



FRONT STREET CANADIAN HEDGE

INTERIM UNAUDITED FINANCIAL STATEMENTS

JUNE 30, 2009

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS

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

Front Street Canadian Hedge Statement of Net Assets

As at June 30, 2009 (unaudited) and December 31, 2008 (audited)

	2009	2008
ASSETS		
Due from broker (cash balances) (Note 3)	\$ 28,885,471	\$ 26,206,810
Investments owned, at fair value (Note 2)	128,757,393	109,062,964
Subscriptions receivable	-	5,000
Deposit for Subscription receivable	1,173,964	-
Other receivable	374,062	-
Interest and dividends receivable	243,549	380,099
	<u>159,434,439</u>	<u>135,654,873</u>
LIABILITIES		
Due to broker (Note 4)	4,287,944	896,068
Investments sold short, at fair value (Note 2)	7,026,028	1,863,629
Accounts payable and accrued liabilities	124,347	116,840
Redemption payable	262,598	506,616
Management fees payable (Note 5)	249,573	225,650
Performance fee payable (Note 5)	12,932	-
	<u>11,963,422</u>	<u>3,608,803</u>
TOTAL NET ASSETS	<u>\$ 147,471,017</u>	<u>\$ 132,046,070</u>
NET ASSETS, Series "B-1"	<u>\$ 119,042,422</u>	<u>\$ 109,223,717</u>
NET ASSETS, Series "B-2"	<u>306,118</u>	<u>-</u>
NET ASSETS, Series "F"	<u>\$ 28,122,477</u>	<u>\$ 22,822,353</u>
Number Of Units Outstanding (Note 6)		
Series "B-1"	<u>8,953,176</u>	<u>10,077,305</u>
Series "B-2"	<u>24,031</u>	<u>-</u>
Series "F"	<u>2,041,821</u>	<u>2,041,821</u>
Net Assets per Unit (Note 2)		
Series "B-1"	<u>\$ 13.30</u>	<u>\$ 10.84</u>
Series "B-2"	<u>12.74</u>	<u>-</u>
Series "F"	<u>\$ 13.77</u>	<u>\$ 11.18</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, 2009 and 2008 (unaudited)

	2009	2008
Investment income		
Interest	\$ 108,110	\$ 637,480
Dividends	607,090	543,239
	<u>715,200</u>	<u>1,180,719</u>
Expenses		
Management fees (Note 5)	1,310,408	2,194,049
Performance fee (Note 5)	12,932	-
Operating	16,647	99,218
Dividends paid on investments sold short	95,117	59,958
Independent Review Committee fees	5,455	-
Audit fees	25,140	9,944
Trustee fees	7,501	9,616
Legal fees	4,959	7,458
	<u>1,478,159</u>	<u>2,380,243</u>
Net Investment Loss	(762,959)	(1,199,524)
Realized and Unrealized Gain (Loss) on Investments		
Transaction costs (Note 2)	(1,058,442)	(1,225,414)
Net realized gain on investments, including foreign exchange adjustments	1,006,632	11,598,095
Net change in unrealized appreciation in value of investments	29,320,185	2,722,065
	<u>29,268,375</u>	<u>13,094,746</u>
Net Gain on Investments	29,268,375	13,094,746
Increase in Net Assets from Operations	\$ 28,505,416	\$ 11,895,222
Increase in Net Assets from Operations per Unit		
Series "B-1"	\$ 2.42	\$ 0.86
Series "B-2"	\$ 0.88	\$ -
Series "F"	\$ 2.60	\$ 1.15

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, 2009 and 2008 (unaudited)

				2009	2008
	Series B-1	Series B-2	Series F	Total	
Increase in Net Assets from Operations	\$ 23,184,027	\$ 21,265	\$ 5,300,124	\$ 28,505,416	\$ 11,895,222
Capital Transactions					
Sale of units	1,354,969	284,853	-	1,639,822	561,451
Redemption of units	(14,720,291)	-	-	(14,720,291)	(10,284,070)
	(13,365,322)	284,853	-	(13,080,469)	(9,722,619)
Increase in Net Assets	9,818,705	306,118	5,300,124	15,424,947	2,172,603
Net assets, Beginning of period	109,223,717	-	22,822,353	132,046,070	240,675,365
Net Assets, End of period	\$ 119,042,422	\$ 306,118	\$ 28,122,477	\$ 147,471,017	\$ 242,847,968

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

Front Street Canadian Hedge

Statement of Investment Portfolio as at June 30, 2009

NUMBER OF SHARES/UNITS	INVESTMENTS OWNED	AVERAGE COST	FAIR VALUE	% of NET ASSETS
LONG POSITIONS				
Canadian Equities				
Energy				
109,215	Arpetrol Inc. Restricted	218,430	109,215	0.07
330,076	Bankers Petroleum Limited	585,272	646,949	0.44
117,300	Breaker Energy Limited	539,580	429,318	0.29
1,263,250	C&C Energy Canada Limited	2,094,500	2,526,500	1.71
111,880	Cameco Corporation	3,265,315	3,327,311	2.26
85,832	Canadian Natural Resources Limited	4,963,697	5,247,768	3.56
19,000	EnCana Corporation	1,072,905	1,093,450	0.74
1,200	Fairborne Energy Limited	5,279	4,404	-
325,773	Galleon Energy Inc.	1,615,465	1,371,504	0.93
38,870	Nexen Inc.	916,496	979,135	0.66
897,095	Orleans Energy Limited	3,215,315	1,901,841	1.29
1,221,900	Oromin Explorations Limited Restricted	855,330	910,560	0.62
132,525	Pan Orient Energy Corporation	857,282	742,140	0.50
89,167	Petro-Canada	3,725,226	3,998,248	2.71
83,120	Petrominerales Limited	851,980	1,088,872	0.74
468,896	Plutonic Power Corporation	1,613,748	1,650,514	1.12
109,244	Pradera Resources Inc.	109,244	43,698	0.03
514,419	Pristine Power Inc.	1,993,855	1,131,722	0.77
376,371	Rock Energy Inc.	1,215,662	575,848	0.39
1,106,100	Sabretooth Energy Limited	951,246	1,935,675	1.31
288,600	Standard Energy Inc.	425,871	57,720	0.04
121,236	Storm Exploration Inc.	1,290,315	1,418,461	0.96
49,000	Storm Gas Resource Corporation Restricted	318,500	171,500	0.12
1,282,272	Sustainable Energy Technologies Limited	292,609	173,107	0.12
156,974	Talisman Energy Inc.	2,703,101	2,607,338	1.77
171,800	Xtreme Coil Drilling Corporation	670,739	670,020	0.45
274,869	Zongshen Pem Power Systems Inc.	662,723	274,869	0.19
		<u>37,029,685</u>	<u>35,087,687</u>	<u>23.79</u>
Materials				
41,783	Agrium Inc.	2,265,789	1,938,731	1.31
4,800	AuEx Ventures Inc.	13,506	12,000	0.01
26,500	Avcorp Industries Inc.	265,025	265,000	0.18
54,900	B2Gold Corporation	45,331	40,626	0.03
105,854	Barrick Gold Corporation	4,179,303	4,131,482	2.80
1,013,942	Cathay Forest Products Corporation	1,402,817	435,995	0.30
96,000	Claymore Gold Bullion Trust Units	912,000	862,080	0.58
549	Eldorado Gold Corporation	396	5,710	-
156,480	First Uranium Corporation	1,027,431	638,438	0.43
393,430	Fronteer Development Group Inc.	1,169,849	1,561,918	1.06
46,078	Goldcorp Inc.	1,822,294	1,858,327	1.26
498,663	Hanfeng Evergreen Inc.	4,158,341	2,947,098	2.00
976,233	Hanwei Energy Services Corporation	3,148,029	1,366,726	0.93
2,157,143	Hedman Resources Limited	156,500	32,357	0.02
87,254	IAMGOLD Corporation	972,314	1,027,852	0.70
70,700	Inmet Mining Corporation	3,146,150	2,987,782	2.03
172,976	Lundin Mining Corporation	441,289	572,551	0.39
1,113,483	Magindustries Corporation	808,296	634,685	0.43
346,851	New Gold Inc.	83,224	10,406	0.01
148,405	Nico Mining Limited	148,405	56,394	0.04
287,932	Paladin Resources Limited	1,278,168	1,310,091	0.89

Front Street Canadian Hedge

Statement of Investment Portfolio as at June 30, 2009

NUMBER OF SHARES/UNITS	INVESTMENTS OWNED	AVERAGE COST	FAIR VALUE	% of NET ASSETS
	Materials Cont'd			
12,528	Potash Corporation of Saskatchewan Inc.	1,493,838	1,355,279	0.92
593,432	Prospero Hydrocarbons Inc.	593,432	385,731	0.26
14,870	Quadra Mining Limited	85,728	129,815	0.09
458,400	Romarco Minerals Inc. Restricted	174,192	350,401	0.24
480,000	Rubicon Minerals Corporation Restricted	768,000	1,589,760	1.08
198,831	Sherritt International Corporation	1,029,474	1,033,921	0.70
530,177	Tawsho Mining Inc.	265,089	42,414	0.03
1,254,622	TiCan Titane Metals Company Inc. 'A'	313,656	125,462	0.09
117,280	Uranium Participation Corporation	905,818	865,526	0.59
		<u>33,073,684</u>	<u>28,574,558</u>	<u>19.40</u>
	Industrials			
1,722	3801110 Canada Non-Voting	17	17	-
105,525	AG Growth International Incorporated	2,693,128	2,896,661	1.96
33,600	Canadian Pacific Railway Limited	1,530,877	1,552,320	1.05
1,248,169	Cantronic Systems Inc.	436,859	193,466	0.13
958,500	Davie Yards Inc. Restricted	95,850	110,419	0.07
211,603	Davie Yards, Inc.	298,360	25,392	0.02
214,775	Dirtt Environmental Solutions Limited	439,313	268,469	0.18
1,003,618	Intermap Technologies Corporation	4,335,541	1,806,512	1.22
269,360	Miranda Technologies Inc.	2,566,673	1,214,814	0.82
488,706	Neo Material Technologies Inc.	1,402,821	1,006,734	0.68
532,725	Pure Technologies Limited	883,270	1,837,901	1.25
1,946,577	Trilliant Inc.	1,779,720	1,167,946	0.79
		<u>16,462,429</u>	<u>12,080,651</u>	<u>8.17</u>
	Consumer Discretionary			
800,000	Delicious Desserts	8,000	8,000	0.01
270,000	Dynasty Gaming Inc.	140,325	2,700	-
49,800	GLG Life Tech Corporation	129,613	105,078	0.07
37,810	Great Canadian Gaming Corporation	185,827	174,304	0.12
212,142	Groove Media Inc.	520,075	53,036	0.04
25,300	Viterra Inc.	202,400	239,960	0.16
		<u>1,186,240</u>	<u>583,078</u>	<u>0.40</u>
	Consumer Staples			
85,429	Saputo Inc.	1,861,666	2,072,508	1.41
	Health Care			
76,218	Atrium Innovations Inc.	1,159,174	930,622	0.63
	Financials			
1,144	Bank of Nova Scotia	44,782	49,672	0.03
165,750	BOS Solutions Limited	1,457,700	455,813	0.31
43,300	Great-West Lifeco Inc.	986,109	980,312	0.66
41,274	Manulife Financial Corporation	838,441	832,909	0.56
1,822	National Bank of Canada	100,719	97,860	0.07
1,170	Royal Bank of Canada	50,664	55,563	0.04
33,313	The Toronto-Dominion Bank	1,909,463	2,001,778	1.36
		<u>5,387,878</u>	<u>4,473,907</u>	<u>3.03</u>
	Information Technology			
93,500	Bridgewater Systems	935	425,425	0.29
1,075,845	DragonWave Inc.	3,970,539	4,787,510	3.25
98,018	Embotics Corporation	1,049,233	882,162	0.60

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Statement of Investment Portfolio as at June 30, 2009

NUMBER OF SHARES/UNITS	INVESTMENTS OWNED	AVERAGE COST	FAIR VALUE	% of NET ASSETS
	Information Technology (Cont'd)			
613,800	Redknee Solutions Inc.	630,470	754,974	0.51
68,201	Research In Motion Limited	5,039,462	5,633,545	3.82
13,885	RuggedCom Inc.	168,554	375,034	0.25
326,220	Sandvine Corporation	469,010	433,873	0.29
783,426	The Descartes Systems Group Inc.	3,327,798	3,486,246	2.36
1,209,770	The Medipattern Corporation	810,324	232,815	0.16
158,383	View 22 T4echnologies Inc.	277,170	126,706	0.09
		<u>15,743,495</u>	<u>17,138,290</u>	<u>11.62</u>
	Telecommunication Services			
88,000	Azonic Networks	880	792	-
150,712	Exfo Electro Optical Engineering Inc.	703,239	550,099	0.37
2,617,654	Grey Island Systems International Inc.	1,160,082	706,767	0.48
1,226,190	Hemisphere GPS Inc.	2,767,873	1,312,023	0.89
1,161,046	QuStream Corporation	1,026,426	87,078	0.06
72,126	Rogers Communications Inc. 'B'	2,307,831	2,154,404	1.46
1,652,185	Wireless Matrix Corporation	1,302,625	1,470,445	1.00
		<u>9,268,956</u>	<u>6,281,608</u>	<u>4.26</u>
	Utilities			
515,709	Boralex Inc. 'A'	4,863,318	4,048,316	2.75
	Total Canadian Equities - Long	<u>126,036,525</u>	<u>111,271,225</u>	<u>75.46</u>
	Global Equities			
	United States			
896,054	AssistMed	471,209	10,414	0.01
61,901	Bunge Limited	4,143,090	4,326,019	2.93
1,512	C.O.R.E. Holdings Inc."B"	500,261	219,665	0.15
2,797	Canba Investments LLC	359,214	373,844	0.25
2,299,782	Coolbrands International Inc.	2,132,398	1,563,852	1.06
500,000	GeoMonkey Inc.	247,439	203,394	0.14
443,294	Govi High Power Explorations Inc.	869,698	592,501	0.40
341,555	Gran Tierra Energy, Inc.	1,212,789	1,379,882	0.94
127,500	Inviro Medical Inc.	290,052	111,140	0.08
12,000	Itron Inc.	688,215	767,922	0.52
3,520,022	NGTV	1,263,443	245,469	0.17
200,000	Stockhouse Media Private Placement	2,476	2,325	-
54,015	The Mosaic Company	2,924,392	2,781,107	1.89
883,109	Tire Stamp Inc.	1,556,342	102,639	0.07
		<u>16,661,018</u>	<u>12,680,173</u>	<u>8.61</u>
	Australia			
823,452	Berkeley Resources Limited	819,708	917,182	0.62
	Cayman Islands			
672,606	Tethys Petroleum Limited	1,001,958	275,768	0.19
	Total Global Equities - Long	<u>18,482,684</u>	<u>13,873,123</u>	<u>9.42</u>
	Bonds			
614,163	Coalcorp Mining Inc. Series A Notes 12% due August 4, 2011	623,798	331,922	0.23
375,000	Coastal Energy Company Senior notes 15.00% January 23, 2010	482,837	435,844	0.30
1,260	QuStream Corporation Note 10%	1,252,075	1,134,000	0.77
	Total Bonds	<u>2,358,710</u>	<u>1,901,766</u>	<u>1.30</u>

Front Street Canadian Hedge

Statement of Investment Portfolio as at June 30, 2009

NUMBER OF SHARES/UNITS	INVESTMENTS OWNED	AVERAGE COST	FAIR VALUE	% of NET ASSETS
Canadian Warrants				
Energy				
265,451	Bridge Resources Corporation	-	-	-
443,294	GoviEx IP Holdings Inc.	-	-	-
916	One Exploration Inc 'A'	-	160	-
206	One Exploration Inc 'B'	-	262	-
311,219	Pacific Rubiales Energy Corporation	-	1,139,062	0.77
		<u>-</u>	<u>1,139,484</u>	<u>0.77</u>
Materials				
97,916	Advanced Explorations Inc.	-	-	-
22,093	Ascot Resources Limited	-	-	-
96,000	Claymore Gold Bullion Trust	48,000	41,280	0.03
56,953	Coalcorp Mining Inc.	44,037	285	-
48,150	Coalcorp Mining Inc.	186,710	241	-
131,058	Eastmain Resources	-	24,318	0.02
435,715	General Magnesium Corporation	217,858	65,357	0.04
76,704	Geovic Mining Corporation	15	2,685	-
26,926	Geovic Mining Corporation 'B'	-	269	-
653,572	La Camera Mining Inc. 'B' Restricted	326,786	98,036	0.07
377,698	Nevsun Resources Limited	4,521	16,046	0.01
25,175	New Gold Inc.	-	11,759	0.01
74,202	Nico Mining Limited	-	-	-
93,992	Osisko Mining Corporation	56,395	39,477	0.03
126,689	Phoenix Coal Inc.	32,939	2,534	-
98,868	Potash North Resource Corporation	5,932	13,524	0.01
76,471	Potash North Resource Corporation	-	45,789	0.03
229,200	Romarco Minerals Inc.	-	111,471	0.08
415,800	Southeast Asia Mining Corporation	93,875	12,474	0.01
		<u>1,017,068</u>	<u>485,545</u>	<u>0.34</u>
Industrials				
112,604	Davie Yards Inc.	22,521	563	-
587,764	Enpar Technologies Inc.	-	1	-
48,611	Intermap Technologies Corporation	-	26,397	0.02
217,558	Opel International Inc.	-	28,851	0.02
1,905	Trilliant Inc. Class A	-	-	-
11,088	Trilliant Inc. Class B	-	-	-
		<u>22,521</u>	<u>55,812</u>	<u>0.04</u>
Health Care				
179,550	Warnex Inc.	1,530	-	-
		<u>1,530</u>	<u>-</u>	<u>-</u>
Information Technology				
79,191	View 22 Technologies Inc.	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>

Front Street Canadian Hedge

Statement of Investment Portfolio as at June 30, 2009

NUMBER OF SHARES/UNITS	INVESTMENTS OWNED	AVERAGE COST	FAIR VALUE	% of NET ASSETS
630,000	Telecommunication Services QuStream Corporation	-	1	-
		-	1	-
	Total Canadian Warrants	1,041,119	1,680,841	1.15
	Global Warrants			
	United States			
5	Coastal Energy Company	-	-	-
312,556	Geovic Mining Corporation	408,950	7,814	0.01
448,026	AssistMed	240	1	-
		409,190	7,815	0.01
	Australia			
17,955	Berkeley Resources Limited	-	7,394	0.01
	Cayman Islands			
49,804	Coastal Energy Company	347	15,229	0.01
	Total Global Equities - Warrants	409,537	30,438	0.02
	Total Warrants	1,450,656	1,711,279	1.16
	Transaction Costs	(215,025)	-	-
	TOTAL INVESTMENTS OWNED	148,113,550	128,757,393	87.39
NUMBER OF SHARES/UNITS	INVESTMENTS SOLD SHORT	PROCEEDS ON SHORT SALE	FAIR VALUE	% OF NET ASSETS
	Canadian Equities			
	Energy			
(221,900)	Birchcliff Energy Limited	(1,134,478)	(1,344,714)	(0.91)
(18,800)	Calfrac Well Services Limited	(205,795)	(232,180)	(0.16)
(9,600)	EnCana Corporation	(466,242)	(552,636)	(0.37)
(400)	Husky Energy Inc.	(13,787)	(13,012)	(0.01)
		(1,820,302)	(2,142,542)	(1.45)
	Material			
(200)	Agnico-Eagle Mines Limited	(13,382)	(12,260)	(0.01)
(9,000)	Agrium Inc.	(394,459)	(417,259)	(0.28)
(25,900)	First Quantum Minerals Limited	(1,434,116)	(1,456,874)	(0.99)
(13,000)	Potash Corporation of Saskatchewan Inc.	(1,275,409)	(1,407,125)	(0.95)
(2,000)	Potash One Inc.	(6,028)	(6,120)	-
(4,800)	Romarco Minerals Inc.	(3,581)	(3,888)	-
(2,249)	Rubicon Minerals Corporation	(6,297)	(7,804)	(0.01)
		(3,133,272)	(3,311,330)	(2.24)
	Consumer Discretionary			
(2)	Alliance Grain Traders Income Fund	(36)	(36)	-
	Consumer Staples			
(360)	Viterra Inc.	(3,361)	(3,647)	-
	Financials			
(1,170)	Royal Bank of Canada	(40,842)	(55,604)	(0.04)

Front Street Canadian Hedge

Statement of Investment Portfolio as at June 30, 2009

NUMBER OF SHARES/UNITS	INVESTMENTS SOLD SHORT	PROCEEDS ON SHORT SALE	FAIR VALUE	% OF NET ASSETS
	Information Technology			
(3,200)	Absolute Software Corporation	(13,974)	(18,336)	(0.01)
	United States			
	Energy			
(23,400)	Canadian Natural Resources Limited	(1,134,671)	(1,430,544)	(0.97)
	Written Call Option			
(96)	Bunge Limited, Written Call Option \$65, August 2009	(37,278)	(26,220)	(0.02)
(96)	Research in Motion, Written Call Option \$75, July 2009	(14,728)	(14,393)	(0.01)
		(52,006)	(40,613)	(0.03)
	Written Put Option			
(96)	Research in Motion, Written Put Option, \$65, July 2009	(23,831)	(7,476)	(0.01)
(144)	The Mosaic Company, Written Put Option, \$35, August 2009	(26,935)	(15,900)	(0.01)
		(50,766)	(23,376)	(0.02)
	Transaction Costs	(7,057)	-	-
	TOTAL INVESTMENTS SOLD SHORT	<u>(6,256,287)</u>	<u>(7,026,028)</u>	<u>(4.75)</u>
	NET INVESTMENTS OWNED	\$ <u>141,857,263</u>	<u>121,731,365</u>	<u>82.50</u>
	OTHER NET ASSETS		<u>25,739,652</u>	<u>17.50</u>
	TOTAL NET ASSETS	\$	<u><u>147,471,017</u></u>	<u><u>100.00</u></u>

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

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2009

1. ESTABLISHMENT OF THE INVESTMENT TRUST AND NATURE OF OPERATIONS

Front Street Canadian Hedge (the "Trust") is an investment trust created under the laws of the Province of Ontario pursuant to a Trust Agreement dated September 30, 2003 which was amended and restated on January 31, 2005 and as of May 1, 2009 (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 2004 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, management 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 three series of units (the "Trust Units"), designated as Series B-1 Units (the "B-1 Units"), Series B-2 Units (the "B-2 Units") and Series F 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 year. Actual results could differ from these estimates. These estimates are reviewed periodically by management and as adjustments become necessary, they are reported in the Statement of Operations in the year in which they become known.

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

Adoption of new accounting standards

On January 1, 2008, the Trust adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook – Accounting Section 3862, "Financial Instruments – Disclosures" ("Section 3862") and Section 3863, "Financial Instruments – Presentation" ("Section 3863"). These sections establish standards for comprehensive disclosure and presentation requirements for financial instruments. The standards include new requirements to quantify certain risk exposures and to provide sensitivity analysis for certain risks.

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2009

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

The Trust's financial instruments include cash and short-term deposits/bank overdraft, investments, foreign exchange forward contracts, receivable for units issued, receivable for investments sold, receivable for hedges, receivable from the Investment Manager, dividends and interest receivable, accrued management and advisory fees, accrued expenses, accrued forward fees, payable for units redeemed, payable for distributions, payable for investments purchased, and payable for hedges. Investments, foreign exchange forward contracts are at fair value based on the policies described below. All other financial instruments are carried at cost, as they closely approximate their fair values, given their short-term nature. Refer to Note 7 for the discussion of management of financial risks.

The following summarizes the accounting policies of the Trust:

Valuation of investments

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

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

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

Section 14.2 of amended National Instrument 81-106 ("NI 81-106") issued by the Canadian Securities Administrators, that came into force on September 8, 2008, requires an investment fund to calculate its Net Asset Value for the purchase and redemption of units based on the fair value of the investment fund's assets and liabilities.

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

- a) Investments listed upon a recognized public stock exchange are valued at their closing sale price on the valuation date. Investments not traded on that date are valued at the average of the closing bid and ask price.
- b) Investments not listed upon a recognized public stock exchange are valued based upon any available public quotations in common use or at a price estimated to be at fair value on such basis and in such manner established by the Investment Manager.
- c) Short-term notes and treasury bills are stated at cost. In the opinion of the Investment Manager, the cost of the investments, together with the amortized discounts and accrued interest receivable, represents fair value.

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2009

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

Valuation of investments (cont'd)

- d) Bonds, asset-backed securities and other debt instruments are valued at the average of the closing bid and ask price from recognized investment dealers.
- e) Options are valued at the latest sale price reported by the principal exchange or over-the-counter market on which the contract is traded. If no sale is reported, the average of the latest bid and ask price is used.
- f) Foreign exchange forward contracts are valued based on the difference between the contract forward rate and the forward rate prevailing on the valuation date.

In accordance with Section 3.6(1) 5 of NI 81-106, the Net Asset Value per unit compared to the Net Assets per unit and an explanation of the differences between such amounts, are required in the notes to the financial statements. Refer to Note 8 for such comparison for each series.

Commissions and other portfolio transaction costs

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Such costs are expensed and are included in "Commissions and other portfolio transaction costs" in the Statement of Operations.

Cost of investments

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

Investment transactions and income 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.

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2009

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

Income tax (cont'd)

The Trust may be subject to alternative minimum tax, potentially recoverable.

Translation of foreign currency

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

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

Net asset value per unit

The net assets per unit is calculated by dividing the net assets of a series of units by the total number of units of a class/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.

Derivative transactions

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

Written call options

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

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2009

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 365 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 "B-1" units and "B-2" 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-2 units or F units is paid to the Manager based on the Trust's annual performance. The performance fee is calculated and accrued monthly as 20% of the Trust performance in excess of a minimum performance as specifically defined in the Trust Agreement.

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 "B-1"	Series "B-2"	Series "F"	Total 2009	Total 2008
Balance, Beginning of period	10,077,305	-	2,041,821	12,119,126	13,354,983
Issued:					
On new subscriptions	119,274	24,031	-	143,305	33,278
Redeemed	(1,243,403)	-	-	(1,243,403)	(593,529)
Balance, End of period	<u>8,953,176</u>	<u>24,031</u>	<u>2,041,821</u>	<u>11,018,528</u>	<u>12,717,686</u>

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2009

7. MANAGEMENT OF FINANCIAL RISKS

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

Credit Risk

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

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

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

Liquidity Risk

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

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

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

Interest Rate Risk

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

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

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).

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2009

7. MANAGEMENT OF FINANCIAL RISKS (Cont'd)

Other Price Risk (cont'd)

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

Currency Risk

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

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

Refer to the Discussion of Financial Risk Management for specific risk disclosure.

8. COMPARISON OF NET ASSET VALUE AND NET ASSETS

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

The impact of the adoption of Section 3855 on the Trust is as follows:

	Net Asset Value	Sec. 3855 Adjustment	Net Assets	Net Asset Value Per Unit	Net Assets Per Unit
At June 30, 2009					
Series B-1	\$ 119,572,980	\$ (530,558)	\$ 119,042,422	\$ 13.36	\$ 13.30
Series B-2	\$ 307,479	\$ (1,361)	\$ 306,118	\$ 12.80	\$ 12.74
Series F	\$ 28,247,539	\$ (125,062)	\$ 28,122,477	\$ 13.83	\$ 13.77
At June 30, 2008					
Series A	\$ 204,097,453	\$ (1,055,421)	\$ 203,042,032	\$ 19.00	\$ 18.90
Series F	\$ 40,011,621	\$ (205,685)	\$ 39,805,936	\$ 19.49	\$ 19.39

Front Street Canadian Hedge

Notes to Financial Statements

June 30, 2009

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.

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.

14. FUTURE ACCOUNTING STANDARDS

The Canadian Accounting Standards Board ("AcSB") confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises, which includes investment funds. IFRS will apply to fiscal years beginning on or after January 1, 2011. The Investment Manager is expected to adopt IFRS and has presently determined that there will be no impact to Net Asset Value per Series as a result of the changeover to IFRS.

Front Street Canadian Hedge

Discussion of Financial Risk Management

June 30, 2009

Risk Management

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

Credit Risk

As at June 30, 2009, the Trust had no significant investments in debt instruments and/or derivatives.

Interest Rate Risk

The Trust may invest in fixed and floating rate securities. The income of the Trust may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future. Interest payable on bank overdraft or broker margin account positions will be affected by fluctuations in interest rates. As at June 30, 2009, there were 1.30% of investments owned which are held in bonds. The remaining portion of the Trust's assets is substantially non-interest bearing equity investments and its exposure to interest rate changes is minimal.

Other Price Risk

As at June 30, 2009, 74.0% of the Trust's net assets were invested in securities traded on North American stock exchanges. If security prices on the North American stock exchanges had increased or decreased by 10% as at the period end, with all other factors remaining constant, net assets could possibly have increased or decreased to approximately \$158 million and \$137 million respectively. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Currency Risk

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

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

Currency	Financial Instruments	Cash	Total	Percentage of NAV (%)
Australian Dollar	\$ 924,576	\$ -	\$ 924,576	0.63
British Pounds	15,229	-	15,229	0.01
United States Dollar	8,971,808	97,417	9,069,225	6.15
Total	\$ 9,911,613	\$ 97,417	\$10,009,030	6.79

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

Front Street Canadian Hedge

Discussion of Financial Risk Management

June 30, 2009

Currency Risk (Cont'd)

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

As at June 30, 2009, 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 increased or decreased by approximately \$476,620. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Liquidity Risk

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

Financial Assets	Term of less than 1 year	Term of more than 1 year	Total
Investments owned	\$ 126,855,627	\$ -	\$ 126,855,627
Bonds and treasury bills	-	1,901,766	1,901,766
Other receivables	10,811,066	-	10,811,066
Cash and cash equivalents	19,865,980	-	19,865,980
Total	\$ 157,532,673	\$ 1,901,766	\$ 159,434,439
Financial Liabilities			
Investments sold short	\$ (7,026,028)	\$ -	\$ (7,026,028)
Other financial liabilities	(4,937,394)	-	(4,937,394)
Total	\$ (11,963,422)	\$ -	\$ (11,963,422)
GAAP NAV	\$ 145,569,251	\$ 1,901,766	\$ 147,471,017

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



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