

## **Interim Management Report of Fund Performance**

### **As at April 30, 2015**

### **Front Street DCA Special Opportunities Class**

*This Interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements for Front Street DCA Special Opportunities Class (the "Fund"), a class of shares of Front Street Mutual Funds Limited. You can get a copy of the annual or interim financial statements at your request, and at no cost, by calling 1-800-513-2832, by writing to us at Front Street Capital, 33 Yonge Street, Suite 600, Toronto, Ontario M5E 1G4 or by visiting our website at [www.frontstreetcapital.com](http://www.frontstreetcapital.com) or SEDAR at [www.sedar.com](http://www.sedar.com)*

*Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the investment fund.*

### **Forward Looking Information**

This Management Report of Fund Performance contains forward-looking information and statements relating, but not limited to, anticipated or prospective financial performance and results of operations of the Fund. Forward looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "projects", and similar expressions are intended to identify forward-looking information.

Although the Fund believes it has a reasonable basis for making the forecasts or projections included in this Management Report of Fund Performance, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the performance of the equity securities market, expectations about interest rates and factors incorporated by reference herein as risk factors.

The above list of important factors affecting forward looking information is not exhaustive, and reference should be made to the other risks discussed in the Fund's filings with Canadian securities regulatory authorities. The forward looking information is given as of the date of this Management Report of Fund Performance, and the Fund undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

## **Management Discussion of Fund Performance**

### **Investment Objective and Strategies**

The Fund's investment objective is to provide for capital preservation and the potential for income by investing primarily in fixed-income securities issued, or guaranteed by, the federal or provincial governments of Canada (or an agency thereof) with a maturity of not more than three years, pending the automatic switch of equal amounts from the Fund into Front Street Special Opportunities Class over a one-year period from the date of investment.

### **Risk**

Most of the Fund's assets will be invested in money market securities and bonds issued by Canadian governments and corporations and, as such, the Fund is particularly susceptible to the following risks:

#### *Interest Rate Risk*

Fixed income securities are subject to risks resulting from changes in interest rates and from credit risk. When interest rates fall, bond prices rise. That is because existing bonds pay higher rates than newly issued ones, and so are worth more. When interest rates rise, bond prices fall, and so will the unit value of mutual funds that hold them. The income earned by a mutual fund and the income paid by mutual funds to securityholders is also affected by changes in interest rates. Credit risk is the possibility that an issuer of a bond or other fixed income investment may not be able to pay interest or to repay the principal at maturity. The risk of this occurring is greater with some issuers than with others. For example, the risk of default is generally low for government and high quality corporate securities. Where the risk is considered greater, the interest rate paid by the issuer is generally higher than for an issuer where the risk is considered to be lower.

#### *Large Redemption Risk*

A mutual fund may have particular investors who hold a significant amount of the mutual fund. If one of those investors decides to redeem its investment in the mutual fund, the mutual fund may have to sell portfolio investments so that it can pay the redemption proceeds. These investments may have to be sold quickly and at a lower price than if they were sold over a more extended time period. In addition, the portfolio composition of the mutual fund could be altered before the Investment Advisor believes the time is right to do so. This can reduce the returns of the mutual fund.

The risks of investing in the Fund are further discussed in the Fund's Annual Information Form.

### **Results of Operations/Recent Developments**

For the six month period ended April 30, 2015, the short-term rate market remains fairly stable with decent liquidity. The phrase 'lower for longer'—in regards to interest rates—continues to be the theme. Rate sensitive products have performed well, but longer term we believe rates will move higher on the back of a strengthening global economic recovery.

The U.S. Federal Reserve followed through on their stimulus removal, announcing its completion at the end of October, thereby paving the way for a potential rate hike possibly in the later part of 2015, though it could potentially be delayed until early 2016.

During the six month period ended April 30, 2015, the Fund earned investment income of \$682 from interest.

Operating expenses excluding management fees, totalled \$28,613 and the Manager waived and absorbed \$28,613 of such expenses during the six month period ended April 30, 2015.

### **Adoption of International Financial Reporting Standards (“IFRS”) in 2015**

The Interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The Fund has adopted IFRS effective November 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 transition. Accordingly, an opening IFRS statement of financial position as at November 1, 2013 has been prepared and the comparative information for the year ended October 31, 2014 has been restated based on IFRS. The Fund has consistently applied the same accounting policies throughout all periods presented.

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 the Notes to the interim financial statements.

### **Related Party Transactions**

During the periods ended April 30, 2015 and 2014, fees paid to (waived or absorbed by) the Manager were as follows:

	2015	2014
Management fees	<u>\$ 928</u>	<u>\$ 1,956</u>
Expenses waived or absorbed by the Manager	<u>\$ (28,859)</u>	<u>\$ (25,274)</u>

The following are redeemable shares held by related parties of the Fund:

	April 30, 2015	October 31, 2014	November 1, 2013
Series A shares held by the Manager	5,000	5,000	5,000
Percentage of Series A shares held by the Manager	100.00%	67.93%	50.78%
Series B shares held by the Manager	5,000	5,000	5,000
Percentage of Series B shares held by the Manager	99.29%	50.60%	60.58%
Series F shares held by the Manager	5,000	5,000	5,000
Percentage of Series F shares held by the Manager	100.00%	100.00%	100.0%

Management fees and operating costs are measured at the exchange amount of consideration prescribed by the offering documents of the Fund. Except for the shares held by the Manager as described in note 4, when related parties enter shareholder transactions with the Fund, the exchange amount of consideration is the NAV available to all other shareholders on the trade date. In the case of brokerage commissions, the exchange amount of consideration is that which is negotiated by the related parties.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance. This information is derived from the Fund's audited annual and interim financial statements for six months period ended April 30, 2015.

### Series A

#### The Fund's Net Assets per redeemable Share <sup>(1)</sup>

	April 30 2015 \$	October 31 2014 \$	October 31 2013 \$	For the period from commencement of operations on September 27, 2012 to October 31 2012 \$
<b>Net assets, beginning of the period</b>	10.00	10.00	10.00	10.00*
<b>Increase (decrease) from operations:</b>				
Total revenue	0.04	0.08	0.09	0.01
Total expenses	(0.04)	(0.08)	(0.09)	(0.01)
Realized gains (losses) for the period	—	—	—	—
Unrealized gains (losses) for the period	—	—	—	—
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	—	—	—	—
<b>Distributions to redeemable Shareholders:</b>				
From income (excluding dividends)	—	—	—	—
From dividends	—	—	—	—
From capital gains	—	—	—	—
Return of capital	—	—	—	—
<b>Total distributions to redeemable Shareholders <sup>(3)</sup></b>	—	—	—	—
<b>Net assets, end of the period</b>	10.00	10.00	10.00	10.00

(1) The information for April 30, 2015 is derived from the Fund's unaudited interim financial statements prepared in accordance with IFRS. The information prior to 2015 is derived from the Fund's annual audited financial statements prepared based on Canadian GAAP. An explanation of the effect of the Fund's transition to IFRS can be found in the notes to the financial statements.

(2) Net assets and distributions are based on the actual number of redeemable shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of redeemable shares outstanding over the financial period.

(3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

#### Ratios and Supplemental Data

Total net asset value (000's) <sup>(1)</sup>	\$50	\$74	\$98	\$239
Number of redeemable shares outstanding <sup>(1)</sup>	5,000	7,360	9,846	23,902
Management expense ratio <sup>(2)</sup>	0.77%	0.82%	0.90%	0.58%
Management expense ratio before waivers or absorptions	33.61%	12.67%	12.33%	185.53%
Trading expense ratio <sup>(3)</sup>	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	0.00%	0.00%	0.00%	0.00%
Net asset value per redeemable share <sup>(5)</sup>	\$10.00	\$10.00	\$10.00	\$10.00

(1) This information is provided as at end of the period shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other transaction costs) for the stated period and is expressed as annualized percentage of daily average net asset value during the period. The manager waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(5) The information for April 30, 2015 is derived from the Fund's unaudited interim financial statements prepared in accordance with IFRS. The information prior to 2015 is derived from the Fund's annual audited financial statements prepared based on Canadian GAAP. An explanation of the effect of the Fund's transition to IFRS can be found in the notes to the financial statements.

\* Initial Price

**Series B**
**The Fund's Net Assets per redeemable Share <sup>(1)</sup>**

	April 30 2015 \$	October 31 2014 \$	October 31 2013 \$	For the period from commencement of operations on September 27, 2012 to October 31 2012 \$
<b>Net assets, beginning of the period</b>	10.00	10.00	10.00	10.00*
<b>Increase (decrease) from operations:</b>				
Total revenue	0.04	0.08	0.09	0.01
Total expenses	(0.04)	(0.08)	(0.09)	(0.01)
Realized gains (losses) for the period	—	—	—	—
Unrealized gains (losses) for the period	—	—	—	—
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	—	—	—	—
<b>Distributions to redeemable Shareholders:</b>				
From income (excluding dividends)	—	—	—	—
From dividends	—	—	—	—
From capital gains	—	—	—	—
Return of capital	—	—	—	—
<b>Total distributions to redeemable Shareholders <sup>(3)</sup></b>	—	—	—	—
<b>Net assets, end of the period</b>	10.00	10.00	10.00	10.00

- (1) The information for April 30, 2015 is derived from the Fund's unaudited interim financial statements prepared in accordance with IFRS. The information prior to 2015 is derived from the Fund's annual audited financial statements prepared based on Canadian GAAP. An explanation of the effect of the Fund's transition to IFRS can be found in the notes to the financial statements.
- (2) Net assets and distributions are based on the actual number of redeemable shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of redeemable shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

**Ratios and Supplemental Data**

Total net asset value (000's) <sup>(1)</sup>	\$50	\$99	\$83	\$55
Number of redeemable shares outstanding <sup>(1)</sup>	5,036	9,881	8,255	5,500
Management expense ratio <sup>(2)</sup>	0.78%	0.82%	0.91%	0.58%
Management expense ratio before waivers or absorptions	33.62%	12.67%	12.34%	184.52%
Trading expense ratio <sup>(3)</sup>	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	0.00%	0.00%	0.00%	0.00%
Net asset value per redeemable share <sup>(5)</sup>	\$10.00	\$10.00	\$10.00	\$10.00

- (1) This information is provided as at end of the period shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other transaction costs) for the stated period and is expressed as annualized percentage of daily average net asset value during the period. The manager waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.
- (5) The information for April 30, 2015 is derived from the Fund's unaudited interim financial statements prepared in accordance with IFRS. The information prior to 2015 is derived from the Fund's annual audited financial statements prepared based on Canadian GAAP. An explanation of the effect of the Fund's transition to IFRS can be found in the notes to the financial statements.

\* Initial Price

**Series F**
**The Fund's Net Assets per redeemable Share <sup>(1)</sup>**

	April 30 2015 \$	October 31 2014 \$	October 31 2013 \$	For the period from commencement of operations on September 27, 2012 to October 31 2012 \$
<b>Net assets, beginning of the period</b>	10.00	10.00	10.00	10.00*
<b>Increase (decrease) from operations:</b>				
Total revenue	0.04	0.08	0.09	0.01
Total expenses	(0.04)	(0.08)	(0.09)	(0.01)
Realized gains (losses) for the period	—	—	—	—
Unrealized gains (losses) for the period	—	—	—	—
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	—	—	—	—
<b>Distributions to redeemable Shareholders:</b>				
From income (excluding dividends)	—	—	—	—
From dividends	—	—	—	—
From capital gains	—	—	—	—
Return of capital	—	—	—	—
<b>Total distributions to redeemable Shareholders <sup>(3)</sup></b>	—	—	—	—
<b>Net assets, end of the period</b>	10.00	10.00	10.00	10.00

(1) The information for April 30, 2015 is derived from the Fund's unaudited interim financial statements prepared in accordance with IFRS. The information prior to 2015 is derived from the Fund's annual audited financial statements prepared based on Canadian GAAP. An explanation of the effect of the Fund's transition to IFRS can be found in the notes to the financial statements.

(2) Net assets and distributions are based on the actual number of redeemable shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of redeemable shares outstanding over the financial period.

(3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

**Ratios and Supplemental Data**

Total net asset value (000's) <sup>(1)</sup>	\$50	\$50	\$50	\$50
Number of redeemable shares outstanding <sup>(1)</sup>	5,000	5,000	5,000	5,000
Management expense ratio <sup>(2)</sup>	0.76%	0.82%	0.90%	0.57%
Management expense ratio before waivers or absorptions	33.32%	12.68%	12.05%	185.25%
Trading expense ratio <sup>(3)</sup>	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	0.00%	0.00%	0.00%	0.00%
Net asset value per redeemable share <sup>(5)</sup>	\$10.00	\$10.00	\$10.00	\$10.00

(1) This information is provided as at end of the period shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other transaction costs) for the stated period and is expressed as annualized percentage of daily average net assets during the period. The manager waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(5) The information for April 30, 2015 is derived from the Fund's unaudited interim financial statements prepared in accordance with IFRS. The information prior to 2015 is derived from the Fund's annual audited financial statements prepared based on Canadian GAAP. An explanation of the effect of the Fund's transition to IFRS can be found in the notes to the financial statements.

\* Initial Price

## **Management and Performance Fees**

The Fund pays a monthly management fee equal to 1/12 of 1.0% of the net asset value of the Fund calculated and paid at the end of each month payable monthly in arrears for series A and B of the Fund. The Fund pays a monthly management fee equal to 1/12 of 0.75% of the net asset value of Series F calculated and paid at the end of each month payable monthly in arrears.

In consideration of the management fees payable by the Fund to the Manager, the Manager is responsible for providing marketing and promotion, fund management and administration and investment advisory services to the Fund. Fund management and administration services include establishing investment objectives, selecting investment sub-advisors, if applicable, and establishing and maintaining an appropriate infrastructure to meet accounting, financial and taxation reporting requirements. The Manager is also responsible for establishing and maintaining a servicing and risk management framework to ensure regulatory compliance, which includes regular monitoring. The Manager does not charge or allocate corporate overhead or expenses to the Fund.

There are no servicing fees and performance fees payable by this Fund.

The Fund is responsible for payment of all operating and administrative expenses of the Fund. The main components of these expenses are legal and accounting fees, printing expenses, reporting issuer filing and sustaining fees, custodial fees, fees payable to, and expenses incurred by, the Fund's Independent Review Committee and expenses of making distributions to shareholders. As the Fund has more than one series of shares, the shareholders of each series bear their pro rata share of those expenses which are common to the operation of all series, as well as those expenses which are attributable solely to that series.

The Manager may, at its discretion, add a service charge of up to 15% of the costs incurred for any operating and administrative costs charged to the Fund other than management services which are already included in the management fee rate which the Manager receives from the Fund. The 15% service charge is intended to cover certain investor servicing costs attributable solely to the Fund, such as the establishment of the Fund's client servicing models, maintenance of investor support phone lines, and investor website and email support.

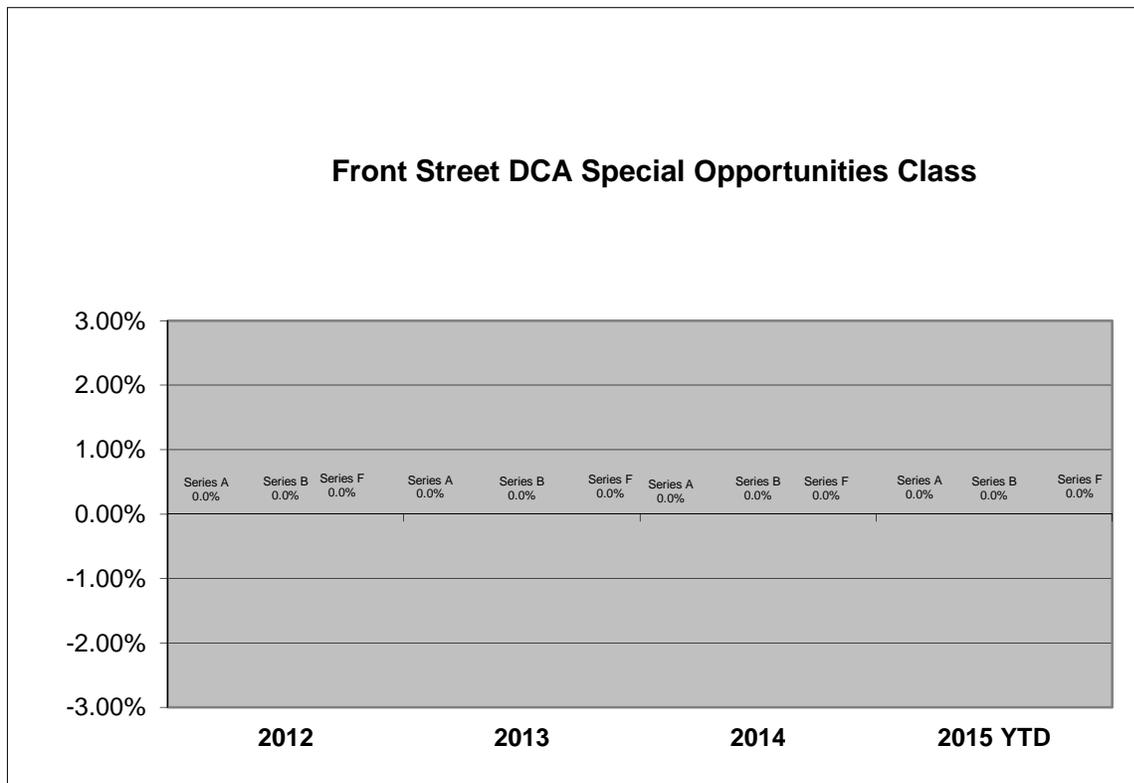
The Manager has absorbed certain expenses relating to the operation of the Fund. These expenses include management fees, administration fees, audit fees, operating costs, legal fees, securityholder reporting costs and independent review committee expenses.

## Past Performance

The past performance of the Fund is set out below and includes year-by-year returns.

With respect to the charts displayed below, please note the following:

- (a) the returns or performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional shares of the Fund;
- (b) the return or performance information does not take into account sales, redemption, distribution or other optional charges or income taxes payable that would have reduced returns or performance; and
- (c) how the Fund has performed in the past does not necessarily indicate how it will perform in the future.



**Summary of Investment Portfolio as at April 30, 2015**
***Portfolio by Category***

	<b>Percentage of Net Asset Value</b>
Treasury Bills	96.4%
Cash	7.8%
Other assets less other liabilities	-4.2%
	<hr/> <b>100.0%</b>

***Top 25 Holdings***

	<b>Percentage of Net Asset Value</b>
Province of Nova Scotia, 0.70%, May 21, 2015	33.3%
Province of Manitoba, 0.70%, Jun 30, 2015	33.2%
Province of Newfoundland, 0.68%, May 14, 2015	29.9%
	<hr/> 96.4%
<b>TOTAL NET ASSET VALUE (000's)</b>	<hr/> <b>\$ 150</b>

The information presented in the foregoing list may change due to the ongoing portfolio transactions of the Fund.



## **INTERIM FINANCIAL STATEMENTS**

# **FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS**

FOR THE SIX MONTHS ENDED APRIL 30, 2015

### **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 Chartered Professional Accountants of Canada. The external auditors will be auditing the annual financial statements of the Fund in accordance with Canadian generally accepted auditing standards.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

*AS AT APRIL 30, 2015, OCTOBER 31, 2014 AND NOVEMBER 1, 2013*

	April 30, 2015	October 31, 2014 (Note 14)	November 1, 2013 (Note 14)
<b>Assets</b>			
Financial assets at fair value through profit or loss*	\$ 144,913	\$ 209,665	\$ 169,748
Cash	11,742	24,952	64,235
	\$ 156,655	\$ 234,617	\$ 233,983
<b>Liabilities</b>			
Accrued expenses	\$ 6,291	\$ 5,595	\$ 2,974
Accounts payable relating to shares transferred	-	6,610	-
<b>Total liabilities before net assets attributable to shareholders of redeemable shares</b>	<b>6,291</b>	<b>12,205</b>	<b>2,974</b>
<b>Net assets attributable to shareholders of redeemable shares</b>	<b>\$ 150,364</b>	<b>\$ 222,412</b>	<b>\$ 231,009</b>
<b>Net assets attributable to shareholders of redeemable shares</b>			
Series A	\$ 50,000	\$ 73,600	\$ 98,462
Series B	\$ 50,364	\$ 98,812	\$ 82,547
Series F	\$ 50,000	\$ 50,000	\$ 50,000
<b>Number of redeemable shares outstanding, note 5</b>			
Series A	5,000	7,360	9,846
Series B	5,036	9,881	8,255
Series F	5,000	5,000	5,000
<b>Net assets attributable to shareholders of redeemable shares per share</b>			
Series A	\$ 10.00	\$ 10.00	\$ 10.00
Series B	\$ 10.00	\$ 10.00	\$ 10.00
Series F	\$ 10.00	\$ 10.00	\$ 10.00

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



Gary P. Selke  
Chief Executive Officer and Director



Susan Johnson  
Chief Financial Officer

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

See accompanying notes to the financial statements.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIODS ENDED APRIL 30 (UNAUDITED)

	2015		2014
			(Note 14)
<b>Investment Income</b>			
Interest income for distribution purposes and other	\$ 682	\$	1,443
	682		1,443
<b>Expenses</b>			
Administration fees	19,310		17,294
Audit fees	8,549		7,393
Management fees, notes 6 and 9	928		1,956
Securityholder reporting costs	701		6
Legal fees	44		53
Independent review committee	9		15
Transaction costs, notes 3(j) and 8	-		-
Total expenses before manager absorption	29,541		26,717
Less: Expense absorbed by the manager	(28,859)		(25,274)
Total expenses after manager absorption	682		1,443
<b>Increase (decrease) in net assets attributable to shareholders of redeemable shares from operations</b>			
	\$ -	\$	-
<b>Increase (decrease) in net assets attributable to shareholders of redeemable shares from operations</b>			
Series A	\$ -	\$	-
Series B	\$ -	\$	-
Series F	\$ -	\$	-
<b>Increase (decrease) in net assets attributable to shareholders of redeemable shares from operations per share</b>			
Series A	\$ -	\$	-
Series B	\$ -	\$	-
Series F	\$ -	\$	-

See accompanying notes to financial statements.

**FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS**

**STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO  
SHAREHOLDERS OF REDEEMABLE SHARES (UNAUDITED)  
FOR THE PERIODS ENDED APRIL 30**

	2015	2014 (Note 14)
<b>Net assets attributable to shareholders of redeemable shares, beginning of period</b>		
Series A	\$ 73,600	\$ 98,462
Series B	98,812	82,547
Series F	50,000	50,000
	<u>222,412</u>	<u>231,009</u>
<b>Increase (decrease) in net assets attributable to shareholders of redeemable shares from operations</b>		
Series A	-	-
Series B	-	-
Series F	-	-
	<u>-</u>	<u>-</u>
<b>Redeemable share transactions</b>		
Proceeds from redeemable shares issued		
Series A	-	173,210
Series B	-	166,282
Series F	-	-
	<u>-</u>	<u>339,492</u>
Redemption of redeemable shares		
Series A	-	-
Series B	-	-
Series F	-	-
	<u>-</u>	<u>-</u>
Automatic transfers to Front Street Special Opportunities Class, note 1		
Series A	(23,600)	(99,758)
Series B	(48,448)	(65,461)
Series F	-	-
	<u>(72,048)</u>	<u>(165,219)</u>
<b>Net increase (decrease) in net assets from redeemable share transactions</b>	<u>(72,048)</u>	<u>174,273</u>
<b>Increase (decrease) in net assets attributable to shareholders of redeemable shares</b>	<u>(72,048)</u>	<u>174,273</u>
<b>Net assets attributable to shareholders of redeemable shares, end of period</b>		
Series A	50,000	171,914
Series B	50,364	183,368
Series F	50,000	50,000
	<u>\$ 150,364</u>	<u>\$ 405,282</u>

See accompanying notes to financial statements.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE PERIODS ENDED APRIL 30

	2015 (Note 14)	2014 (Note 14)
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets attributable to shareholders of redeemable shares from operations	\$ -	\$ -
Adjustments for:		
(Increase) decrease in short term interest receivable	103	(513)
Increase (decrease) in other payables and accrued liabilities	696	1,388
Purchase of financial assets and liabilities at FVTPL	(354,565)	(718,709)
Proceeds from sales of financial assets and liabilities at FVTPL	419,214	529,070
<b>Net cash generated by operating activities</b>	<b>65,448</b>	<b>(188,764)</b>
<b>Cash flows from financing activities</b>		
Proceeds from redeemable shares issued	-	314,378
Amounts paid on redeemable shares transferred to Front Street Special Opportunities Class, note 1	(78,658)	(165,219)
<b>Net cash generated (used) by financing activities</b>	<b>(78,658)</b>	<b>149,159</b>
Net decrease in cash and cash equivalents	(13,210)	(39,605)
Cash, beginning of period	24,952	64,235
<b>Cash, end of period</b>	<b>\$ 11,742</b>	<b>\$ 24,630</b>
Cash comprise:		
Cash (overdraft) at bank	\$ 11,742	\$ 24,630
Interest received, net of withholding tax	\$ 785	\$ 930

See accompanying notes to financial statements

**FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS**

**SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)**

*AS AT APRIL 30, 2015*

	<b>Face Value</b>		<b>Cost \$</b>		<b>Fair Value \$</b>
<b>Treasury Bills (96.4%)</b>					
Province of Nova Scotia, 0.70%, May 21, 2015	50,000	\$	49,967	\$	49,981
Province of Manitoba, 0.70%, Jun 30, 2015	50,000		49,920		49,943
Province of Newfoundland, 0.68%, May 14, 2015	45,000		44,924		44,989
			<u>\$</u>		<u>\$</u>
			144,811		144,913
<b>Total Investments (96.4%)</b>		<u>\$</u>	<u>144,811</u>		144,913
<b>Cash (7.8%)</b>					11,742
<b>Other assets less liabilities (-4.2%)</b>					<u>(6,291)</u>
<b>Net assets (100.0%)</b>				<u>\$</u>	<u>150,364</u>

See accompanying notes to the financial statements.

# FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2015 AND 2014

(UNAUDITED)

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### 1. THE FUND

Front Street DCA Special Opportunities Class (the "Fund") is a class of shares of Front Street Mutual Funds Limited (the "Corporation"), a mutual fund corporation incorporated under the Canada Business Corporations Act on April 11, 2006, and is authorized to issue an unlimited number of classes of shares in multiple series. Reference is made to the Fund's Simplified Prospectus for additional information on the Fund's structure. The Fund was established on August 31, 2012. Series A, Series B and Series F commenced operations on September 27, 2012.

The foregoing financial statements and accompanying notes to the financial statements presented herein are for the Fund. Separate financial statements of each of the other classes of shares of the Corporation have also been prepared as at April 30, 2015.

Front Street Capital 2004 is the manager of the fund (the "Manager"). Front Street Investment Management Inc. (the "Investment Advisor") has been retained by the Manager, on behalf of the Fund, to provide investment advisory and portfolio management services to the Fund. NBCN Inc. is the custodian. Citigroup Fund Services Canada, Inc. provides shareholder recordkeeping services and fund accounting services.

The Fund's investment objective is to provide for capital preservation and the potential for income by investing primarily in fixed-income securities issued, or guaranteed by, the federal or provincial governments of Canada (or an agency thereof) with a maturity of not more than three years, pending the automatic switch of equal amounts weekly from the Fund into Front Street Special Opportunities Class over a one-year period from the date of investment.

The fundamental investment objective of the Fund cannot be changed without the approval of its shareholders.

Pursuant to the simplified prospectus dated July 17, 2014, the shares of the Fund are no longer being offered to the public.

### 2. BASIS OF PRESENTATION AND ADOPTION OF INTERNATIONAL FINANCIAL STANDARDS

#### (a) Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB). These are the Fund's first interim financial statements prepared under IFRS, and have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") and IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied. Certain information and disclosures normally required to be included in notes to annual financial statements may have been condensed or omitted. For the period from November 1, 2013 to October 31, 2014, the Fund had previously prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as defined in Part V of the CPA Canada Handbook. To prepare comparative information, the Fund has applied IFRS as at November 1, 2013, the Fund's date of transition to IFRS. The accounting, estimation and valuation policies adopted on conversion to IFRS, as described below, have been applied consistently to all periods presented herein. An explanation of

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2015 AND 2014 (UNAUDITED)

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#### 2. BASIS OF PRESENTATION AND ADOPTION OF INTERNATIONAL FINANCIAL STANDARDS (Continued...)

##### (a) Statement of compliance (Continued...)

how the transition to IFRS has affected the reported financial position, financial performance and cash flows is provided in note 14 (Explanation of Transition to IFRS).

These interim financial statements were authorized for issue by the Manager on June 24, 2015

##### (b) Basis of measurement

These financial statements have been prepared on the historical cost basis, except for financial assets and liabilities at fair value through profit or loss which are measured at fair value.

##### (c) Functional and presentation currency

The financial statements have been presented in Canadian dollars, which is the Fund's functional currency, and all values are rounded to the nearest dollar except where otherwise indicated.

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been applied consistently to all periods presented in these interim financial statements and in preparing the statement of financial position as at November 1, 2013 for the purpose of the transition to IFRS.

##### (a) Financial instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Transaction costs include brokerage commissions incurred in the purchase and sale of portfolio investments in which the Fund invests. All such costs are expensed in the period incurred and presented in the statements of comprehensive income. Purchases and sales of financial assets are recognized at their trade date. The Fund's investments and derivative assets and liabilities are measured at fair value through profit or loss (FVTPL), including certain investments in debt securities which have been designated at FVTPL. The Fund's obligation for net assets attributable to shareholders of redeemable shares is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives, except for warrants classified as level 2 are identical to those used in measuring its net asset value ("NAV") for transactions with shareholders.

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Quantitative information on the impact on the Fund's statements of financial position if all amounts were set off is required.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2015 AND 2014 (UNAUDITED)

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#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

##### (b) Fair value measurement

The Fund's portfolio investments are classified as fair value through profit or loss ("FVTPL"). Any unrealized gain or loss arising due to changes in fair value during the reporting period is presented separately in the statements of comprehensive income. Portfolio investments cannot be reclassified out of the FVTPL category while they are held.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. The fair value of financial instruments traded in active markets should be measured based on a price within the bid and ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. When the closing sale price of financial instruments traded in active markets is outside the bid and ask spread, such financial instruments are measured based on the bid price for securities owned or held long and on the asking price for securities sold short. The investments in this Fund include highly liquid short-term investments with original terms to maturity of less than three years.

Short-term investments are valued at the aggregate of cost and accrued interest receivable, which approximates fair value.

For financial statement reporting purposes, under National Instrument 81-106 ("NI 81-106") the Fund is required to disclose the differences between net assets attributable to redeemable shares per share and net asset value per share, including any differences in valuation principles or practices for the purposes of calculating net asset value versus those required under IFRS. A reconciliation between the net assets attributable to redeemable shares per share for financial reporting purposes and net asset value for investor transactions is presented in note 10 (Reconciliation of Net Asset Value to IFRS Net Assets Attributable to Shareholders of Redeemable Shares)

##### (c) Cash

Cash consist of cash balances with banks. Amounts are carried at cost which approximates fair value.

##### (d) Redeemable shares

The Fund classifies redeemable shares issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Fund has multiple classes of redeemable shares that do not have identical features and therefore, do not qualify as equity under IAS 32, Financial Instruments. The redeemable shares, which are classified as financial liabilities and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a share price based on the Fund's valuation policies at each redemption date. The shares represent the residual interest in the Fund.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2015 AND 2014

(UNAUDITED)

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#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(e) Impairment of financial assets

At the end of each reporting period, 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 period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed.

(f) Investment transactions and income recognition

Investment transactions are accounted for on a trade date basis. Realized and unrealized gains and losses from such transactions are calculated using the weighted average cost of the securities on disposition.

Revenue from investments is recognized on the accrual basis. Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis and is recognized through profit or loss. Dividend revenue is recognized on the ex-dividend date

(g) Foreign currency translation

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 equivalents and other assets and liabilities are presented as "Foreign currency gain (loss) on cash and cash equivalents and other net assets". Realized and unrealized exchange gains and losses on investments and derivatives are presented within "Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss".

(h) Increase (decrease) in net assets attributable to shareholders of redeemable shares from operations per share

Increase (decrease) in net assets attributable to shareholders of redeemable shares from operations per share is calculated by dividing the increase (decrease) in net assets attributable to shareholders of redeemable shares from operations of a series by the average number of shares outstanding of that series during the period.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2015 AND 2014

(UNAUDITED)

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#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(i) Net assets attributable to shareholders of redeemable shares per share

The net assets attributable to shareholders of redeemable shares per share are calculated by dividing the net assets of a series of shares by the total number of redeemable shares of that series outstanding at the end of the period.

(j) Transaction costs

Portfolio transaction costs are expensed and are included in "Transaction costs" in the statements of comprehensive income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges. The individual security's cost shown on the schedule of investment portfolio includes only those transaction costs incurred on the acquisition of portfolio investments.

(k) Provisions

The Fund recognizes a provision, if as a result of a prior event, the Fund has a current obligation requiring the outflow of resources to settle. Provisions are recorded at the Manager's best estimates of the most probable outcome of any future settlement.

(l) Future changes in accounting standards:

IFRS 9 was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2015 AND 2014

(UNAUDITED)

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#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The timely preparation of financial statements requires the Fund to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The following summarizes the accounting judgments, estimates and assumptions the Fund considers significant:

(a) Valuation of investments

Portfolio investments are measured and reported at fair value through profit or loss. Portfolio investments may include securities not traded in an active market, the fair value of which is determined using valuation techniques. Such estimates of fair value of portfolio investments not traded in an active market involve assumptions and uncertainties, and may include matters of significant judgment. Therefore, such estimates are subjective and cannot be determined with precision. Changes in assumptions may significantly affect the estimates.

(b) Other judgments, estimates and assumptions

Estimates are also used when determining the amount of impairment of assets and the likelihood of contingencies.

(c) Assessment as investment entity

The Manager has concluded that the Fund meets the characteristics of an investment entity, in that it has more than one investment and is managed in accordance with the Articles of Incorporation and prospectus; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties, and has also concluded that the Fund meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2015 AND 2014

(UNAUDITED)

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#### 5. REDEEMABLE SHARES

Net assets attributable to holders of redeemable shares consists of amounts paid for shares, undistributed income, realized gains and losses and unrealized appreciation (depreciation) of financial assets at FVTPL, less amounts paid for redemptions and represents the capital of the Fund. The Fund may issue an unlimited number of redeemable shares. Each share is redeemable at the option of the shareholder in accordance with the Articles of Incorporation, and entitles the shareholder to a proportionate interest in the net assets of the Fund. The Fund has no restrictions or specified capital requirements on subscriptions or redemptions of shares. The Manager manages the capital of the Fund in accordance with the Fund's investment objectives.

The authorized capital of the Fund consists of an unlimited number of mutual fund shares, available in three series. Redemption and commission fees vary according to each series of shares as follows:

##### **Series A shares**

Redemption fees payable to the Manager may be applicable upon the sale of shares of this series based on the original cost amount and the time to disposition. A redemption fee of 3% applies to shares of this series sold within the first 18 months following acquisition. A redemption fee of 2% applies to shares of this series sold after the first 18 months and prior to 36 months following acquisition. No redemption fee applies to shares of this series sold after the first 36 months following acquisition.

##### **Series B shares**

Commission fees payable to brokers, dealers or advisors may be applicable upon the purchase of shares of this series up to 5% of the gross purchase amount, at the discretion of the broker, dealer or advisor.

##### **Series F shares**

No redemption or commission fees are applicable to shares of this series.

The Fund allocates income and expenses, and realized and unrealized capital gains and losses to each class of shares outstanding based on the average class allocation for the period.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2015 AND 2014 (UNAUDITED)

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#### 5. REDEEMABLE SHARES (Continued...)

The following redeemable share transactions took place during the period ended April 30:

	2015	2014
Redeemable shares outstanding, beginning of the period:		
Series A	7,360	9,846
Series B	9,881	8,255
Series F	5,000	5,000
Redeemable shares issued during the period:		
Series A	-	17,321
Series B	-	16,628
Series F	-	-
Automatic transfer to Front Street Special Opportunities Class, note 1:		
Series A	2,360	9,976
Series B	4,845	6,546
Series F	-	-
Redeemable shares outstanding, end of the period:		
Series A	5,000	17,191
Series B	5,036	18,337
Series F	5,000	5,000

#### Shares held by the Manager

On August 31, 2012, the Manager acquired 5,000 series A shares, 5,000 series B shares and 5,000 series F shares for cash consideration of \$50,000 per respective series of shares. These shares are not redeemable until an additional \$500,000 has been invested in the Fund by other investors and as such the shares are not subject to the automatic switch of equal amounts into Front Street Special Opportunities Class over a one-year period from the date of investment.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2015 AND 2014

(UNAUDITED)

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#### 6. FEES AND EXPENSES

The Fund pays a monthly management fee equal to 1/12 of 1.0% of the net asset value of the Fund calculated and paid at the end of each month payable monthly in arrears for series A and B of the Fund. The Fund pays a monthly management fee equal to 1/12 of 0.75% of the net asset value of Series F calculated and paid at the end of each month payable monthly in arrears.

In consideration of the management fees payable by the Fund to the Manager, the Manager is responsible for providing marketing and promotion, fund management and administration and investment advisory services to the Fund. Fund management and administration services include establishing investment objectives, selecting investment sub-advisors, if applicable, and establishing and maintaining an appropriate infrastructure to meet accounting, financial and taxation reporting requirements. The Manager is also responsible for establishing and maintaining a servicing and risk management framework to ensure regulatory compliance, which includes regular monitoring. The Manager does not charge or allocate corporate overhead or expenses to the Fund.

There are no servicing fees and performance fees payable by this Fund.

The Fund is responsible for payment of all operating and administrative expenses of the Fund. The main components of these expenses are legal and accounting fees, printing expenses, reporting issuer filing and sustaining fees, custodial fees, fees payable to, and expenses incurred by, the Fund's Independent Review Committee and expenses of making distributions to shareholders. As the Fund has more than one series of shares, the shareholders of each series bear their pro rata share of those expenses which are common to the operation of all series, as well as those expenses which are attributable solely to that series.

The Manager may, at its discretion, add a service charge of up to 15% of the costs incurred for any operating and administrative costs charged to the Fund other than management services which are already included in the management fee rate which the Manager receives from the Fund. The 15% service charge is intended to cover certain investor servicing costs attributable solely to the Fund, such as the establishment of the Fund's client servicing models, maintenance of investor support phone lines, and investor website and email support.

The Manager has absorbed certain expenses relating to the operation of the Fund. These expenses include management fees, administration fees, audit fees, operating costs, legal fees, securityholder reporting costs and independent review committee expenses.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2015 AND 2014 (UNAUDITED)

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#### 7. INCOME TAX AND DISTRIBUTION

The Fund qualifies as a mutual fund corporation under the Income Tax Act (Canada). The Corporation will earn three types of income, Canadian dividends, taxable capital gains and other net taxable income. The income of the Fund, including taxable capital gains, will be subject to income tax at applicable corporate tax rates, after claiming allowable deductions for expenses and applicable credits for foreign taxes paid on foreign-source income. Income tax on capital gains is refundable to the Fund to the extent that such gains are distributed to shareholders as capital gains dividends or the Fund's share are redeemed. Gains and losses realized by the Fund in relation to certain derivative transactions and short sale transactions may be taxed on account of income as opposed to on account of capital. Other income is subject to tax at normal corporate rates and is not subject to refundable tax treatment.

The Fund may elect in the prescribed manner and form in order to have the dividends it distributes treated as capital gains dividends to the extent that the dividends do not exceed the Fund's capital gains dividend account. The capital gains dividend account will be represented by the amount by which capital gains realized by the Fund while it was a mutual fund corporation exceed the aggregate of:

- (a) capital losses realized by the Fund while it was a mutual fund corporation;
- (b) certain capital gains dividends previously paid by it; and
- (c) amounts in respect of which the Fund received capital gains tax refunds.

The Corporation is a single legal entity for tax purposes and is not taxed on a fund-by-fund basis. Non-capital and capital losses of the Corporation may be applied against the income and/or capital gains attributable to the Corporation as a whole irrespective of the Fund from which the income, gains and/or losses arise. Therefore, where the Corporation has positive net taxable income, any current tax liability can be offset with the utilization of unused prior year tax losses of the Corporation. Further, the payment of capital gains dividends, will also reduce or eliminate any taxes payable by the Corporation. This eliminates the requirement for a net tax provision for the Fund.

The Corporation's shares are qualified investments for registered plans.

#### 8. TRANSACTION COST AND SOFT DOLLARS

The total brokerage commissions paid by the Fund with respect to security transactions for the period ended April 30, 2015 was \$Nil (April 30, 2014 - \$Nil).

There were no soft dollar amounts included in brokerage commissions.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2015 AND 2014 (UNAUDITED)

#### 9. RELATED PARTY TRANSACTIONS

During the periods ended April 30, 2015 and 2014, fees paid to (waived or absorbed by) the Manager were as follows:

	2015	2014
Management fees (see note 6)	<u>\$ 928</u>	<u>\$ 1,956</u>
Expenses waived or absorbed by the Manager (see note 6)	<u>\$ (28,859)</u>	<u>\$ (25,274)</u>

The following are redeemable shares held by related parties of the Fund:

	April 30, 2015	October 31, 2014	November 1, 2013
Series A shares held by the Manager	5,000	5,000	5,000
Percentage of Series A shares held by the Manager	100.00%	67.93%	50.78%
Series B shares held by the Manager	5,000	5,000	5,000
Percentage of Series B shares held by the Manager	99.29%	50.60%	60.58%
Series F shares held by the Manager	5,000	5,000	5,000
Percentage of Series F shares held by the Manager	100.00%	100.00%	100.0%

Management fees and operating costs are measured at the exchange amount of consideration prescribed by the offering documents of the Fund. Except for the shares held by the Manager as described in note 4, when related parties enter shareholder transactions with the Fund, the exchange amount of consideration is the NAV available to all other shareholders on the trade date. In the case of brokerage commissions, the exchange amount of consideration is that which is negotiated by the related parties.

#### 10. RECONCILIATION OF NET ASSET VALUE TO IFRS NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS OF REDEEMABLE SHARES

Investment funds may have two different net asset values: (i) one for financial statements, which is prepared in accordance with IFRS (referred to as "IFRS NA") and (ii) another for all other purposes, including share pricing for investor transactions (referred to as "net asset value"). For investments that are traded in an active market where quoted prices are readily and regularly available, IFRS requires investments to be valued using the methods and principles described in note 3 (Summary of significant accounting policies – Fair value measurement), wherein the Fund may use closing sale prices for the purpose of determining net asset value. For investments that are not traded in an active market, IFRS requires the use of specific valuation techniques, rather than the use of valuation techniques in general practice in the investment funds industry. National Instrument 81-106 ("NI 81-106") requires that annual financial statements present a reconciliation of Net asset value per share to IFRS Net Assets Attributable to Shareholders of Redeemable Shares.

There is no difference between NAV and IFRS NA in this Fund.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2015 AND 2014

(UNAUDITED)

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#### 11. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of financial assets and liabilities at FVTPL, cash and cash equivalents, dividends receivable, subscriptions receivable, interest receivable, receivable for investments sold, accrued expenses and redemptions payable. It is the Manager's opinion that due to the short term nature of these financial instruments, the Fund is not exposed to significant market price, currency, interest rate, liquidity, cash flow, credit, and portfolio concentration risks arising from these financial instruments except as described below. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

All securities present a risk of loss of capital. The Investment Advisor seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, and by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

The schedule of investment portfolio presents the securities held by the Fund as at April 30, 2015 and groups the securities by asset type, sector and/or market segment. Significant risks that are relevant to the Fund are discussed below.

The Fund is exposed to financial risks, including market risk, currency risk, interest rate risk, credit risk, liquidity risk, cash flow risk and credit risk. The Fund's overall risk management program seeks to minimize potentially adverse effects of those risks on the Fund's financial performance. The Fund moderates financial risks through the careful selection of portfolio investments and other financial instruments within the parameters of the investment guidelines, strategies and objectives.

i) Market price risk

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

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

ii) Currency risk

The Fund may invest in financial instruments denominated in currencies other than its measurement currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of the portion of the Fund's assets or liabilities denominated in currencies other than Canadian dollars, absent any changes in market price or investment specific events.

At April 30, 2015, the Fund had no material exposure to foreign currencies.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2015 AND 2014

(UNAUDITED)

#### 11. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

iii) Interest rate risk

The Fund may invest in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future. Interest payable on bank overdraft or broker margin account positions will be affected by fluctuations in interest rates. As at April 30, 2015, there were short-term investments representing 96.4% (October 31, 2014 – 94.3%; November 1, 2013 – 73.5%) of the net assets owned, most maturing in less than 90 days. The remaining portion of the Fund's investments are substantially cash and its exposure to interest rate changes is minimal.

As at April 30, 2015

Financial assets	Floating Rate Financial Instruments	Fixed Rate Financial Instruments	Non-interest Bearing	Total
Financial assets at FVTPL	\$ -	\$ 144,913	\$ -	\$ 144,913
Cash	<u>11,742</u>	<u>-</u>	<u>-</u>	<u>11,742</u>
Total	<u>\$ 11,742</u>	<u>\$ 144,913</u>	<u>\$ -</u>	<u>\$ 156,655</u>
Financial liabilities				
Other financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,291</u>	<u>\$ 6,291</u>
IFRS NA				<u>\$ 150,364</u>

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2015 AND 2014

(UNAUDITED)

#### 11. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

##### iii) Interest rate risk (Continued...)

As at October 31, 2014

Financial assets	Floating Rate Financial Instruments	Fixed Rate Financial Instruments	Non-interest Bearing	Total
Financial assets at FVTPL	\$ -	\$ 209,665	\$ -	\$ 209,665
Cash	<u>24,952</u>	<u>-</u>	<u>-</u>	<u>24,952</u>
Total	<u>\$ 24,952</u>	<u>\$ 209,665</u>	<u>\$ -</u>	<u>\$ 234,617</u>

Financial liabilities

Other financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,205</u>	<u>\$ 12,205</u>
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IFRS NA				<u>\$ 222,412</u>
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As at November 1, 2013

Financial assets	Floating Rate Financial Instruments	Fixed Rate Financial Instruments	Non-interest Bearing	Total
Financial assets at FVTPL	\$ -	\$ 169,748	\$ -	\$ 169,748
Cash	<u>64,235</u>	<u>-</u>	<u>-</u>	<u>64,235</u>
Total	<u>\$ 64,235</u>	<u>\$ 169,748</u>	<u>\$ -</u>	<u>\$ 233,983</u>

Financial liabilities

Other financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,974</u>	<u>\$ 2,974</u>
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IFRS NA				<u>\$ 231,009</u>
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## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2015 AND 2014 (UNAUDITED)

#### 11. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

##### iv) Liquidity risk

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

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

As at April 30, 2015

Financial assets	0-12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite Maturity	Total
Financial assets at FVTPL	\$ 144,913	\$ -	\$ -	\$ -	\$ -	\$ 144,913
Cash	<u>11,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,742</u>
Total	<u>\$ 156,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,655</u>
Financial liabilities						
Other financial liabilities	<u>\$ 6,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,291</u>
IFRS NA						<u>\$ 150,364</u>

As at October 31, 2014

Financial assets	0-12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite Maturity	Total
Financial assets at FVTPL	\$ 209,665	\$ -	\$ -	\$ -	\$ -	\$ 209,665
Cash	<u>24,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,952</u>
Total	<u>\$ 234,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,617</u>
Financial liabilities						
Other financial liabilities	<u>\$ 12,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,205</u>
IFRS NA						<u>\$ 222,412</u>

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

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#### 11. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

##### iv) Liquidity risk (Continued....)

As at November 1, 2013

Financial assets	0-12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite Maturity	Total
Financial assets at FVTPL	\$ 169,748	\$ -	\$ -	\$ -	\$ -	\$ 169,748
Cash	<u>64,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,235</u>
Total	<u>\$ 233,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,983</u>
Financial liabilities						
Other financial liabilities	<u>\$ 2,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,974</u>
IFRS NA						<u>\$ 231,009</u>

##### v) Cash flow risk

The risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. In the case of a floating rate debt instrument, for example, such fluctuations could result from a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2015 AND 2014 (UNAUDITED)

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#### 11. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

##### vi) Credit risk

The Fund is exposed to credit risk arising from its transactions with its counterparties and brokers, related to securities purchases and sales. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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

As at April 30, 2015, the Fund had 96.4% (October 31, 2014 – 94.3%; November 1, 2013 – 73.5%) of holdings in debt instruments with the following credit rating obtained from Standard and Poor's or Moody's DBRS:

	April 30 2015	October 31 2014	November 1 2013
AAA	-	35.9%	25.9%
AA+	-	-	26.0%
A+	63.2%	58.3%	-
AA-	33.2%	-	21.6%

##### vii) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The Fund's concentration risk by market segments/categories of financial instruments has been summarized as follows:

	April 30, 2015	October 31, 2014	November 1, 2013
Treasury Bills	96.4%	94.3 %	73.5 %
Cash	7.8%	11.2 %	27.8 %
Other assets less liabilities	<u>(4.2)%</u>	<u>(5.5) %</u>	<u>(1.3) %</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2015 AND 2014

(UNAUDITED)

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#### 12. CAPITAL MANAGEMENT

The Fund considers financial instruments in the form of Redeemable shares to represent capital. In managing this capital, the objectives of the Fund are:

- a) to safeguard the Fund's ability to continue as a going concern, be flexible and take advantage of opportunities that might present themselves;
- b) to provide an appropriate return to shareholders; and
- c) to use active management strategies intended to enhance the returns of the Fund and concurrently minimize risk and preserve capital, consistent with the investment guidelines, strategies and objectives of the Fund.

The Fund follows, and is in compliance with, the Investment Guidelines described in the Prospectus.

The Fund is not subject to any externally imposed capital requirements. The Manager considers the Fund's capital to consist of the issued redeemable share and the net assets attributable to shareholders of redeemable shares.

#### 13. FAIR VALUE HIERARCHY

IFRS requires the Fund to use a three tier hierarchy as a framework for disclosing fair values, based on inputs used to value the Fund's investments in financial assets and financial liabilities. This hierarchy is summarized as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables summarize the inputs used as of April 30, 2015, October 31, 2014 and November 1, 2013 in valuing the Fund's financial assets and liabilities at FVTPL

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2015 AND 2014 (UNAUDITED)

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#### 13. FAIR VALUE HIERARCHY (Continued....)

As at April 30, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ -</u>	<u>\$ 144,913</u>	<u>\$ -</u>	<u>\$ 144,913</u>

As at October 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ -</u>	<u>\$ 209,665</u>	<u>\$ -</u>	<u>\$ 209,665</u>

As at November 1, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ -</u>	<u>\$ 169,748</u>	<u>\$ -</u>	<u>\$ 169,748</u>

#### Valuation techniques and framework

The Fund's portfolio investments in equity securities are classified as Level 1 when the security is actively traded and a reliable price is observable. The Fund may not be able to trade certain equity securities of publicly listed issuers (primarily warrants and shares for which trading is restricted by a contractual hold period), and therefore observable prices may not be available. In such cases, fair value is determined based on observable market data (e.g., prices for transactions for similar securities of the same issuer) and the fair value is classified as Level 2. However, if the determination of fair value requires significant unobservable data, the measurement of such securities is classified as Level 3.

Valuation techniques are used for equity securities classified as Level 2 and Level 3 (primarily private companies).

Valuation techniques may include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models, including but not limited to the Black Scholes stock option model. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, EBITDA and/or revenue multiples and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement for an asset to be sold or a liability to be transferred between market participants at a measurement date.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2015 AND 2014

(UNAUDITED)

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#### 13. FAIR VALUE HIERARCHY (Continued...)

The Fund uses widely recognized valuation models for determining the fair value of common and simple financial instruments, such as warrants and temporarily restricted shares of public companies, which generally use observable market data and require some management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange

traded derivatives and other simple derivatives. The availability of observable market prices and model inputs may reduce the need for management judgment and estimation and may reduce, but does not eliminate, uncertainty associated with determining fair values. The availability of observable inputs may vary and depends on the nature of the securities being valued and markets, and is subject to change based on specific events and general conditions in the financial markets. Management applies a certain discount to restricted securities in order to determine the fair value of these securities. To determine the fair value of warrants, management uses the Black Scholes stock option model, which incorporates the volatility of the underlying stock.

The Fund may invest in equity securities of private companies, which are classified as Level 3 securities. These may be valued using the most recent rounds of financing, or in certain cases, using models. Some or all of the significant inputs into the valuation models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the security being valued, and other inputs (such as discount rate, liquidity risk, credit risk, as applicable), to the extent that the Fund believes that a third party market participant would take them into account in pricing a transaction.

The Fund has established a control framework for the measurement of fair value. The valuation process is overseen by management, who is responsible for developing the Fund's valuation processes and procedures, conducting periodic reviews of those policies and evaluating their consistent application. When third party information, such as broker quotes or pricing services or recent transactions, is used to measure value, then management assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes verifying the information provided, and analyzing the information to check for any material inconsistencies.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2015 AND 2014 (UNAUDITED)

#### 14. TRANSITION TO IFRS

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

- (a) 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.
- (b) Reconciliation of net assets attributable to shareholders of redeemable shares and increase (decrease) in net assets attributable to shareholders of redeemable shares previously reported under Canadian GAAP to IFRS:

Equity	October 31, 2014 \$	April 30, 2014 \$	November 1, 2013 \$
Equity as reported under Canadian GAAP	222,412	405,282	231,009
Revaluation of investments due to bid-ask price spread adjustment	-	-	-
<b>Net Assets Attributable to Shareholders of Redeemable Shares</b>	<b>222,412</b>	<b>405,282</b>	<b>231,009</b>

Comprehensive income	October 31, 2014 \$	April 30, 2014 \$
<b>For the period ended</b>		
Increase (decrease) in net assets attributable to shareholders of redeemable shares under Canadian GAAP	-	-
Revaluation of investments due to bid-ask price spread adjustment	-	-
<b>Increase (decrease) in Net Assets Attributable to Shareholders of Redeemable Shares</b>	<b>-</b>	<b>-</b>

#### Classification of redeemable shares issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable shares as equity. Under IFRS, IAS 32 requires that shares 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 financial liability. The Fund's shares do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS.

## FRONT STREET DCA SPECIAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2015 AND 2014

(UNAUDITED)

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#### 14. TRANSITION TO IFRS (Continued...)

##### **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. When the closing sale price of financial instruments traded in active markets is outside the bid and ask spread, such financial instruments are measured based on the bid price for securities owned or held long and on the asking price for securities sold short. There has been no adjustment required to the carrying amount of the Fund's investments as a result of the adoption of IFRS as of November 1, 2013, April 30, 2014 and October 31, 2014.

##### **Reclassification adjustments**

In addition to the measurement adjustments noted above, the Fund reclassified certain amounts upon transition in order to conform to its financial statement presentation under IFRS.

Presentation of the statements of financial position has been reclassified in accordance with IFRS to present assets and liabilities between current and non-current.

IFRS requires withholding taxes to be disclosed separately as an expense, whereas Canadian GAAP allowed withholding taxes to be netted against dividend income.

IFRS requires transaction costs and other gains or losses, all presented under Canadian GAAP after the line "Investment loss for the period", to be classified with expenses or income as applicable.