318,900	Mobidia Technology Inc. 'A' Series 3 Preferred (private)	350,790	255,120	
14,600	NXP Semiconductors NV	1,275,179	1,294,525	
253,039	Pure Technologies Limited	658,828	1,869,958	
637,989	QHR Corporation	378,882	803,866	
45,000	Redline Communications Group Inc. Warrants July 30, 2015 (private)	-	-	
9,350	Salesforce.com Inc.	617,233	643,365	
140,600	Sandvine Corporation	383,712	459,762	
13,550	Splunk Inc.	929,956	927,016	
200,000	Stockhouse Media Corporation Private Placement (private)	2,476	-	
236,505	The Descartes Systems Group Inc.	1,601,574	4,079,711	
203,746	VersaPay Corporation	246,570	287,282	
150,000	VersaPay Corporation Warrants (Private)	-	35,309	
1,482,939	Wi2Wi Corporation	711,811	252,100	
1,845	Yelp Inc.	137,424	117,189	
	Total Information Technology	19,449,317	23,022,686	18.91%

Front Street Hedge Fund

Schedule of Investment Portfolio

As at December 31, 2014

Number of Shares/Units Par Value		Average Cost	Fair Value	% of net assets
		\$	\$	%
Financials				
149,362	Altus Group Limited	2,326,538	3,108,223	
46,380	American International Group Inc.	2,709,260	3,014,813	
87,600	Bank of America Corporation	1,712,232	1,818,773	
45,100	Bank of Montreal	3,633,449	3,706,318	
29,630	Canadian Imperial Bank of Commerce	3,000,092	2,958,259	
15,370	Citigroup Inc.	945,257	965,374	
85,800	Committed Capital Acquisition Corporation II	470,122	485,429	
205,889	Delavaco Residential Properties Corporation	259,525	183,987	
62,500	Diversified Royalty Corporation	126,875	173,125	
100,568	Element Financial Corporation	1,372,215	1,422,032	
13,900	GMP Capital Inc.	89,021	88,265	
30,950	JPMorgan Chase & Company	1,941,572	2,248,173	
186,300	Manulife Financial Corporation	3,859,863	4,129,842	
33,566	MetLife Inc.	1,959,981	2,107,078	
100,280	Morgan Stanley	3,552,820	4,516,708	
31,100	Royal Bank of Canada	2,435,826	2,495,464	
89,710	Sun Life Financial Inc.	3,306,633	3,760,643	
44,800	The Toronto-Dominion Bank	2,466,706	2,486,848	
Total Financials		36,167,987	39,669,354	32.58%
Telecommunication Services				
175,877	Mitel Networks Corporation	1,847,353	2,181,980	
589,470	XMG Studio Inc. (private)	559,997	23,579	
Total Telecommunication Services		2,407,350	2,205,559	1.81%
Consumer Discretionary				
3,700	Amaya Inc.	74,000	105,635	
1,800	Amaya Inc. Convertible Preferred (private)	1,741,453	1,800,000	
79,660	BRP Inc. /CA Subordinate Voting Shares	2,222,099	1,928,569	
20,600	CBS Corporation 'B'	1,297,496	1,323,032	
20,000	Committed Capital Acquisition Corporation (private)	103,845	109,788	
500,000	GeoMonkey Inc. Private Placement (private)	247,439	-	
24,800	Gildan Activewear Inc.	1,583,898	1,629,360	
90	GoPro Inc.	7,660	6,596	
18,700	MTY Food Group Inc.	617,444	630,377	
188,055	Performance Sports Group Limited	2,576,853	3,969,245	
142,000	The ONE Group Hospitality Inc.	738,428	779,495	
112,000	The ONE Group Hospitality Inc. Warrants October 13, 2016	-	67,590	
1,800	The Walt Disney Company	185,736	196,699	
Total Consumer Discretionary		11,396,351	12,546,386	10.30%
Consumer Staples				
62,330	Alimentation Couche-Tard Inc. 'B'	1,863,501	3,034,848	
300	Crumbs Bake Shop Inc.	99	68	
		1,863,600	3,034,916	2.49%
Health Care				
3,600	Acadia Healthcare Company Inc.	254,474	255,734	
17,600	Baxter International Inc.	1,363,624	1,496,999	
57,650	Bedrocan Cannabis Corporation Warrants November 15, 2015	-	3,793	
18,400	Bristol-Myers Squibb Company	1,187,364	1,260,107	
53,000	Savaria Corporation	172,249	231,080	
Total Health Care		2,977,711	3,247,713	2.67%
Media				
529,815	Gaming Nation Acquisition Corporation (private)	451,086	461,158	0.38%
Utilities				
2,191,988	Trilliant Inc. (private)	1,925,881	219,199	
217,640	U.S. Geothermal Inc. Warrants September 16, 2015 (private)	-	-	
Total Utilities		1,925,881	219,199	0.18%
Total Equities - Long		100,423,251	110,413,479	90.68%
Corporate Bonds				
470,000	Element Financial Corporation 5.125% June 30, 2019 Convertible Debentures	470,000	513,099	
1,400,000	Estrella International Energy Services Limited Convertible Debentures 12.000% December 31, 2015 (private)	1,400,000	1,260,000	
1,558,000	Gran Colombia Gold Corporation 5.000% August 11, 2018	1,544,440	216,977	
Total Corporate Bonds		3,414,440	1,990,076	1.63%
Transaction costs		(142,653)	-	
Total Investments - Long		103,695,038	112,403,555	92.31%

Front Street Hedge Fund

Schedule of Investment Portfolio

As at December 31, 2014

Number of Shares/Units Par Value		Average Cost	Fair Value	% of net assets
		\$	\$	%
Investments - Short Positions				
Energy				
(29,900)	Trican Well Service Limited	(503,693)	(166,543)	(0.13)%
Information Technology				
(5,000)	Sphere 3D Corporation	(33,900)	(32,263)	(0.03)%
Total Equities - Short		(537,593)	(198,806)	(0.16)%
Written Call Options				
(35)	Acadia Healthcare Company Jan/65 WCO	(4,382)	(1,625)	
(488)	Huntsman Corporation Jan/27 WCO	(29,624)	(2,832)	
(80)	JPMorgan Chase & Company Jan/65 WCO	(1,898)	(1,950)	
(121)	MetLife Inc. Jan/57.5 WCO	(9,540)	(2,106)	
(81)	Morgan Stanley Jan/40 WCO	(3,391)	(3,196)	
Total Written Call Options		(48,835)	(11,709)	(0.01)%
Written Put Options				
(150)	Canadian Natural Resources Limited Jan/31 WPO	(16,117)	(20,890)	
(150)	Canadian Natural Resources Limited Jan/32 WPO	(22,500)	(3,150)	
(200)	Canadian Natural Resources Limited Jan/33 WPO	(76,397)	(56,286)	
(155)	Canadian Natural Resources Limited Jan/34 WPO	(69,017)	(58,463)	
(120)	Canfor Corporation Jan/28 WPO	(6,480)	(1,140)	
(130)	Canyon Services Group Inc. Jan/11 WPO	(14,040)	(28,600)	
(306)	Citigroup Inc. Jan/52.5 WPO	(39,131)	(20,242)	
(950)	Kelt Exploration Limited Jan/10 WPO	(131,100)	(287,375)	
(315)	Kelt Exploration Limited Jan/9 WPO	(45,045)	(63,788)	
(100)	NXP Semiconductors Jan/70 WPO	(18,134)	(3,482)	
(84)	NXP Semiconductors Jan/75 WPO	(48,837)	(14,135)	
(455)	Painted Pony Petroleum Limited Jan/10 WPO	(46,865)	(43,225)	
(280)	Painted Pony Petroleum Limited Jan/11 WPO	(31,640)	(51,100)	
(385)	Painted Pony Petroleum Limited Jan/9 WPO	(18,340)	(9,625)	
(839)	Parex Resources Inc. Jan/7 WPO	(48,929)	(11,326)	
(611)	Parex Resources Inc. Jan/8 WPO	(81,493)	(38,188)	
(765)	RMP Energy Inc. Jan/4 WPO	(22,845)	(3,890)	
(915)	RMP Energy Inc. Jan/5 WPO	(48,920)	(44,011)	
(175)	Suncor Energy Inc. Jan/30 WPO	(8,925)	(1,575)	
(183)	Suncor Energy Inc. Jan/30 WPO	(21,603)	(8,708)	
(280)	Suncor Energy Inc. Jan/31 WPO	(22,164)	(22,097)	
(220)	The Bank of Nova Scotia Jan/66 WPO	(73,260)	(26,400)	
(162)	The Toronto-Dominion Bank Jan/50 WPO	(6,804)	(2,430)	
(350)	Torc Oil & Gas Limited Jan/7 WPO	(13,650)	(5,250)	
(692)	Trican Well Service Jan/8 WPO	(143,936)	(171,270)	
(312)	Trinidad Drilling Limited Jan/8 WPO	(50,856)	(88,140)	
(100)	Whitecap Resources Inc. Jan/10 WPO	(6,400)	(1,000)	
(252)	Whitecap Resources Inc. Jan/11 WPO	(23,048)	(10,080)	
(125)	Whitecap Resources Inc. Jan/12 WPO	(17,250)	(10,625)	
(400)	Whitecap Resources Inc. Jan/13 WPO	(104,200)	(66,000)	
(498)	Whitecap Resources Inc. Jan/15 WPO	(123,504)	(180,525)	
Total Written Put Options		(1,401,430)	(1,353,016)	(1.11)%
Total Options		(1,450,265)	(1,364,725)	(1.12)%
Transaction costs		(16,432)		
Total Investments Sold Short		(2,004,290)	(1,563,531)	(1.28)%
Total Investments, net long and short		101,690,748	110,840,024	91.03%
Other assets, less liabilities			10,922,646	8.97%
Total Net Assets		101,690,748	121,762,670	100.00%

Front Street Hedge Fund

Notes to the financial statements

December 31, 2014 and 2013

1. Establishment of the investment fund and nature of operations

Front Street Hedge (the "Fund") is an investment fund 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, January 29, 2010 and as of December 1, 2013 (the "Trust Agreement"). The Fund was formerly known as Front Street Canadian Hedge. 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 Fund (the "Trustee"). Front Street Capital, formed a Trust pursuant to a Trust Agreement dated as of October 1, 2001, is the manager of the Fund (the "Manager") pursuant to the Trust Agreement. The Fund is domiciled in Canada, and the address of its registered office is 33 Yonge Street, Suite 600, Toronto, Ontario, Canada, M5E 1G4.

The Fund'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 Fund'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 Fund is divided into two series of Units (the "Fund Units"), designated as Series B Units (the "B Units"), formerly Series B2 Units and Series F Units (the "F Units").

The Fund is not 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 Fund.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In preparing the financial statements, management may make estimates and assumptions that affect the reported amounts of investments, derivatives, assets, liabilities, investment income and expenses reported during the years. Actual results could differ from these estimates.

The Fund has adopted IFRS effective January 1, 2014. IFRS 1 – First-time Adoption of International Financial Reporting Standards, requires first-time adopters to apply IFRS retrospectively as if IFRS had been in effect from the date of the Fund's inception. Accordingly, an opening IFRS statement of financial position as at January 1, 2013 has been prepared and the comparative information for the year ended December 31, 2013 has been restated based on IFRS. The Fund has consistently applied the same accounting policies throughout all periods presented. These financial statements have been prepared on the historical cost basis, except for the fund's investments which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Prior to the adoption of IFRS, the Fund presented its financial statements in accordance with previous Canadian Generally Accepted Accounting Principles ("previous CGAAP"). The impact of transition from previous CGAAP to IFRS on the Fund's reported financial position, financial performance and cash flows is disclosed in Note 9 – Transition to IFRS.

These financial statements were authorized for issue by the Manager on March 31, 2015.

Financial instruments

The Fund's financial instruments may include cash and cash equivalents, investments, derivative assets, investment income receivable, trade receivables, subscriptions receivable, derivative liabilities, trade payables, redemptions payable, other accrued liabilities and net assets attributable to holders of redeemable units. The Fund's derivative assets and derivative liabilities are classified as Held For Trading and are measured at fair value. The Trust's portfolio of investments are designated as fair value through profit or loss ("FVTPL"). The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial instruments are measured at amortized cost.

Front Street Hedge Fund

Notes to the financial statements

December 31, 2014 and 2013

2. Summary of significant accounting policies (continued)

Recognition, derecognition and measurement

Regular way purchases and sales of investments are recognized on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value. Transaction costs and brokerage commissions are expensed as incurred and presented in the statement of comprehensive income.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

When the Fund purchases an option or warrant, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. When options and warrants are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a realized gain or loss and is presented in the statement of comprehensive income within net realized gains (losses) on financial assets at fair value through profit or loss.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Net changes in unrealized gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the statement of comprehensive income within the net change in unrealized appreciation (depreciation) on investments.

Cash and cash equivalents

Cash and cash equivalents is comprised of deposits with financial institutions and short-term investments.

Valuation of investments and derivatives

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The price used to measure the fair value shall not be adjusted for transaction costs.

The fair value of the Fund's investments (securities and derivatives) as at the financial reporting date is determined as follows:

- a) Investments that are traded in active markets such as public stock exchanges, over-the-counter markets are valued at the quoted closing price as at the reporting date as where the last traded price falls within that day's bid-ask spread. If the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value in the circumstances.
- b) Investments that are not traded in active markets are valued based on valuation techniques approved by the Manager that are appropriate in the circumstances using observable and/or unobservable market inputs. Wherever possible, the use of relevant observable inputs are maximised and unobservable inputs are minimised.

The valuation techniques include using recent arm's length market transactions, if available, or current value of another investment that is substantially the same, discounted cash flow analysis, earnings multiples of comparable companies and broker quotes.

- c) Foreign exchange forward contracts are valued based on the difference between the contract forward rate and the forward bid rate (for currency held long) and the forward ask rate (for currency sold short).

Front Street Hedge Fund

Notes to the financial statements

December 31, 2014 and 2013

2. Summary of significant accounting policies (continued)

Impairment of financial assets

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

Cost of investments

The cost of investments represents the amount paid for each security, and is determined on an average cost basis excluding transaction costs. On the schedule of investment portfolio, transaction costs have been deducted in aggregate from the total cost of individual investments which include transaction costs. The premium received on a written put option is added to the cost of investments acquired when the written put option is exercised.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Fund currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously

Payable for investments purchased/Receivable for investments sold

Amounts receivable for investments sold and amounts payable for investments purchased that have been contracted are recorded on the statement of financial position at the amount to be received or delivered.

Other financial assets and liabilities

In accordance with IAS 39, Financial Instruments: Recognition and Measurements ("IAS 39"), all other assets and liabilities are classified as loans and receivables. The carrying value of current assets and liabilities approximates fair value due to their short-term nature.

Transaction costs

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs. Transaction costs are expensed and included in "Transaction costs" in the statement of comprehensive income.

Investment transactions and income

Investment transactions are accounted for on the trade date. Interest for distribution purposes is accrued on a daily basis based on the debt instruments' stated coupon rate of interest. Dividend is recognized on ex-dividend date and withholding tax is disclosed separately. Distributions from other investment funds are recognized on distribution date. Security lending income and expenses are recorded on an accrual basis. Realized gain and loss from investment transactions are calculated on an average cost basis.

Front Street Hedge Fund

Notes to the financial statements

December 31, 2014 and 2013

2. Summary of significant accounting policies (continued)

Foreign currency translation

The Fund's functional and presentation currency is Canadian dollars. This is the currency the Fund uses to transact subscriptions and redemptions of its redeemable units.

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

Realized and unrealized exchange gains and losses on foreign currency cash and cash equivalent and other assets and liabilities are presented as "Foreign currency gain (loss) on cash and cash equivalent and other net assets". Realized and unrealized exchange gains and losses on investments and derivatives are presented separately in the statement of comprehensive income.

Redeemable units and net assets attributable to holders of redeemable units

The Fund issues multiple classes of redeemable units, which are redeemable at the holder's option and do not have identical rights. Such units are classified as financial liabilities and can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value ("NAV") attributable to the unit class. The Fund's NAV per unit is calculated by dividing the net assets attributable to the holders of each class of redeemable units with the total number of outstanding redeemable units for each respective class.

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the year.

Future accounting standards

IFRS 9 Financial Instruments is the first of a multi-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. It addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new hedge accounting model. IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications – those measured at amortized cost and those measured at fair value. Classification is made at the time the financial asset is initially recognized when the entity becomes a party to the contractual provisions of the instrument. The new standard requires modified disclosures on transition.

Most of the requirements in IAS 39 for the classification and measurement of financial liabilities have been carried forward unchanged to IFRS 9. Where an entity chooses to measure its own debt at fair value, IFRS 9 now requires the amount of the change in fair value due to changes in the issuing entity's own credit risk to be presented in other comprehensive income. An exception to the new approach is made where the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are to be presented in profit or loss. IFRS 9 is effective January 1, 2018.

The new hedge accounting model enables companies to better reflect their risk management activities in the consolidated financial statements. The model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures.

Front Street Hedge Fund

Notes to the financial statements

December 31, 2014 and 2013

3. Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing these financial statements. Actual results may differ from these estimates.

The fair value of such securities not quoted in an active market may be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. The Fund would exercise judgments and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Judgment was exercised in the decision to present redeemable units as financial liabilities.

4. Expenses

The Manager has the power to incur and make payment out of the Fund 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 Fund. The Fund is responsible for any income or excise taxes and brokerage commissions on portfolio 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 Fund performance in excess of the minimum performance as specifically defined in the Trust Agreement, plus applicable taxes. As of December 31, 2014, the performance fees payable to the Manager is \$nil (December 31, 2013 - \$nil; January 1, 2013 - \$nil).

Front Street Hedge Fund

Notes to the financial statements

December 31, 2014 and 2013

5. Units of the trust

Authorized

The Fund 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 Fund 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.

	December 31, 2014	
	Series B	Series F
Balance, beginning of year	6,450,687	610,431
Subscriptions	-	30,783
Redeemed	(423,265)	(150,854)
Balance, end of year	6,027,422	490,360

	December 31, 2013	
	Series B	Series F
Balance, beginning of year	7,468,682	956,030
Redeemed	(1,017,995)	(345,599)
Balance, end of year	6,450,687	610,431

Capital disclosure

The capital of the Fund 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 Fund 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 6, the Fund 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.

6. Financial instruments

Management of financial instrument risks

In the normal course of business, the Fund 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 Fund'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 Fund. The level of risk depends on the Fund's investment objectives and the type of securities it invests in.

The investment objective of the Fund 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 Fund invests primarily in common shares and Fund units of Canadian and U.S. companies.

Front Street Hedge Fund

Notes to the financial statements

December 31, 2014 and 2013

6. Financial instruments (continued)

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 Fund.

Where the Fund 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.

All transactions executed by the Fund 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 December 31, 2014, the Fund had 1.8% (December 31, 2013 – 2.9%; January 1, 2013 – 8.9%) of investments in debt instruments on which credit ratings are not available.

Liquidity risk

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

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

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

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 Fund invests in interest-bearing financial instruments. The Fund 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 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 December 31, 2014, there were 1.8% (December 31, 2013 – 2.9%; January 1, 2013 – 8.9%) of investments owned which are held in bonds. The remaining portion of the Fund's assets are substantially non-interest bearing equity investments and the exposure to interest rate changes is minimal.

Front Street Hedge Fund

Notes to the financial statements

December 31, 2014 and 2013

6. Financial instruments (continued)

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 Manager of the Fund aims to moderate this risk through a careful selection and diversification of securities and other financial instruments in accordance with the Fund'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 Fund's overall market positions are monitored on a regular basis by the Manager. Financial instruments held by the Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at December 31, 2014, 86.2% (December 31, 2013 – 92.1%; January 1, 2013 – 66%) of the Fund'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 \$10.5 million (December 31, 2013 - \$11 million; January 1, 2013 - \$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 Fund. The Fund may enter into foreign exchange forward contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

The Fund holds assets denominated in currencies other than Canadian Dollars which is the functional currency. The Fund 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 Fund's exposure to currency risk due to concentration of assets in foreign currencies:

December 31, 2014

Currency	Portfolio Holdings	Cash	Foreign exchange forward contracts	Net exposure	% of Net Assets
	\$	\$	\$	\$	
United States Dollar	40,795,995	9,296,725	-	50,092,720	41.14%
Total	40,795,995	9,296,725	-	50,092,720	41.14%

Front Street Hedge Fund

Notes to the financial statements

December 31, 2014 and 2013

6. Financial instruments (continued)

Currency risk (continued)

December 31, 2013

Currency	Portfolio Holdings	Cash	Foreign exchange forward contracts	Net exposure	% of Net Assets
	\$	\$	\$	\$	
Australian Dollar	61,070	-	-	61,070	0.05%
British Pound	2,755,792	-	(1,703,294)	1,052,498	0.88%
United States Dollar	26,740,765	2,268,569	-	29,009,334	24.18%
Total	29,557,627	2,268,569	(1,703,294)	30,122,902	25.11%

January 1, 2013

Currency	Portfolio Holdings	Cash	Foreign exchange forward contracts	Net exposure	% of Net Assets
	\$	\$	\$	\$	
Australian Dollar	1,103,845	-	-	1,103,845	0.90%
United States Dollar	8,439,696	1,694,796	-	10,134,492	8.26%
Total	9,543,541	1,694,796	-	11,238,337	9.16%

The amounts in the above table are based on the fair value of the Fund'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 Fund to significant currency risk.

As at December 31, 2014, 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 \$2,385,368 (December 31, 2013 - \$1,434,424; January 1, 2013 - \$535,159). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Front Street Hedge Fund

Notes to the financial statements

December 31, 2014 and 2013

7. 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 Fund's investments fall as of December 31, 2014, 2013, and January 1, 2013:

December 31, 2014				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Equities - long	106,488,275	856,225	3,068,980	110,413,480
Bonds - long		730,075	1,260,000	1,990,075
	106,488,275	1,586,300	4,328,980	112,403,555
Liabilities				
Equities - short	(166,544)	(32,263)	-	(198,807)
Options - short	(1,364,723)		-	(1,364,723)
	(1,531,268)	(32,263)	-	(1,563,531)
December 31, 2013				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Equities - long	110,559,644	1,369,287	2,781,503	114,710,434
Bonds - long	-	497,012	2,901,560	3,398,572
	110,559,644	1,866,299	5,683,063	118,109,006
Liabilities				
Equities - short	(47,150)	-	-	(47,150)
Options - short	(80,032)	-	-	(80,032)
Currency forward contract	-	(56,195)	-	(56,195)
	(127,182)	(56,195)	-	(183,377)
January 1, 2013				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Equities - Long	82,684,889	2,578,713	7,282,410	92,546,012
Bonds - Long	-	5,808,611	3,056,472	8,865,083
	82,684,889	8,387,324	10,338,882	101,411,095
Liabilities				
Equities - Short	(992,528)	-	-	(992,528)
Options - Short	(718,802)	-	-	(718,802)
	(1,711,330)	-	-	(1,711,330)

Front Street Hedge Fund

Notes to the financial statements

December 31, 2014 and 2013

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

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

	Beginning balance January 1, 2014 (FV)	Net purchases and sales	Net transfers in (out)	Realized gains and losses, net	Change in unrealized gains and	Ending balance December 31, 2014 (FV)
	\$			\$	\$	\$
Assets						
Equities	2,781,503	1,570,285	(462,763)	(2,944,652)	2,124,607	3,068,980
Bonds	2,901,560	(1,054,082)	-	(617,998)	30,520	1,260,000
	5,683,063	516,203	(462,763)	(3,562,650)	2,155,127	4,328,980

	Beginning balance January 1, 2013 (FV)	Net purchases and sales	Net transfers in (out)	Realized gains and losses, net	Change in unrealized gains and	Ending balance December 31, 2013 (FV)
	\$			\$	\$	\$
Assets						
Equities	7,282,410	(1,846,507)	(587,916)	(520,741)	(1,545,743)	2,781,503
Bonds	3,056,472	(17,838)	-	(4,463)	(132,611)	2,901,560
	10,338,882	(1,864,345)	(587,916)	(525,204)	(1,678,354)	5,683,063

During the year ended December 31, 2014, there were transfers between Level 3 to Level 1, as certain securities became listed company. There were no significant transfer between level 1 and 2.

The significant unobservable inputs and valuation techniques used to determine the fair value measurement categorized in level 3 are indicated below:

	Valuation Technique	Significant Unobservable Inputs	December 31, 2014
Equities			
	Grey Market trades	Trade details	255,120
	Private company book value	Financial statements of private company	484,737
	Comparable company multiples	Financial statements of comparable company	2,329,123
Total			3,068,980
Bonds			
	Discounted cash flow	Discount rate	1,260,000
Total			1,260,000

Front Street Hedge Fund

Notes to the financial statements

December 31, 2014 and 2013

8. Income taxes

The Fund qualifies as a mutual 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 Fund'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 Fund to distribute all of its income and sufficient net realized capital gains so that the Fund will not be subject to income tax. The Fund may be subject to alternative minimum tax, potentially recoverable.

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

	\$
2028	1,582,276
2030	7,099,485
2032	1,196,898
	<hr/> 9,878,659

The Fund has \$3,077,744 in net capital losses available to be applied against capital gains of future years. These losses do not expire.

9. Transition to IFRS

The quantitative effect of the Trust's transition to IFRS is summarized in this note as follows:

(a) *Transition elections*

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets and liabilities designated at fair value through profit and loss upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies. Other exemption available under IFRS 1, which are not discussed here, are either not material or not relevant to the business.

(b) *Statement of cash flows*

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

Front Street Hedge Fund

Notes to the financial statements

December 31, 2014 and 2013

9. Transition to IFRS (continued)

- (c) Reconciliation of net assets attributable to unitholders of redeemable units and increase (decrease) in net assets attributable to unitholders of redeemable units previously reported under Canadian GAAP to IFRS:

	December 31, 2013	January 1, 2013
Net assets	\$	\$
Net assets as reported under Canadian GAAP	119,638,655	122,114,278
Revaluation of investments	318,694	550,298
Net assets attributable to unitholders of redeemable units	119,957,349	122,664,576
		December 31, 2013
Comprehensive income		\$
For the year ended		
Increase (decrease) in net assets attributable to unitholders of redeemable units under Canadian GAAP		19,096,239
Revaluation of investments		(231,604)
Increase (decrease) in net assets attributable to unitholders of redeemable units		18,864,635

Classification of redeemable units issued by the Fund

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

Revaluation of investments due to bid-ask spread adjustments

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement, which requires that if an asset or a liability has a bid price or ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Fund's investment by \$550,298 at January 1, 2013 and \$318,694 at December 31, 2013. The impact of this adjustment was to decrease the Fund's net assets attributable to holders of redeemable units by \$231,604 for the year ended December 31, 2013 on the statements of comprehensive income.

10. Filing exemption

The Fund 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.