



FRONT STREET CANADIAN HEDGE
INTERIM FINANCIAL STATEMENTS

JUNE 30, 2008

Front Street Canadian Hedge

Statement of Net Assets as at December 31, 2007

As at June 30, 2008 (unaudited) December 31, 2007 (audited)

	June 30, 2008	December 31, 2007
ASSETS		
Due from broker (cash balances) (Note 3)	\$ 34,374,064	\$ 28,815,320
Investments owned, at fair value (Note 2)	225,482,633	227,281,837
Subscriptions receivable	91,860	25,000
Interest and dividends receivable	350,992	341,318
	<u>260,299,549</u>	<u>256,463,475</u>
LIABILITIES		
Due to broker (Note 4)	7,797,642	2,638,688
Investments sold short, at fair value (Note 2)	7,673,556	5,380,792
Accounts payable and accrued liabilities	284,485	219,966
Redemption payable	1,304,188	1,194,139
Management fees payable (Note 5)	391,710	396,661
Performance fee payable (Note 5)	-	5,939,551
Distributions payable (Note 10)	-	18,313
	<u>17,451,581</u>	<u>15,788,110</u>
TOTAL NET ASSETS	<u>\$ 242,847,968</u>	<u>\$ 240,675,365</u>
NET ASSETS, Series "A"	<u>\$ 203,042,032</u>	<u>\$ 203,229,260</u>
NET ASSETS, Series "F"	<u>\$ 39,805,936</u>	<u>\$ 37,446,105</u>
Number Of Units Outstanding (Note 6)		
Series "A"	<u>10,741,789</u>	<u>11,302,040</u>
Series "F"	<u>2,052,943</u>	<u>2,052,943</u>
Net Asset Value per Unit (Note 2)		
Series "A"	<u>\$ 18.90</u>	<u>\$ 17.98</u>
Series "F"	<u>\$ 19.39</u>	<u>\$ 18.24</u>

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Trust,



Manager, Front Street Capital

Front Street Canadian Hedge

Statement of Operations

For the six month periods ended June 30, 2008 and 2007 (unaudited)

	2008	2007
Investment income		
Interest	\$ 637,480	\$ 1,314,355
Dividends	543,239	193,263
	<u>1,180,719</u>	<u>1,507,618</u>
Expenses		
Management fees (Note 5)	2,194,049	2,303,638
Performance fee (Note 5)	-	6,335,361
Operating	99,218	210,544
Dividends paid on investments sold short	59,958	130,422
Audit fees	9,944	17,754
Trustee fees	9,616	7,398
Legal fees	7,458	14,794
	<u>2,380,243</u>	<u>9,019,911</u>
Net Investment Loss	(1,199,524)	(7,512,293)
Realized and Unrealized Gain (Loss) on Investments		
Transaction costs (Note 2)	(1,225,414)	(1,868,192)
Net realized gain on investments, including foreign exchange adjustments	11,598,095	40,654,147
Net change in unrealized appreciation (depreciation) in value of investments	2,722,065	(7,936,082)
	<u>13,094,746</u>	<u>30,849,873</u>
Net Gain on Investments	<u>13,094,746</u>	<u>30,849,873</u>
Increase in Net Assets from Operations	\$ <u>11,895,222</u>	\$ <u>23,337,580</u>
Increase in Net Assets from Operations per Unit		
Series "A"	\$ 0.86	\$ 1.84
Series "F"	\$ 1.15	\$ 1.96

The accompanying notes are an integral part of these financial statements.

Front Street Canadian Hedge

Statement of Changes in Net Assets

For the six month periods ended June 30, 2008 and 2007 (unaudited)

	Series A	Series F	2008 Total	2007
Increase in Net Assets from Operations	\$ 9,535,391	\$ 2,359,831	\$ 11,895,222	\$ 23,337,580
Capital Transactions				
Sale of units	561,451	-	561,451	8,986,290
Redemption of units	(10,284,070)	-	(10,284,070)	(5,692,166)
Reinvestment of distributions	-	-	-	10,868,945
	(9,722,619)	-	(9,722,619)	14,163,069
Increase in Net Assets	(187,228)	2,359,831	2,172,603	37,500,649
Net assets, Beginning of period	203,229,260	37,446,105	240,675,365	212,224,830
Change in accounting policy (Note 2)	-	-	-	(1,740,423)
	203,229,260	37,446,105	240,675,365	210,484,407
Net Assets, End of period	\$ 203,042,032	\$ 39,805,936	\$ 242,847,968	\$ 247,985,056

The accompanying notes are an integral part of these financial statements.

Front Street Canadian Hedge

Statement of Investment Portfolio as at June 30, 2008

NUMBER OF SHARES/UNITS	INVESTMENTS OWNED	AVERAGE COST	FAIR VALUE	% of NET ASSETS
LONG POSITIONS				
Canadian Equities				
Energy				
644,036	Antrim Energy Inc.	\$ 3,158,062	\$ 2,157,521	0.89
274,845	Arcan Resources Limited	890,789	797,051	0.33
456,675	Arise Technologies Corporation	881,032	707,846	0.29
109,215	Arpetrol Inc. Restricted	218,430	218,430	0.09
95,959	Bankers Petroleum Limited	177,524	173,686	0.07
456,661	Bayou Bend Petroleum Limited	296,875	242,030	0.10
1,165,250	C&C Energy Canada Limited	1,751,500	3,694,750	1.52
98,000	C&C Energy Canada Limited Restricted	343,000	343,000	0.14
119,362	Crew Energy Inc.	1,674,541	2,201,034	0.91
26,705	Duvernay Oil Corporation	1,258,622	1,660,517	0.68
262,116	Eastmain Resources Units	366,962	381,012	0.16
324,537	Epsilon Energy Limited	1,121,643	2,589,805	1.07
110,964	Fairborne Energy Limited	728,755	1,449,190	0.60
59,457	Galleon Energy Inc. 'A'	1,037,008	1,224,814	0.50
192,729	Hillsborough Resources Limited	324,730	283,312	0.12
70,272	Husky Energy Inc.	3,554,458	3,406,082	1.40
481,520	Norwood Resources Limited	240,760	616,346	0.25
916	One Exploration Inc 'A'	-	1,218	-
206	One Exploration Inc 'B'	-	937	-
392,057	Opel International Inc.	306,098	274,440	0.11
668,148	Orleans Energy Limited	3,013,473	3,501,094	1.43
143,298	Pan Orient Energy Corporation	1,636,526	1,450,176	0.60
218,235	Pearl Exploration and Production Limited	488,536	456,111	0.19
146,242	Plutonic Power Corporation	1,043,787	1,067,567	0.44
483,740	Pristine Power Inc.	1,935,038	1,862,399	0.77
492,229	ProspEx Resources Limited	1,859,382	1,698,190	0.70
250,000	Pradera Resources Inc.	250,000	250,000	0.10
189,126	Questerre Energy Corporation	841,510	673,289	0.28
394,460	Rock Energy Inc.	1,445,337	1,735,624	0.71
123,916	Savanna Energy Services Corporation	2,693,195	2,912,026	1.20
288,600	Standard Energy Inc.	425,871	432,900	0.18
287,922	Sterling Resources Limited	719,805	852,249	0.35
457,254	Storm Exploration Inc.	3,946,089	8,760,987	3.61
888,673	Sustainable Energy Technologies Limited	209,953	182,178	0.08
133,600	Spur Ventures Inc.	110,354	114,896	0.05
842,178	TG World Energy Inc.	448,367	429,511	0.18
1,280,000	Terrawest Energy Company Preferred Shares	640,000	64,000	0.03
60,024	Trican Well Service Limited	1,298,929	1,518,607	0.63
659,248	Tusk Energy Corporation	1,426,129	1,911,819	0.79
357,375	Waratah Coal Inc.	518,324	1,436,648	0.59
412,447	Western Canadian Coal Corporation	1,217,133	3,691,401	1.51
289,268	Zongshen Pem Power Systems Inc.	827,340	723,170	0.30
		<u>45,325,867</u>	<u>58,147,863</u>	<u>23.95</u>
Materials				
181,764	Advanced Explorations Inc.	263,558	256,287	0.11
83,784	Agrium Inc.	6,606,900	9,181,051	3.78
72,096	Andina Minerals Inc.	299,400	271,802	0.11
422,887	Anglo Potash Limited	1,975,001	3,429,614	1.41
50,937	Anvil Mining Limited	625,531	487,467	0.20
126,020	Athabasca Potash Inc.	915,203	964,053	0.40
26,500	Avcorp Industries Inc.	265,025	265,000	0.11
62,674	Barrick Gold Corporation	2,689,514	2,921,235	1.20
658,755	Cordy Oilfield Services Inc.	863,049	461,129	0.19

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Statement of Investment Portfolio as at June 30, 2008

NUMBER OF SHARES/UNITS	INVESTMENTS OWNED	AVERAGE COST	FAIR VALUE	% of NET ASSETS
	Materials (Cont'd)			
93,972	Crowflight Minerals Inc.	72,400	44,637	0.02
1,454,002	Cypress Development Corporation	591,208	341,690	0.14
183,509	Denison Mines Corporation	1,430,302	1,633,230	0.67
48,000	Digit Oil Private Placement	591	489	-
144,547	Eastern Platinum Limited	353,279	393,168	0.16
587,764	Enpar Technologies Inc.	235,106	158,696	0.07
731,402	Entree Gold Inc.	2,247,114	1,426,234	0.59
76,408	FNX Mining Company Inc.	1,989,687	1,841,433	0.76
359,167	Globestar Mining Corporation	658,737	549,526	0.23
55,409	Goldcorp Inc.	2,238,339	2,604,223	1.07
1	Grande Cache Coal Corporation	6	9	-
406,041	Hanfeng Evergreen Inc.	4,959,473	5,306,956	2.19
556,424	Hanwei Energy Services Corporation	2,977,348	1,958,612	0.81
247,548	Hathor Exploration Limited	742,644	621,345	0.26
2,157,143	Hedman Resources Limited	156,500	32,357	0.01
421,635	IAMGOLD Corporation	2,661,609	2,571,974	1.06
154,495	Ithaca Energy Inc.	551,496	444,946	0.18
31,792	JCI Corporation	318	318	-
105,451	Katanga Mining Limited	1,417,497	1,372,972	0.57
110,762	Kodiak Exploration Limited	420,896	283,551	0.12
117,750	Magindustries Corporation	406,695	402,705	0.17
47,880	Mirabela Nickel Limited	241,040	289,195	0.12
	NOVA Chemicals Corporation	9	9	-
148,405	Nico Mining Limited	148,405	75,687	0.03
253,378	Phoenix Coal Inc.	443,412	514,357	0.21
392,496	Phoscan Chemical Corporation	431,845	761,442	0.31
544,484	Platinum Group Metals Limited	2,100,743	1,524,555	0.63
29,507	Potash Corporation of Saskatchewan Inc.	5,430,425	6,888,409	2.84
5,478	Potash Corporation of Saskatchewan Inc.	652,838	1,274,642	0.52
76,471	Potash North Resource Corporation Restricted	26,765	192,768	0.08
342,373	Potash One Inc.	1,078,604	1,838,543	0.76
186,430	Potash One Inc. Restricted	745,720	981,107	0.40
593,432	Prospero Hydrocarbons Inc.	593,432	593,432	0.24
53,017	Ringbolt Ventures Limited	86,768	82,707	0.03
598,902	Ringbolt Ventures Limited Units	838,463	859,544	0.35
409,788	San Gold Corporation	775,556	901,534	0.37
530,177	Tawsho Mining Inc.	265,089	265,089	0.11
1,254,622	TiCan Titane Metals Company Inc. Class 'A'	313,656	313,656	0.13
94,527	Teck Cominco Limited 'B'	4,480,696	4,626,151	1.90
30,739	Uranium Participation Corporation	296,532	299,398	0.12
40,000	Waratah Coal Inc Restricted	126,000	157,584	0.06
331,438	Western Potash Corporation	569,636	546,873	0.23
178,328	Yamana Gold Inc.	2,695,532	3,001,260	1.24
		<u>60,955,592</u>	<u>66,214,651</u>	<u>27.27</u>
	Industrials			
1,722	3801110 Canada Non-Voting	17	17	-
324,665	AG Growth Income Fund	8,596,956	9,869,816	4.07
996,188	Cathay Forest Products Corporation	1,388,231	1,085,845	0.45
200,000	Clean Air Partners	2,000	2,000	-
226,603	Davie Yards, Inc.	319,510	260,593	0.11
195,250	Dirtt Environmental Solutions Limited	439,313	439,313	0.18
250,000	Future Beach	2,500	2,500	-
589,675	Horizon North Logistics Inc.	1,869,161	1,945,928	0.80
50,459	Icon Laser	505	505	-
676,662	Intermap Technologies Corporation	3,598,612	3,965,239	1.63

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Statement of Investment Portfolio as at June 30, 2008

NUMBER OF SHARES/UNITS	INVESTMENTS OWNED	AVERAGE COST	FAIR VALUE	% of NET ASSETS
	Industrials (Cont'd)			
852,610	Loewen Group Inc.	8,526	8,526	-
202,886	Miranda Technologies Inc.	2,221,242	1,554,107	0.64
82,130	Mullen Group Income Fund	1,827,577	1,854,495	0.76
670,533	Neo Material Technologies Inc.	2,432,005	2,936,935	1.22
89,141	Phoscan Chemical Corporation Restricted	169,368	159,099	0.07
601,163	Pure Technologies Limited	989,055	1,635,163	0.67
197,929	Redline Communications Group Inc	1,231,331	292,935	0.12
255,065	Redline Communications Group Inc.	2,026,978	372,290	0.15
1,500,200	SIRIT Inc.	390,052	300,040	0.12
415,800	Trilliant Inc. Restricted	345,145	345,500	0.14
50,686	Twin Butte Energy Limited	151,444	206,799	0.09
		<u>28,009,528</u>	<u>27,238,645</u>	<u>11.22</u>
	Consumer Discretionary			
130,861	Cervus LP	2,472,256	3,215,255	1.33
800,000	Delicious Desserts	8,000	8,000	-
209,091	Dominion Citrus Income Fund	211,182	89,909	0.04
270,000	Dynasty Gaming Inc.	140,325	55,350	0.02
212,142	Groove Media Inc.	520,075	593,998	0.24
161,200	Laidlaw Inc. Preferred Shares	1,612	1,612	-
		<u>3,353,450</u>	<u>3,964,124</u>	<u>1.63</u>
	Consumer Staples			
383,796	Viterra Inc.	4,725,153	5,365,468	2.21
	Health Care			
113,930	Atrium Innovations Inc.	2,057,666	1,819,462	0.76
687,500	Response Biomedical Corporation	600,654	350,625	0.14
437,125	TSO3 Inc.	1,145,339	301,616	0.12
		<u>3,803,659</u>	<u>2,471,703</u>	<u>1.02</u>
	Financials			
165,750	BOS Rentals Limited	1,457,700	1,491,750	0.62
37,651	DundeeWealth Inc.	623,490	490,593	0.20
4,481,109	Queensway Financial	44,811	44,811	0.02
225,722	Sprott Resource Corporation	872,255	1,006,720	0.41
		<u>2,998,256</u>	<u>3,033,874</u>	<u>1.25</u>
	Information Technology			
261,397	Absolute Software Corporation	2,855,756	2,726,371	1.12
956,471	Atlantis Systems Corporation	386,479	86,082	0.04
93,500	Bridgewater Systems	935	289,850	0.12
272,800	Cannect Networks	2,728	2,728	-
470,459	Cold North Wind	4,705	4,705	-
1,110,267	DragonWave Inc.	4,526,349	5,606,848	2.31
76,718	Embotics Corporation	804,283	882,257	0.36
1,180,531	Estation Networks	11,805	11,805	-
21,843	Fluid Music Canada Inc.	43,686	38,881	0.02
186,238	Netactive Inc.	1,862	1,862	-
167,478	Q9 Networks Inc.	2,264,166	1,802,063	0.74
933	Research In Motion Limited	123,190	111,214	0.05
156,184	RuggedCom Inc.	1,863,044	2,110,046	0.87
50,000	Segami Images Inc.	500	500	-
1,039,552	The Descartes Systems Group Inc.	4,497,854	3,524,081	1.45
633,000	The Medipattern Corporation	696,300	633,000	0.26

Front Street Canadian Hedge

Statement of Investment Portfolio as at June 30, 2008

NUMBER OF SHARES/UNITS	INVESTMENTS OWNED	AVERAGE COST	FAIR VALUE	% of NET ASSETS
	Information Technology (Cont'd)			
156,941	Tundra Semiconductor Corporation	655,522	616,778	0.25
158,383	View 22 Technologies Inc.	277,170	277,170	0.11
1,040,000	WellPoint Systems Inc.	516,733	296,400	0.12
555,649	ZipLocal Inc.	204,059	61,121	0.03
59,991	iseemedia Inc.	16,438	15,598	0.01
		<u>19,753,564</u>	<u>19,099,360</u>	<u>7.86</u>
	Telecommunication Services			
2,946,611	Advantex Marketing International Inc.	238,912	103,131	0.04
88,000	Azonic Networks	880	880	-
2,729,602	Grey Island Systems International Inc.	1,210,876	791,585	0.33
1,186,344	Hemisphere GPS Inc.	3,060,886	5,125,006	2.11
96,800	Kaval Wireless	968	968	-
1,161,046	QuStream Corporation	1,026,426	812,732	0.33
238,340	Tranzeo Wireless Technologie	604,822	171,605	0.07
712,722	Wireless Matrix Corporation	737,398	498,905	0.21
		<u>6,881,168</u>	<u>7,504,812</u>	<u>3.09</u>
	Utilities			
136,913	Borex Inc. 'A'	2,163,255	1,951,010	0.80
1,530,777	Ozz Corporation	1,434,575	1,530,777	0.63
		<u>3,597,830</u>	<u>3,481,787</u>	<u>1.43</u>
	Total Canadian Equities - Long	<u>179,404,067</u>	<u>196,522,287</u>	<u>80.93</u>
	Global Equities			
	United States			
896,054	AssistMed	471,209	389,501	0.16
7,134	Bunge Limited	801,304	781,434	0.32
1,512	C.O.R.E. Holdings Inc. 'B'	500,261	439,769	0.18
2,282,392	Coolbrands International Inc.	2,124,903	1,825,914	0.75
2,333,333	E-Zone Networks	28,882	23,753	0.01
500,000	GeoMonkey Inc.	247,439	254,500	0.10
196,950	International Menu Solutions Corporation Restricted	2,438	2,005	-
127,500	Inviro Medical Inc.	290,052	259,590	0.11
3,520,022	NGTV	1,263,443	1,092,930	0.45
23,714	Oz Optics Private Placement	294	241	-
481,299	Phoenix Coal Corporation Preferred Shares	632,184	612,452	0.25
458,700	Popcast	5,678	4,670	-
200,000	Stockhouse Media	2,476	2,036	-
46,371	The Mosaic Company	5,807,522	6,830,178	2.82
883,109	Tire Stamp Inc.	1,556,342	1,483,356	0.61
466,667	Yummy Interactive Inc. Series 'B' Preferred Shares	5,776	4,751	-
317,073	Zero Knowledge Systems Inc.	3,925	3,228	-
		<u>13,744,128</u>	<u>14,010,308</u>	<u>5.76</u>
	Australia			
630,487	Berkeley Resources Limited	704,328	503,358	0.21
	Cayman Islands			
352,966	Coastal Energy Corporation	1,004,973	1,482,457	0.61
	United Kingdom			
837,578	Tethys Petroleum Limited	2,355,230	2,253,085	0.93
	Total Global Equities - Long	<u>17,808,659</u>	<u>18,249,208</u>	<u>7.51</u>

Front Street Canadian Hedge

Statement of Investment Portfolio as at June 30, 2008

NUMBER OF SHARES/UNITS	INVESTMENTS OWNED	AVERAGE COST	FAIR VALUE	% of NET ASSETS
Bonds				
620,000	Cameco Corporation 5.0% convertible October 1, 2013	1,189,650	2,480,000	1.02
614,163	Coalcorp Mining Inc. Series A Notes 12.0% August 4, 2011	623,798	550,503	0.23
855,000	Divestco Inc. 10.0% convertible November 21, 2008	859,088	855,000	0.35
1,260	QuStream Corporation 10.0% Note	1,252,075	1,260,000	0.52
2,500,000	Teleglobe Inc. 5.60373% July 1, 2009	309	255	-
	Total Bonds	<u>3,924,920</u>	<u>5,145,758</u>	<u>2.12</u>
Canadian Warrants				
Energy				
443,294	Govi High Power Explorations Inc.	869,698	902,545	0.37
280,500	Interex Oilfield Services Limited	171,753	182,325	0.08
311,219	Pacific Rubiales Energy Corporation	-	2,147,411	0.88
393,599	Sustainable Energy Technologies Limited	-	-	-
20,000	Waratah Coal Inc.	-	-	-
		<u>1,041,451</u>	<u>3,232,281</u>	<u>1.33</u>
Materials				
97,916	Advanced Explorations Inc.	-	-	-
22,093	Ascot Resources Limited	-	-	-
280,654	Castillian Resources Corporation	-	-	-
48,150	Coalcorp Mining Inc.	186,710	1,926	-
56,953	Coalcorp Mining Inc.	44,037	4,556	-
314,628	Creston Moly Corporation	-	20,451	0.01
367,820	Farallon Resources Limited	-	25,747	0.01
26,926	Geovic Mining Corporation 'B'	-	2,827	-
76,704	Geovic Mining Corporation	15	31,449	0.01
67,231	Great Baisn Gold Limited	21,456	40,339	0.02
44,798	Inspiraton Mining Corporation	-	-	-
26,174	Inter-Citic Minerals	-	-	-
110,389	Largo Resources Limited	-	39,740	0.02
25,175	Metallica Resources	-	32,224	0.01
377,698	Nevsun Resources Limited	4,521	-	-
74,202	Nico Mining Corporation	-	-	-
148,405	Nico Mining Corporation	-	-	-
481,520	Norwood Resources Limited	-	327,434	0.13
93,992	Osisko Mining Corporation	56,395	28,198	0.01
217,558	Opel International Inc.	-	-	-
346,851	Peak Gold Limited	83,224	48,559	0.02
126,689	Phoenix Coal Inc.	-	48,142	0.02
76,471	Potash North Resource Corporation	-	171,295	0.07
146,760	Potash One Inc.	-	311,131	0.14
93,215	Potash One Inc.	-	57,793	0.02
110,000	Queensland Minerals Limited	-	-	-
76,797	Quinto Mining Corporation	-	77,565	0.03
108,695	Solex Resources Corporation	-	-	-
415,800	Southeast Asia Mining Corporation	93,875	103,950	0.04
223,876	Strateco Resources	-	-	-
265,088	Tawsho Mining Inc.	-	-	-
32,387	Yamana Gold Inc.	32,088	247,113	0.10
		<u>522,321</u>	<u>1,620,439</u>	<u>0.66</u>

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	Industrials			
112,604	Davie Yards Inc.	22,521	14,639	0.01
195,250	DIRTT Environmental Solutions	-	-	-
97,625	Dirtt Environmental Solutions Limited	-	-	-
587,764	Enpar Technologies Inc.	-	1	-
178,125	SMTC Manufacturing Corporation of Canada	5,797	2,672	-
		<u>28,318</u>	<u>17,312</u>	<u>0.01</u>
	Consumer Discretionary			
270,000	Dynasty Gaming Inc.	125	-	-
	Health Care			
26,867	Isotechnika Inc.	-	-	-
179,550	Warnex Inc.	1,530	-	-
368,939	YM Biosciences Inc.	258,257	-	-
		<u>259,787</u>	<u>-</u>	<u>-</u>
	Financials			
153,000	Sprott Molybdenum Part - Cw09	33,882	11,475	0.01
	Information Technology			
79,191	View 22 Technologies Inc.	-	-	-
	Telecommunication Services			
82,500	Immersive Media Corporation	-	-	-
630,000	QuStream Corporation	-	1	-
		<u>-</u>	<u>1</u>	<u>-</u>
	Utilities			
1,905	Ozz Corporation ' A '	-	-	-
11,088	Ozz Corporation ' B '	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>
	Total Canadian Warrants	<u>1,885,884</u>	<u>4,881,508</u>	<u>2.01</u>
	Global Warrants			
	United States			
448,026	AssistMed	240	-	-
306,000	BioSyntech Inc.	-	-	-
67,500	Executive Development Corporation	-	-	-
312,556	Geovic Mining Corporation	408,950	125,022	0.05
150,000	Special Indian	1,857	1,527	-
		<u>411,047</u>	<u>126,549</u>	<u>0.05</u>
	Cayman Islands			
199,219	PetroWorld Corporation	347	557,323	0.23
	Total Global Equities - Warrants	<u>411,394</u>	<u>683,872</u>	<u>0.28</u>
	Total Warrants	<u>2,297,278</u>	<u>5,565,380</u>	<u>2.29</u>
	Transaction Costs	<u>(393,854)</u>	<u>-</u>	<u>-</u>
	TOTAL INVESTMENTS OWNED	<u>203,041,070</u>	<u>225,482,633</u>	<u>92.85</u>

Front Street Canadian Hedge

Statement of Investment Portfolio as at June 30, 2008

NUMBER OF SHARES/UNITS	INVESTMENTS SOLD SHORT	PROCEEDS ON SHORT SALE	FAIR VALUE	% OF NET ASSETS
	Canadian Equities			
	Energy			
(21,009)	Cameco Corporation	(766,247)	(920,404)	(0.38)
(24,171)	Iteration Energy Limited	(186,605)	(200,136)	(0.08)
(112)	Suncor Energy Inc.	(5,712)	(6,630)	-
		<u>(958,564)</u>	<u>(1,127,170)</u>	<u>(0.46)</u>
	Material			
(52,646)	Aurizon Mines Limited	(222,164)	(262,177)	(0.10)
(1,971)	First Quantum Minerals Limited	(151,176)	(138,680)	(0.06)
(32,304)	Fronteer Development Group Inc.	(157,894)	(166,366)	(0.07)
(370)	Quadra Mining Limited	(7,169)	(7,859)	-
(45,203)	Strateco Resources Inc.	(124,582)	(91,762)	(0.04)
		<u>(662,985)</u>	<u>(666,844)</u>	<u>(0.27)</u>
	Industrials			
(20,353)	Canadian National Railway Company	(1,133,305)	(997,501)	(0.41)
	Consumer Discretionary			
	Evertz Technologies Limited	(2)	(2)	-
	Consumer Staples			
(59,732)	Metro Inc. 'A'	(1,623,323)	(1,457,461)	(0.60)
(36,000)	Saputo Inc.	(1,013,630)	(1,050,480)	(0.43)
		<u>(2,636,953)</u>	<u>(2,507,941)</u>	<u>(1.03)</u>
	Financials			
(12,000)	Bank of Nova Scotia	(617,996)	(561,000)	(0.23)
(12,000)	National Bank of Canada	(635,638)	(607,680)	(0.25)
		<u>(1,253,634)</u>	<u>(1,168,680)</u>	<u>(0.48)</u>
	Telecommunication Services			
(28,118)	Telus Corporation	(1,302,628)	(1,205,418)	(0.50)
	Transaction Costs	(8,353)	-	-
	TOTAL INVESTMENTS SOLD SHORT	<u>(7,956,424)</u>	<u>(7,673,556)</u>	<u>(3.15)</u>
	NET INVESTMENTS OWNED	<u>\$ 195,084,646</u>	<u>217,809,077</u>	<u>89.70</u>
	OTHER NET ASSETS		<u>25,038,891</u>	<u>10.30</u>
	TOTAL NET ASSETS		<u>\$ 242,847,968</u>	<u>100.00</u>

The accompanying notes are an integral part of these financial statements.

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2008 (unaudited)

1. ESTABLISHMENT OF THE FUND

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 (the "Trust Agreement"). HSBC 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 interests in two series of units (the "Trust Units"), designated as common "A" series units (the "A units") and "F" series units (the "F 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.

Adoption of new accounting standards - Section 3862, Financial Instruments – Disclosure and Section 3863, Financial Instruments – Presentation

As at January 1, 2008, the funds applied the requirements of Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, Financial Instruments – Disclosure and section 3863, Financial Instruments – Presentation. These sections replace section 3861, Financial Instruments – disclosure and presentation and enhance existing standards regarding financial instruments disclosure and presentation.

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2008 (unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Adoption of new accounting standards – Section 3855

On April 1, 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3855, Financial Instruments – Recognition and Measurement, of the CICA Handbook – Accounting ("Section 3855"). Section 3855 establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. The adoption of Section 3855 resulted in the use of different valuation techniques for certain investments. The new accounting standard applies to fiscal years beginning on or after October 1, 2006. For financial reporting purposes, on January 1, 2007, the Fund adopted Section 3855.

Section 14.2 of National Instrument 81-106 ("NI 81-106"), issued by the Canadian Securities Administrators ("CSA") in 2005, requires the daily net asset value of an investment fund to be calculated in accordance with GAAP. As the adoption of Section 3855 results in the use of different valuation techniques than previously used, Canadian securities regulatory authorities have granted relief to investment funds, for the purposes of calculating and reporting the net asset value (other than for financial reporting purposes) on each valuation date (the "Transaction NAV"), from complying on an interim basis with Section 3855, until the earlier of September 30, 2008 or the date on which the proposed amendments to NI 81-106 issued by the CSA on June 1, 2007 come into effect.

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Transaction NAV and the net asset value calculated in accordance with Section 3855 (the "GAAP NAV") of an investment fund is required in the notes to the financial statements. Refer to Note 8 for the reconciliation as at June 30, 2008.

Valuation of investments

The fair value of investments as at the financial reporting year end is determined as follows:

(a) Adoption of Section 3855

Investments that are held for trading are presented at fair value. The fair value of investments as at the financial reporting period end is determined as follows:

- (i) Securities listed upon a recognized public stock exchange are valued at their bid prices on the valuation date. Securities sold short listed upon a recognized public stock exchange are valued at their ask prices on the valuation date. In a situation where, in the opinion of the Manager, a market quotation for a security is inaccurate, unreliable or not readily available, the fair value of the security is estimated using valuation techniques, on such basis and in such manner as established by the Manager.

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2008 (unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Cont'd)

- (ii) Securities not listed upon a recognized public stock exchange are valued using valuation techniques, on such basis and in such manner as established by the Manager.
- (iii) Short term notes, treasury bills, bonds, asset backed securities and other debt instruments are valued at the bid quotations from recognized investment dealers.

(b) Prior to the adoption of Section 3855

Investments owned and investments sold short are valued by the Manager based on external pricing sources to the extent possible in accordance with the Trust Agreement as of the close of business on the relevant business day.

- (i) When available, closing and/or average prices will be obtained from broker dealers and exchanges; however, such prices may be adjusted if a more accurate value can be obtained from recent trading activity or by incorporating other relevant information that may not have been reflected in pricing obtained from external sources. In addition, prices may be adjusted to reflect bid offer pricing spreads in which securities markets close at different times.
- (ii) Securities for which market quotations are available, but which are restricted as to saleability or transferability will be valued as provided above, less an appropriate discount based on the value and terms of the restrictions.
- (iii) Where market quotations are not available, the fair value will be determined by the Manager based on standard industry practice.

Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. With the adoption of Section 3855, the transaction costs are expensed and are included in "Transaction costs" in the Statement of Operations. Prior to the adoption of Section 3855, transaction costs were capitalized and included in the cost of purchases or proceeds from the sale of investments. There is no impact on the net asset value of the Trust in using either of these methods.

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. Prior to the adoption of Section 3855, transaction costs were included in the determination of cost of investments.

The following accounting policies were not impacted by the adoption of Section 3855:

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2008 (unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment transactions and income recognition

Investment transactions are recorded on the transaction date and any realized gains or losses are recognized using the average cost of the investment. Interest income is recognized on an accrual basis, with dividends being recorded on the ex-dividend date. Distributions from income funds include trusts and limited partnerships and are recognized on the ex-distribution date. Net realized gains (losses) on the sale of investments include net realized gains or losses from foreign currency changes.

Interest and borrow fees

As a result of taking both long and short positions, the Trust incurs both interest expense and borrow fees. While the use of borrowed funds can substantially improve the return on invested capital, its use may also increase the adverse impact to which the investment portfolio of the Trust may be subjected by increasing the Trust's exposure to capital risk and higher current expenses.

Income tax

The Trust is taxed as a mutual fund trust under the Income Tax Act (Canada). The Trust is required to make distributions each year of its net income and net realized capital gains, and therefore will not generally be liable for income tax. It is the intention of the Trust to distribute all of its net income and net realized capital gains on an annual basis. Accordingly, no tax provision has been recorded.

Foreign exchange

The fair value of investments and other assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the closing rate of exchange on each valuation date. Purchases and sales of investments and income derived from investments are translated at the rate of exchange prevailing on the respective dates of such transactions. The Trust does not separately report the effects of changes in foreign exchange rates from changes in market prices on investments held. Such changes are included in net realized and unrealized gain or loss on investments.

Net asset value per unit

The net asset value per unit is calculated by dividing the net asset value of a series of units by the total number of units of a series outstanding at the end of the year.

Increase (decrease) in net assets from operations per unit

Increase (decrease) in net assets from operations per unit is based on the increase (decrease) in net assets from operations attributed to each series of units, divided by the weighted average number of units outstanding of that series during the year.

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2008 (unaudited)

Future Accounting Changes

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises.

The Manager is currently evaluating the impacts of this change and developing its plan for the Fund. The manager has presently determined that there will be no impact to net asset value per unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional notes disclosures in the financial statements of the fund. The Manager will develop a plan prior to the 2008 year end and will disclose this plan in the 2008 annual financial statements.

3. DUE FROM BROKER (CASH BALANCES)

Due from broker is an account holding cash balances and short-term, highly liquid investments with original maturities of 356 days or less.

4. DUE TO BROKER

Due to broker are margin accounts representing cash loans 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 "A" 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 each Series 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 a minimum performance as specifically defined in the Trust Agreement.

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2008 (unaudited)

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

	Series "A"	Series "F"	Total 2008	Total 2007
Balance , Beginning of period	11,302,040	2,052,943	13,354,983	11,939,293
Issued:				
On new subscriptions	33,278	-	33,278	1,087,209
Redeemed	(593,529)	-	(593,529)	(308,816)
Balance , End of period	<u>10,741,789</u>	<u>2,052,943</u>	<u>12,794,732</u>	<u>12,717,686</u>

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests directly. The following is a summary of the main risks:

Credit risk

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

Liquidity risk

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

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2008 (unaudited)

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk (continued)

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

					2008
	Less than one month	1-3 months	3-12 months	Greater than one year	Total
	\$	\$	\$	\$	\$
Investments sold short					
at fair value	7,673,556	-	-	-	7,673,556
Due to broker	7,797,642	-	-	-	7,797,642
Accounts payable and accrued liabilities	-	284,485	-	-	284,485
Redemption payable	1,304,188	-	-	-	1,304,188
Management fees payable	391,710	-	-	-	391,710
	17,167,096	284,485	-	-	17,451,581
Total Net Assets	242,847,968				242,847,968

Price risk

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

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

Price sensitivity

The following details the Fund's sensitivity to 5% increase and decrease in the fair value, with 5% being the sensitivity rate used when reporting price internally to key management personnel and representing management's assessment of possible change in fair value.

At June 30, 2008, if the fair value had been 5% higher with all other variables held constant, the increase in net assets representing unitholders' equity for the period would have been \$10,890,454 higher, arising due to the increase in the fair value of financial assets at fair value by \$11,274,132 offset by the increase in the fair value of the financial liabilities at fair value by \$383,678.

If fair value had been 5% lower with all other variables held constant, the decrease in net assets representing unitholders' equity for the period would have been \$10,890,454 lower, arising mainly due to the decrease in the fair value of financial assets at fair value by \$11,274,132 offset by the decrease in the fair value of the financial liabilities at fair value by \$383,678.

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2008 (unaudited)

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk

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.

Currency	Financial Instruments	Cash	Total	Percentage of NAV
Australian Dollars	503,358	-	503,358	0.21%
Sterling Pounds	929,614	2	929,616	0.38%
United States Dollars	14,914,353	(112,152)	14,802,201	6.10%
Total	16,347,325	(112,150)	16,235,175	6.69%

Interest rate risk

The Fund may invest in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future. Interest payable on bank overdraft or broker margin account positions will be affected by fluctuations in interest rates. As at June 30, 2008, there were 2.1% of investments owned which are held in bonds. There were 13.1% investments in short-term investments of the investments owned. The remaining portion of the Fund's assets is substantially non-interest bearing equity investments and its exposure to interest rate changes is minimal.

Capital management

Management considers the Fund's capital to consist of the net assets representing unitholders' equity.

The Investment Advisor manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Fund's offering memorandum, while maintaining sufficient liquidity to meet unitholder redemptions. The Fund's overall strategy for managing capital remains unchanged from 2007.

The Fund does not have any externally imposed capital requirements.

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2008 (unaudited)

8. RECONCILIATION OF TRANSACTIONAL NAV TO GAAP NAV

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Transaction NAV and the GAAP NAV of an investment fund is required. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) and ask prices (for investments sold short) to be used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining Transaction NAV. For investments that are not traded in an active market, Section 3855 requires specific valuation techniques be used which may differ from those valuation techniques used in prior years. These changes account for the difference between Transaction NAV and GAAP NAV.

	Net Asset Value			Net Asset Value Per Unit		
	Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV	Section 3855 Adjustment	GAAP NAV
Series A	204,097,453	(1,055,421)	203,042,032	19.00	(0.10)	18.90
Series F	40,011,621	(205,685)	39,805,936	19.49	(0.10)	19.39

9. EXPENSES

The Manager may pay out of the Trust property all expenses relating to the operation of the Trust and the carrying on of its business. These expenses may include management fees, performance fees, bookkeeping, legal, audit, trustee, registrar and transfer agency, custodial and safekeeping fees, taxes, brokerage commissions, advertising costs, interest, operating and administrative costs, Unitholder servicing costs, and costs of financial and other reports that are used in complying with the laws, regulations and policies regulating the issue or sale of units.

10. DISTRIBUTION POLICY

The Trust intends to distribute all of its income for purposes of the Tax Act, including sufficient net realized capital gains (less applicable losses), on an annual basis, so that the Trust will not be liable for income tax. Distributions over the life of the Trust will be derived primarily from net realized capital gains and income from the investment portfolio.

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2008 (unaudited)

11. INDEMNIFICATION OF THE MANAGER

The Trust, under the terms of its Trust Agreement, shall indemnify the Manager, its principals and their respective affiliates from all claims that may arise for (i) mistakes of judgment or for action or inaction or for losses due to such mistakes, action or inaction so long as they acted honestly and not in bad faith and reasonably believed that their conduct was in the best interests of the Trust and (ii) losses due to mistakes of judgment or the action or omission of any broker or agent of the Manager, selected, engaged or retained by the Manager, its principals or their respective affiliates

12. STATEMENT OF CASH FLOWS

A statement of cash flows has not been included as management believes that such a statement would not provide additional meaningful information.

13. 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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