

FRONT STREET
Growth Fund

FRONT STREET GROWTH FUND
A FRONT STREET CAPITAL MUTUAL FUND

Interim Management Report of Fund Performance

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Interim Financial Statements

JUNE 30, 2012

Interim Management Report of Fund Performance As at June 30, 2012 Front Street Growth Fund

This Interim Management Report of Fund Performance contains financial highlights but does not contain the complete interim financial statements for Front Street Growth Fund, a Front Street Capital mutual fund, formerly the Front Street Small Cap Canadian Fund (the "Fund"). The interim financials of the Fund are attached behind this report and you can also 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 2004, 33 Yonge Street, Suite 600, Toronto, Ontario M5E 1G4 or by visiting our web site at www.frontstreetcapital.com or SEDAR at www.sedar.com.

Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the 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 contributes 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 OBJECTIVES AND STRATEGIES

The Fund's principal investment objective is to seek capital appreciation primarily through investment in equity securities of a diversified group of publicly traded companies and to a lesser extent in equity securities of a diversified group of private companies, subject to prescribed limits on illiquid investments.

Front Street Capital will employ alternative investment strategies, including event-related special situations investing (including, for instance, investment in securities of issuers undergoing or undertaking tenders, mergers and acquisitions, liquidations, spin-offs and recapitalizations) and the purchase of undervalued shares in the equity markets.

From time to time the Fund may use clearing corporation options and listed warrants (“permitted derivatives”) as permitted by Canadian securities regulators and consistent with the investment objectives and strategies of the Fund. The Fund may use these permitted derivatives for hedging and non-hedging purposes.

RISK

Most of the Fund’s assets will be invested in common shares and other equity securities. The Fund will therefore be subject to stock market risk. The Fund may also invest in foreign securities that may expose the Fund, to a limited extent, to the risk of investments in foreign securities and foreign currency risk. The Fund may invest in relatively illiquid securities that may expose the Fund to liquidity risk. The Fund may also be exposed to sector risk due to its investments being concentrated in a limited number of sectors. The Fund may also be exposed to the risks of selling securities short, the risks of investing in derivatives, and the risk associated with investing in securities of junior industrial, technology and natural resource companies.

Currency risk proved to have an effect on the Fund’s returns. Although there was little change in the Canadian dollar from start to finish, we did see significant volatility. During the half we saw a swing of close to 6% in the C\$ to the US\$ in just over a one month period. Overall the US\$ rose against most of its major trading partner’s currencies, which is typically negative for commodities.

Equity risk also affected the Fund as market volatility continued. The demand for commodities has been cut by slower than expected growth in Europe and China, which has hurt the performance of resource companies. In terms of sector performance, the TSX Material and Energy indices were down 11% and 12% respectively in the first half of 2012.

Interest rate risk was also a factor, as central banks around the world closely monitored economic growth and inflation before raising interest rates, which have been kept at historically low levels. Easy monetary policy combined with the massive amounts of fiscal stimulus that were injected into the global economy may lead to strong inflationary pressures in the future.

Credit risk was another factor this year. In the aftermath of the credit crisis, banks are only now starting to lend, but with much higher fees attached. Many companies that are relying on debt to finance expansion, have had to halt such plans as financing is not currently available.

Political risk became a bigger factor this year, negatively affecting the Fund. Civil unrest and governments being overthrown in numerous developing countries drove the share prices of companies operating in those regions lower. In addition, numerous countries discussing or actually raising royalties and taxes on resource industries, in an attempt to raise revenues.

The Fund has multiple risks associated with equity markets. Investors whose primary concern is preservation of capital should not be invested in this Fund. The Fund is suitable for investors seeking long-term growth with a tolerance for risk and volatility and a long-term investment horizon.

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

RESULTS OF OPERATIONS

Risk aversion was a major factor in markets this year. Investors switched out of small cap stocks into larger capitalized companies. They also withdrew funds from companies with international operations and redeployed them to companies that operate in North America. We saw major swings as the economic recovery seemed to stop and start, and as news of European bank crises and slower than expected Asian growth. We do not believe that we'll see a double dip recession in North America.

After trading as high as \$110 US per barrel the price of West Texas Oil fell throughout the half closing in the low \$80's. Fears of decreased demand out of Europe and Asia sent prices lower. Nonetheless, we continue to see strong demand for oil with daily global consumption near all-time highs. Without any significant new discoveries to boost global production, we believe oil price will remain elevated, particularly if there's any Middle East turbulence.

Gold like many commodities spiked early in the half, only to sell off about \$200 US per ounce to close around US\$1550. Although the metal was basically flat on the half, equities did not keep pace, with the TSX Global Gold index down 15% during the same period. Many investors were putting their safe haven funds into US dollars, taking demand away from gold. Also lack of rain in India, the largest buyer of gold, led to decreased weak harvests, and decreased funds to buy gold.

During the six months period ended June 30, 2012, the Fund earned investment income of \$2.7 million from dividends and interest. There were net realized losses on the sale of investments of \$13.7 million and an unrealized depreciation on the value of investments of \$62.1 million.

Operating expenses, excluding management fees, totaled \$547,961 during the six months period ended June 30, 2012.

RECENT DEVELOPMENTS

Most of the trends in resource markets continued to prevail through the summer period. Looking forward a number of factors will determine the performance of the global economy and commodities. These include a resolution to the European banking crisis, the outcome of the US election and the effectiveness of the Chinese government in turning their economy around.

Recent accounting pronouncements that have been issued but are not yet effective, which have potential implications for the Fund, are as follows:

International financial reporting standards ("IFRS")

Effective for its fiscal year commencing January 1, 2014, the Fund must adopt IFRS. In preparation thereof, the Manager continues to monitor and implement the Fund's changeover plan and will continue to assess the impact on the implementation as new IFRS guidance become available from the International Accounting Standards Board ("IASB").

The Manager has reviewed the current IFRS against the Fund's current accounting policies and financial statement presentation under Canadian generally accepted accounting principles ("Canadian GAAP"), and the following areas of differences have been identified:

(a) IAS 32, Financial Instruments: Disclosure and Presentation, requires shareholders' equity to be classified as liability unless certain criteria are met.

(b) IFRS 13, Fair Value Measurements, that was released in May 2011 provides guidance on the fair value measurements and allows for the possible use of closing prices to value investments.

The Manager is monitoring these developments and will assess the impact of any changes in accounting policies or financial statement presentation as necessary to determine an appropriate approach.

The anticipated impact of IFRS on accounting policies and implementation decisions will be on the financial statement presentation and note disclosures in the Fund's financial statements. In particular, the Fund will be required to present a statement of shareholders' equity and a statement of cash flows, and will be required to include certain additional and enhanced disclosures. In addition, the impact due to IFRS 13 mentioned above may result in the elimination of the difference between the Net assets per unit and Net asset value per unit at the financial statement reporting dates.

The Fund's changeover plan includes key activities in (a) preparation of financial statements, (b) information processing and record-keeping, (c) business policy assessment and (d) systems and controls. Based on the Manager's current analysis, the Manager believes the changeover to IFRS will not materially affect the Fund's existing business arrangements.

RELATED PARTY-TRANSACTIONS

Management fees of \$3,330,820 (June 30, 2011 - \$4,631,818) were paid to the Manager during the period. Included in accrued expenses are \$481,726 (December 31, 2011 - \$588,142) of management fees payable to the Manager.

336,114 (December 31, 2011– 522,772) of series B units outstanding at period end representing 1.70% (December 31, 2011- 2.45%) of the total series B units of the Fund are held by the Partners of the Manager. 16,261 (December 31, 2011– 16,261) of series B units outstanding at period end representing 0.08% (December 31, 2011- 0.08%) of the total series B units of the Fund are held by relatives of the Partners of the Manager.

41,543 (December 31, 2011 – 41,543) of series F units outstanding at period end representing 0.95% (December 31, 2011– 0.98%) of the total series F units of the Fund are held by the Partners of the Manager. 185,259 (December 31, 2011- 193,068) of series F units outstanding at period end representing 4.25% (December 31, 2011- 4.56%) of the total series F units of the Fund are held by relatives of the Partners of the Manager.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution only basis. During the period ended June 30, 2012, Tuscarora Capital Inc., a company under common control to the Manager, received \$Nil (June 30, 2011- \$9,040) in commissions on portfolio transactions for the Fund.

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 for the past five financial years. This information is derived from the Fund's audited financial statements and from the unaudited interim financial statements for the first six months of 2012.

Series A						
The Fund's Net Assets per Unit	June 30 2012	December 31 2011 ⁽¹⁾	December 31 2010 ⁽¹⁾	December 31 2009 ⁽¹⁾	December 31 2008 ⁽¹⁾	December 31 2007 ⁽¹⁾
Net assets, beginning of the period	\$ 7.96	\$ 10.14	\$ 6.98	\$ 3.05	\$ 6.56	\$ 6.70
Increase (decrease) from operations:						
Total revenue	0.06	0.12	0.07	0.04	0.05	0.09
Total expenses	(0.10)	(0.26)	(0.85)	(0.11)	(0.24)	(0.19)
Realized gains (losses) for the period	(0.34)	0.27	1.80	0.49	(0.38)	0.10
Unrealized gains (losses) for the period	(1.49)	(2.50)	2.16	3.51	(3.19)	(0.13)
Total increase (decrease) from operations⁽²⁾	(1.87)	(2.37)	3.18	3.93	(3.76)	(0.13)
Distributions to Shareholders:						
From income (excluding dividends)	—	—	—	—	—	—
From dividends	—	—	—	—	—	—
From capital gains	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
Total distributions to Shareholders⁽³⁾	—	—	—	—	—	—
Net assets, end of the period	\$ 6.11	\$ 7.96	\$ 10.14	\$ 6.98	\$ 3.05	\$ 6.56

- (1) This information is derived from the Fund's interim unaudited and audited annual financial statements. The net assets per unit presented in the financial statements differ from the net asset value per unit calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements]
- (2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the average number of units outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional units of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	101,048	130,716	138,101	88,760	38,871	79,877
Number of units outstanding ⁽¹⁾	16,546,681	16,272,621	13,531,055	12,580,413	12,625,181	12,097,480
Management expense ratio ⁽²⁾	2.57%	2.65%	10.77%	2.46%	4.20%	2.73%
Management expense ratio before waivers or absorptions	2.57%	2.65%	10.77%	2.46%	4.20%	2.73%
Trading expense ratio ⁽³⁾	0.20%	0.26%	0.29%	0.46%	0.34%	0.26%
Portfolio turnover rate ⁽⁴⁾	16.38%	54.82%	70.29%	89.37%	65.94%	56.05
Net asset value per unit	\$ 6.11	\$ 8.03	\$ 10.21	\$ 7.06	\$ 3.08	\$ 6.60

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

Series B The Fund's Net Assets per Unit	June 30 2012	December 31 2011 ⁽¹⁾	December 31 2010 ⁽¹⁾	December 31 2009 ⁽¹⁾	December 31 2008 ⁽¹⁾	December 31 2007 ⁽¹⁾
Net assets, beginning of the period	\$ 7.95	\$ 10.13	\$ 6.98	\$ 3.05	\$ 6.56	\$ 6.70
Increase (decrease) from operations:						
Total revenue	0.06	0.12	0.07	0.04	0.05	0.09
Total expenses	(0.10)	(0.26)	(0.83)	(0.11)	(0.24)	(0.19)
Realized gains (losses) for the period	(0.32)	0.32	1.78	0.49	(0.39)	0.20
Unrealized gains (losses) for the period	(1.46)	(2.60)	2.05	3.52	(2.94)	(0.18)
Total increase (decrease) from operations⁽²⁾	(1.82)	(2.42)	3.07	3.94	(3.52)	(0.08)
Distributions to Shareholders:						
From income (excluding dividends)	—	—	—	—	—	—
From dividends	—	—	—	—	—	—
From capital gains	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
Total distributions to Shareholders⁽³⁾	—	—	—	—	—	—
Net assets, end of the period	\$ 6.11	\$ 7.95	\$ 10.13	\$ 6.98	\$ 3.05	\$ 6.56

- (1) This information is derived from the Fund's interim unaudited and audited annual financial statements. The net assets per unit presented in the financial statements differ from the net asset value per unit calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements]
- (2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the average number of units outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional units of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	120,944	171,117	194,261	130,009	53,203	125,918
Number of units outstanding ⁽¹⁾	19,817,284	21,316,936	19,038,235	18,426,847	17,279,941	19,070,322
Management expense ratio ⁽²⁾	2.56%	2.63%	10.54%	2.45%	4.15%	2.73%
Management expense ratio before waivers or absorptions	2.56%	2.63%	10.54%	2.45%	4.15%	2.73%
Trading expense ratio ⁽³⁾	0.20%	0.26%	0.29%	0.46%	0.34%	0.26%
Portfolio turnover rate ⁽⁴⁾	16.38%	54.82%	70.29%	89.37%	65.94%	56.05%
Net asset value per unit	\$ 6.10	\$ 8.03	\$ 10.20	\$ 7.06	\$ 3.08	\$ 6.60

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

Series F The Fund's Net Assets per Unit	June 30 2012	December 31 2011 ⁽¹⁾	December 31 2010 ⁽¹⁾	December 31 2009 ⁽¹⁾	December 31 2008 ⁽¹⁾	December 31 2007 ⁽¹⁾
Net assets, beginning of the year	\$ 8.40	\$ 10.57	\$ 7.23	\$ 3.15	\$ 6.72	\$ 6.80
Increase (decrease) from operations:						
Total revenue	0.07	0.12	0.07	0.05	0.05	0.09
Total expenses	(0.06)	(0.15)	(0.80)	(0.12)	(0.25)	(0.13)
Realized gains (losses) for the period	(0.36)	0.29	1.85	0.51	(0.40)	0.06
Unrealized gains (losses) for the period	(1.62)	(2.69)	2.18	3.56	(3.39)	(0.12)
Total increase (decrease) from operations⁽²⁾	(1.97)	(2.43)	3.30	4.00	(3.99)	(0.10)
Distributions to Shareholders:						
From income (excluding dividends)	—	—	—	—	—	—
From dividends	—	—	—	—	—	—
From capital gains	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
Total distributions to Shareholders⁽³⁾	—	—	—	—	—	—
Net assets, end of the period	\$ 6.49	\$ 8.40	\$ 10.57	\$ 7.23	\$ 3.15	\$ 6.72

- (1) This information is derived from the Fund's interim unaudited and audited annual financial statements. The net assets per unit presented in the financial statements differ from the net asset value per unit calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements]
- (2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the average number of units outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional units of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	28,259	35,950	38,703	24,038	4,713	13,553
Number of units outstanding ⁽¹⁾	4,356,778	4,237,731	3,636,859	3,289,635	1,480,689	2,006,235
Management expense ratio ⁽²⁾	1.45%	1.50%	9.91%	2.29%	4.10%	1.89%
Management expense ratio before waivers or absorptions	1.45%	1.50%	9.91%	2.29%	4.10%	1.89%
Trading expense ratio ⁽³⁾	0.20%	0.26%	0.29%	0.46%	0.34%	0.26%
Portfolio turnover rate ⁽⁴⁾	16.38%	54.82%	70.29%	89.37%	65.94%	56.05%
Net asset value per unit	\$ 6.49	\$ 8.48	\$ 10.64	\$ 7.31	\$ 3.18	\$ 6.76

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

MANAGEMENT AND PERFORMANCE FEES

The Fund pays a monthly management fee equal to 1/12 of 2% of the net asset value of the Fund calculated and paid at the end of each month in arrears for series A and B units and a monthly management fee equal to 1/12 of 1% of the net asset value of the Fund calculated and paid at the end of each month in arrears for series F units.

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 unitholders. As the Fund has more than one series of units, the unitholders 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 uses the management fees to pay for sales and trailing commissions to registered dealers.

	Series A	Series B	Series F
Annual Rates	2.00%	2.00%	1.00%
As a percentage of management fees			
Dealer Compensation	25%	50%	-
Investment management, admin & other	75%	50%	100%

The Fund pays a performance fee if the percentage gain in the net asset value of a series of the Fund (as adjusted for any prior return deficiencies) over the preceding calendar quarter or quarters since a performance fee was last payable exceed the percentage gain or loss of the benchmark (the "Benchmark") over the same period. The Benchmark for the Fund is the S&P/TSX Composite Index. The fee is equal to this excess return per unit multiplied by the number of units outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per unit of the Fund (including distributions) is greater than all previous values at the end of each previous calendar quarters. The starting reference point for the next calendar quarter's calculation will be based on the higher of either the Benchmark performance adjusted net asset value per unit or the adjusted actual net asset value per unit, both with respect to the previous quarter in which a performance fee was payable.

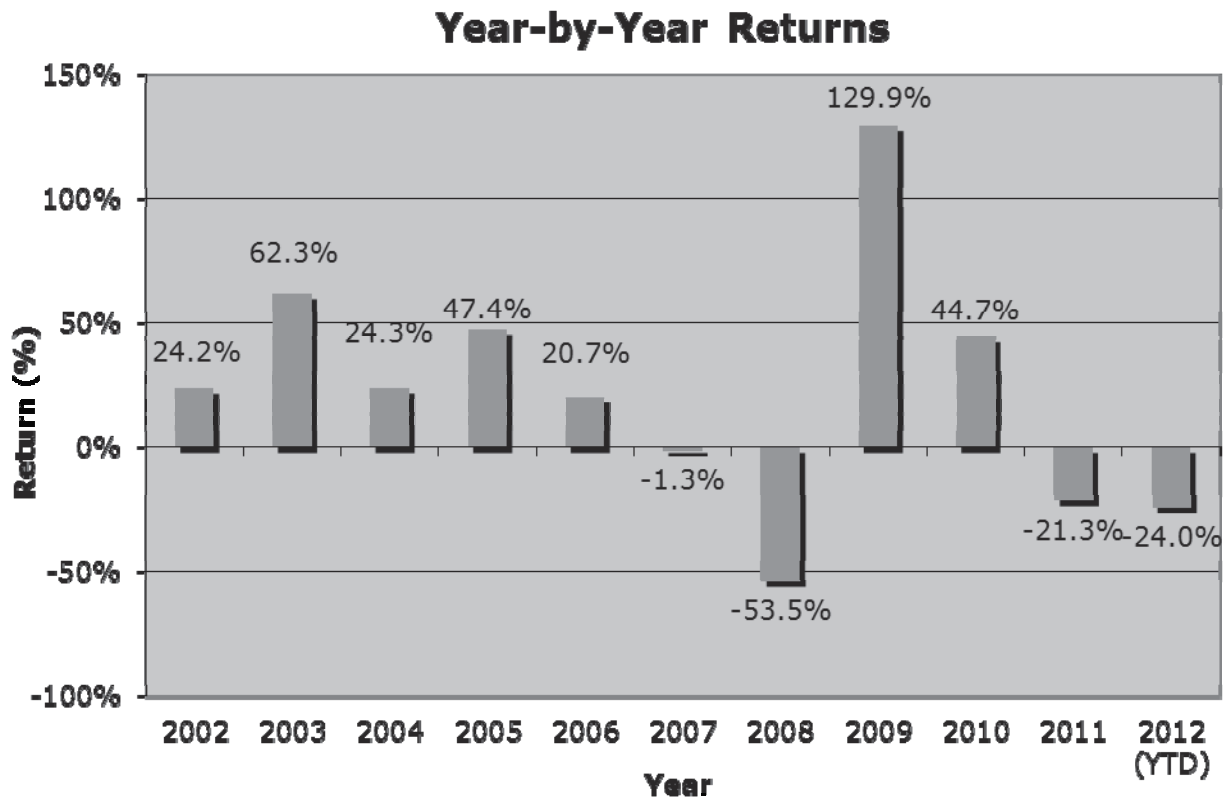
PAST PERFORMANCE

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.

YEAR-BY-YEAR RETURNS



Summary of Investment Portfolio as at June 30, 2012

Portfolio by Category

	% of Net Assets
Cash and cash equivalents	<u>7.7%</u>
Long positions in equities	
Energy	66.0%
Materials	8.4%
United States	7.7%
Australia	2.7%
Industrials	2.6%
Corporate Bonds	2.3%
Brazil	1.1%
Financials	0.9%
Utilities	0.7%
United Kingdom	<u>0.3%</u>
Total long positions in equities	92.7%
Short Positions - Energy	<u>(0.2)%</u>
Total cash and investment portfolio	100.2%
Excess of liabilities over other assets	<u>(0.2)%</u>
Total net assets	100.0%

Top 25 Holdings

	% of Net Assets
Laricina Energy Limited	9.2%
CanElsion Drilling Inc.	7.2%
PHX Energy Services Corporation	7.0%
Whitecap Resources Inc.	6.8%
Athabasca Oil Corporation	6.7%
The Dow Chemical Company	6.4%
Ensign Energy Services Inc.	5.8%
Angle Energy Inc.	4.8%
Southern Pacific Resource Corporation	3.3%
Crew Energy Inc.	2.9%
Trican Well Service Limited	2.7%
North West Upgrading Inc.	2.6%
Gasfrac Energy Services Inc.	2.3%
Xinergy Limited	2.1%
Western Areas NL	1.9%
Calfrac Well Services Limited	1.9%
Calmena Energy Services Inc.	1.5%
Capstone Mining Corporation	1.4%
Sirocco Mining Inc.	1.4%
HudBay Minerals Inc.	1.4%
Lithium Americas Corporation	1.3%
Xinergy Corporation *	1.2%
HRT Participacoes em Petroleo SA	1.1%
Banro Corporation*	1.1%
United States Steel Corporation	<u>1.0%</u>
	84.8%
TOTAL TRANSACTIONAL NET ASSET VALUE (000)	\$250,250

* - Debt Instruments

The information contained in the foregoing list may change due to the ongoing portfolio transactions of the Fund. A quarterly update may be obtained by contacting FSC.



INTERIM FINANCIAL STATEMENTS

FRONT STREET GROWTH FUND

FOR THE SIX MONTHS ENDED JUNE 30, 2012

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 GROWTH FUND

STATEMENT OF NET ASSETS AS AT JUNE 30, 2012 (UNAUDITED) AND DECEMBER 31, 2011(AUDITED)

	2012	2011
ASSETS		
Investments, at fair value (cost - \$280,212,946: 2011- \$317,150,465)	\$ 232,095,913	\$ 333,063,985
Cash and cash equivalents	19,243,270	8,183,898
Accounts receivable relating to portfolio assets sold	1,746	1,690,000
Accounts receivable relating to units issued	199,304	433,910
Accounts receivable relating to accrued income	761,326	1,109,591
	<u>\$ 252,301,559</u>	<u>\$ 344,481,384</u>
LIABILITIES		
Obligations from portfolio assets sold short, at fair value	\$ 428,620	\$ 8,601,228
Accrued expenses	749,297	889,026
Accounts payable relating to units redeemed	772,987	352,112
	<u>1,950,904</u>	<u>9,842,366</u>
Net assets representing unitholders' equity	<u>\$ 250,350,655</u>	<u>\$ 334,639,018</u>
Net assets applicable to outstanding units allocated as follows:		
Net assets, Series A	\$ 101,088,515	\$ 129,499,681
Units outstanding, Series A, note 3	16,546,681	16,272,621
Net assets per unit, Series A	<u>\$ 6.11</u>	<u>\$ 7.96</u>
Net assets, Series B	\$ 120,992,178	\$ 169,523,789
Units outstanding, Series B, note 3	19,817,284	21,316,936
Net assets per unit, Series B	<u>\$ 6.11</u>	<u>\$ 7.95</u>
Net assets, Series F	\$ 28,269,962	\$ 35,615,548
Units outstanding, Series F, note 3	4,356,778	4,237,731
Net assets per unit, Series F	<u>\$ 6.49</u>	<u>\$ 8.40</u>

Approved on behalf of Front Street Capital 2004, The Manager:



Gary P. Selke
Management Committee Member



Normand G. Lamarche
Management Committee Member

See accompanying notes to the financial statements

FRONT STREET GROWTH FUND

STATEMENT OF OPERATIONS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2012 & 2011(UNAUDITED)

	2012	2011
Investment income		
Dividends	\$ 2,090,764	\$ 1,377,785
Interest	668,992	858,649
Less: foreign withholding taxes	<u>(55,304)</u>	<u>(35,454)</u>
	<u>2,704,452</u>	<u>2,200,980</u>
Expenses		
Management fees, note 4 and 6	3,330,820	4,631,818
Administration fees	414,095	343,136
Unitholder reporting costs	47,434	17,356
Custodial fees	33,737	45,259
Audit fees	24,836	19,836
Legal fees	19,891	19,836
Independent review committee	<u>7,968</u>	<u>9,917</u>
	<u>3,878,781</u>	<u>5,087,158</u>
Net investment loss for the period	<u>(1,174,329)</u>	<u>(2,886,178)</u>
Realized and unrealized gains (losses) on investments		
Net realized gain (loss) on sale of investments	(13,701,145)	18,027,623
Transaction costs, note 5 and 6	(316,557)	(492,961)
Change in the unrealized depreciation of the value of investments	<u>(62,088,886)</u>	<u>(15,777,904)</u>
Net gain (loss) on investments for the period	<u>(76,106,588)</u>	<u>1,756,758</u>
Decrease in net assets from operations for the period	<u>\$ (77,280,917)</u>	<u>\$ (1,129,420)</u>
Increase (decrease) in net assets from operations applicable to outstanding units allocated as follows:		
Decrease in net assets from operations, Series A	\$ (30,849,445)	\$ (20,073)
Decrease in net assets from operations per unit, Series A	<u>\$ (1.87)</u>	<u>\$ 0.00</u>
Decrease in net assets from operations, Series B	\$ (37,824,560)	\$ (1,201,829)
Decrease in net assets from operations per unit, Series B	<u>\$ (1.82)</u>	<u>\$ (0.05)</u>
Increase (decrease) in net assets from operations, Series F	\$ (8,606,912)	\$ 92,482
Increase (decrease) in net assets from operations per unit, Series F	<u>\$ (1.97)</u>	<u>\$ 0.02</u>

See accompanying notes to the financial statements

FRONT STREET GROWTH FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2012 & 2011(UNAUDITED)

	2012	2011
Series A		
Net assets, beginning of period	\$ 129,499,681	\$ 137,146,688
Net decrease in net assets from operations	(30,849,445)	(20,073)
Unitholder transactions		
Capital contributions	9,885,830	39,182,736
Redemptions	(7,447,551)	(12,334,524)
	2,438,279	26,848,212
Net increase (decrease) in net assets for the period	(28,411,166)	26,828,139
Net assets, end of period	\$ 101,088,515	\$ 163,974,827
Series B		
Net assets, beginning of period	\$ 169,523,789	\$ 192,918,591
Net increase (decrease) in net assets from operations	(37,824,560)	(1,201,829)
Unitholder transactions		
Capital contributions	8,386,262	69,063,299
Redemptions	(19,093,313)	(24,446,768)
	(10,707,051)	44,616,531
Net increase (decrease) in net assets for the period	(48,531,611)	43,414,702
Net assets, end of period	\$ 120,992,178	\$ 236,333,293

FRONT STREET GROWTH FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2012 & 2011(UNAUDITED)

	2012	2011
Series F		
Net assets, beginning of period	\$ 35,615,548	\$ 38,435,573
Net increase (decrease) in net assets from operations	(8,606,912)	92,482
Unitholder transactions		
Capital contributions	4,337,374	12,578,103
Redemptions	(3,076,048)	(3,906,592)
	1,261,326	8,671,511
Net increase (decrease) in net assets for the period	(7,345,586)	8,763,993
Net assets, end of period	\$ 28,269,962	\$ 47,199,566
Total		
Net assets, beginning of period	\$ 334,639,018	\$ 368,500,852
Net decrease in net assets from operations	(77,280,917)	(1,129,420)
Unitholder transactions		
Capital contributions	22,609,466	120,824,138
Redemptions	(29,616,912)	(40,687,884)
	(7,007,446)	80,136,254
Net increase in net assets for the period	(84,288,363)	79,006,834
Net assets, end of period	\$ 250,350,655	\$ 447,507,686

See accompanying notes to the financial statements

**FRONT STREET GROWTH FUND
STATEMENT OF INVESTMENT PORTFOLIO
AS AT JUNE 30, 2012 (UNAUDITED)**

	Number of Shares/ Units	Cost \$	Fair Value \$
Long positions (92.7%)			
Domestic (78.1%)			
Energy (65.6%)			
Angle Energy Inc.	3,683,142	\$ 26,821,723	\$ 11,786,054
Athabasca Oil Corporation	1,503,379	17,962,811	16,747,642
Calfrac Well Services Limited	208,416	5,034,944	4,735,212
Calmena Energy Services Inc.	20,662,277	4,359,740	3,719,210
CanElson Drilling Inc.	4,393,969	15,415,762	18,015,273
Crew Energy Inc.	1,273,995	15,163,939	7,312,731
Denison Mines Corporation	1,000,000	1,961,600	1,340,000
Ensign Energy Services Inc.	1,041,814	17,401,567	14,543,723
Gasfrac Energy Services Inc.	1,861,422	13,627,797	5,677,337
Laricina Energy Limited Private Placement	765,804	12,909,120	22,974,120
P1 Energy Corporation Private Placement	583,033	1,749,099	699,640
Pacific Coal Resources Limited Warrants March 14, 2016	700,000	-	3,500
PHX Energy Services Corporation	2,183,894	20,942,375	17,187,245
Precision Drilling Corporation	83,238	665,405	571,013
Progress Energy Resources Corporation	89,100	1,009,004	1,787,346
Southern Pacific Resource Corporation	6,439,974	8,314,006	8,178,767
Trican Well Service Limited	578,430	8,562,579	6,767,631
Whitecap Resources Inc.	2,521,286	16,122,855	16,917,829
Xinergy Limited	3,746,247	10,532,311	5,169,821
		<u>198,556,637</u>	<u>164,134,094</u>
Materials (8.3%)			
Banro Corporation Warrants March 2, 2017	148,800	\$ 266,628	\$ 190,103
Barisan Gold Corporation	314,750	118,031	51,934
Barisan Gold Corporation Warrants September 26, 2013	140,438	-	4,564
Capstone Mining Corporation	1,581,789	4,715,334	3,479,936
Conifex Timber Inc.	316,690	2,602,049	2,216,830
East Asia Minerals Corporation	1,123,500	281,156	286,493
Golden Predator Corporation	3,750,000	2,520,000	1,387,500
HudBay Minerals Inc.	440,235	4,411,155	3,442,638
Lithium Americas Corporation	3,715,340	6,312,671	3,343,806
Sherritt International Corporation	357,789	2,468,006	1,753,166
Sirocco Mining Inc.	4,100,000	4,920,000	3,321,000
Wildcat Silver Corporation	1,800,000	2,279,000	1,332,000
		<u>30,894,030</u>	<u>20,809,970</u>
Industrial (2.6%)			
Northwest Upgrading Inc.	3,112,500	5,072,013	6,536,250
Utilities (0.7%)			
GWR Global Water Resources Corporation	438,517	3,290,612	1,271,699
Trilliant Inc. Restricted	671,939	488,570	403,163
		<u>3,779,182</u>	<u>1,674,862</u>

**FRONT STREET GROWTH FUND
STATEMENT OF INVESTMENT PORTFOLIO
AS AT JUNE 30, 2012 (UNAUDITED)**

	Number of Shares/ Units	Cost \$	Fair Value \$
Financial Services (0.9%)			
Delavaco Properties Inc. Restricted	1,000,000	1,000,000	1,000,000
GMP Capital Inc.	225,000	1,367,172	1,255,500
		<u>2,367,172</u>	<u>2,255,500</u>
Total Domestic		<u>\$ 240,669,034</u>	<u>\$ 195,410,676</u>
Global (12.4%)			
Australia (2.7%)			
Mirabela Nickel Limited	8,126,000	2,701,895	2,112,760
Western Areas NL	1,100,000	5,743,945	4,612,111
		<u>8,445,840</u>	<u>6,724,871</u>
Brazil (1.7%)			
HRT Participacoes em Petroleo SA	885,000	2,637,887	2,808,926
HRT Participacoes em Petroleo SA Warrants December 7, 2013	8,850	-	1,404,373
		<u>2,637,887</u>	<u>4,213,299</u>
United Kingdom (0.3%)			
Touchstone Gold Limited Restricted	3,703,703	\$ 1,598,185	\$ 843,580
United States (7.7%)			
Huntsman Corporation	44,800	555,593	590,639
The Dow Chemical Company	500,736	15,623,028	16,065,385
United States Steel Corporation	125,000	3,657,868	2,622,262
		<u>19,836,489</u>	<u>19,278,286</u>
Total Global		<u>\$ 32,518,401</u>	<u>\$ 31,060,036</u>
Corporate Bonds (2.2%)			
Banro Corporation 10.000% March 1, 2017	3,100,000	2,830,121	2,724,147
Xinergy Corporation 9.250% May 15, 2019	4,338,872	4,195,390	2,901,054
		<u>7,025,511</u>	<u>5,625,201</u>
Total Corporate Bonds		<u>\$ 7,025,511</u>	<u>\$ 5,625,201</u>
Total Long Positions		<u>\$ 280,212,946</u>	<u>\$ 232,095,913</u>

**FRONT STREET GROWTH FUND
STATEMENT OF INVESTMENT PORTFOLIO
AS AT JUNE 30, 2012 (UNAUDITED)**

	Number of Shares/ Units	Cost \$	Fair Value \$
Short Position (-0.2%)			
Domestic (-0.2%)			
Energy (-0.2%)			
iShares S&P/TSX Capped Energy Fund	(29,000)	<u>(769,153)</u>	<u>(428,620)</u>
Total Domestic Short Position		<u>\$ (769,153)</u>	<u>\$ (428,620)</u>
Total Short Position		<u>\$ (769,153)</u>	<u>\$ (428,620)</u>
Transaction costs		<u>(643,682)</u>	
Total Investments (92.5%)		<u>\$ 278,800,111</u>	231,667,293
Cash and cash equivalents (7.7%)			19,243,270
Other assets less liabilities (-0.2%)			<u>(559,908)</u>
Net assets (100.0%)			<u>\$ 250,350,655</u>

See accompanying notes to financial statements.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

1. THE FUND

Front Street Growth Fund (formerly Front Street Small Cap Canadian Fund) (the "Fund") changed its name pursuant to a special resolution of the Fund passed on June 20, 2008. The Fund is an open-ended mutual fund trust which was created under the laws of the Province of British Columbia on July 26, 1985.

The Fund is managed by Front Street Capital 2004 (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. RBC Dexia Investor Services Trust is the trustee (the "Trustee") and custodian of the Fund. Citigroup Fund Services Canada, Inc. provides unitholder recordkeeping services and fund accounting services.

The Fund's principal investment objective is to seek capital appreciation primarily through investment in equity securities of a diversified group of publicly traded companies and to a lesser extent in equity securities of a diversified group of private companies, subject to prescribed limits on illiquid investments.

The Fund is not a mutual fund for securities law purposes. As a result, certain of the protection provided to investors in mutual funds under such laws are not available to investors in the units.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The following is a summary of the significant accounting policies followed by the Fund:

a) Financial instruments

Investments, at fair value, obligations from portfolio assets sold short, at fair value and futures contracts, at fair value have been classified as held for trading. Accounts receivable relating to portfolio assets sold, amounts receivable relating to units issued, and amounts receivable relating to accrued income have been classified as loans and receivables. Bank indebtedness, accounts payable relating to units redeemed, accrued expenses, performance fees payable and liabilities for portfolio assets purchased have been classified as other financial liabilities.

The Canadian Securities Administrators adopted changes to National Instrument 81-106 on Investment Fund Continuous Disclosure. The changes are essentially aimed at modifying the requirements pertaining to the calculation of the unit value due to the inclusion of Section 3855, Financial Instruments - Recognition and Measurement of the CICA Handbook. These changes allow the Fund to report two distinct net asset values: one for the financial statements, which is calculated in accordance with Canadian GAAP (called "net assets") and another for all other purposes, such as unit pricing (called "net asset value"). A reconciliation between the net assets per unit and the net asset value per unit is required (see note 9) as well as description of the differences between the valuation principles and practices used by the Manager to calculate the net asset value and those prescribed by Canadian GAAP.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

b) Valuation of investments

- i) Investments listed on an exchange are valued at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The difference between this amount and cost is shown as the change in the unrealized appreciation (depreciation) of the value of investments. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques to be used in the determination of fair value. When current market prices or quotations are not readily available, valuations are established using specific procedures in order to estimate what the fair value would be, in an arms length transaction, motivated by normal business considerations. Valuation techniques principally include the use of the last publicly traded price, the issuance price of the securities at the date of the most recent financing of the entity or a price established by the Manager in accordance with its fair value policy.

- ii) Investments which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided in paragraphs (i) above less a discount of 2% per month up to four months.

The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been established had a ready market existed for these investments.

- iii) Trust units are valued at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The cost of the trust units is reduced on an annual basis by distributions from the trust and increased by the annual income allocated to the units by the trust.
- iv) Investments in mutual funds or pooled funds are valued based on the net asset value per unit at the close of the trading on the financial statement date.
- v) The Fund values its investments in limited partnerships at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The Fund calculates the cost value of its investment in limited partnerships using the equity method. Under this method, the limited partnership investments are recorded at cost plus the Fund's pro rata share in undistributed earnings since acquisition.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

b) Valuation of investments (Continued...)

- vi) The Fund may make short sales whereby a security that it does not own is sold in anticipation of a decline in the fair value of the security. Securities which are sold short are valued at the last ask price reported by the principal securities exchange on which the issue is traded on the financial statement date. To enter a short sale, the Fund may need to borrow the security for delivery to the buyer.

While the transaction is open, the Fund will also incur a liability for any paid dividends or interest which are due to the lender of the security.

- vii) The Fund invests in derivatives which represent financial instruments which may require little or no initial investment and which are settled in the future. These investments are commonly referred to as options or futures contracts. Futures contracts listed upon a principal exchange are valued at their last bid price (for long contracts) and last ask price (for short contracts) at the financial statement date. Contracts with no available bid and ask prices are valued at the fair value as determined by the Manager.

c) Financial instruments disclosure and presentation and fair value measurements

The Fund has adopted CICA Handbook Sections 3862, Financial Instruments - Disclosures and 3863, Financial Instruments - Presentation, which have replaced Section 3861, Financial Instruments - Disclosure and Presentation. These new standards place increased emphasis on disclosures with respect to the nature and extent of risks arising from financial instruments and how the Fund has managed those risks. See note 10 for additional details.

The Fund adopted the amendments to CICA 3862, Financial Instruments – Disclosures. CICA 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on the inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

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

See note 12 for additional details.

These changes have no impact on the net assets, results of operations or changes in net assets of the Fund.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

d) Transaction costs

Portfolio transaction costs are expensed and are included in "Transaction costs" in the Statement of Operations. 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 Statement of Investment Portfolio includes only those transaction costs incurred on the acquisition of portfolio investments.

e) Cash and cash equivalents

Cash and cash equivalents consist of cash balances with banks and highly liquid short-term investments with original terms to maturity of less than three months.

f) Bank indebtedness

Bank indebtedness is the balance of a margin account representing cash loans with the brokers which are secured by the underlying investments owned by the Fund. Bank indebtedness is shown net of cash and cash equivalents since both the margin account and cash and cash equivalents accounts are maintained with the same custodian.

g) Investment transactions and income recognition

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

Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date.

h) Income taxes

The Fund presently qualifies as a mutual fund trust under the Income Tax Act (Canada) and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund allocates to its unitholders sufficient net income and net realized capital gains so that it will not be subject to income taxes. Foreign income received is subject to foreign withholding taxes.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

i) Foreign currency translation

Income, expenses and investment transactions in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the dates of such transactions. Assets and liabilities in foreign currencies are translated into Canadian dollars at the closing exchange rates on each valuation day.

j) Net increase (decrease) in net assets from operations per unit

Net increase (decrease) in net assets from operations per unit are based on the increase (decrease) in net assets from operations attributable to each series of units divided by the average number of units outstanding of that series during the period.

k) Net assets 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 the series outstanding at the end of the period.

l) Capital disclosures

The Fund has adopted CICA Handbook Section 1535, Capital Disclosures, which requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. See note 11 for additional details.

m) General standards on financial statement presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The Manager of the Fund has made this assessment and concluded that there are currently no material uncertainties that cast doubt on the Fund's ability to continue as a going concern.

n) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the fair value of the Fund's investment in private companies and the fair value of the Fund's investment in corporate warrants which are not traded in active markets. Actual results may differ from those estimates.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

o) Future accounting pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, which have potential implications for the Fund, are as follows:

International financial reporting standards ("IFRS")

Effective for its fiscal year commencing January 1, 2014, the Fund must adopt IFRS. In preparation thereof, the Manager continues to monitor and implement the Fund's changeover plan and will continue to assess the impact on the implementation as new IFRS guidance become available from the International Accounting Standards Board ("IASB").

The Manager has reviewed the current IFRS against the Fund's current accounting policies and financial statement presentation under Canadian generally accepted accounting principles ("Canadian GAAP"), and the following areas of differences have been identified:

- (a) IAS 32, Financial Instruments: Disclosure and Presentation, requires shareholders' equity to be classified as liability unless certain criteria are met.
- (b) IFRS 13, Fair Value Measurements, that was released in May 2011 provides guidance on the fair value measurements and allows for the possible use of closing prices to value investments.

The Manager is monitoring these developments and will assess the impact of any changes in accounting policies or financial statement presentation as necessary to determine an appropriate approach.

The anticipated impact of IFRS on accounting policies and implementation decisions will be on the financial statement presentation and note disclosures in the Fund's financial statements. In particular, the Fund will be required to present a statement of shareholders' equity and a statement of cash flows, and will be required to include certain additional and enhanced disclosures. In addition, the impact due to IFRS 13 mentioned above may result in the elimination of the difference between the Net assets per unit and Net asset value per unit at the financial statement reporting dates.

The Fund's changeover plan includes key activities in (a) preparation of financial statements, (b) information processing and record-keeping, (c) business policy assessment and (d) systems and controls. Based on the Manager's current analysis, the Manager believes the changeover to IFRS will not materially affect the Fund's existing business arrangements.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

3. UNITS ISSUED AND OUTSTANDING

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

Series A units

Redemption fees payable to the Manager may be applicable upon the sale of units of this series based on the original cost amount and the time to disposition. A redemption fee of 5% applies to units of this series sold within the first year following acquisition. A redemption fee of 3% applies to units of this series sold within the second year following acquisition. A redemption fee of 1.5% applies to units of this series sold within the third year following acquisition. No redemption fee applies to units of this series sold after the third year following acquisition.

Series B units

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

Series F units

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

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

The following unit transactions took place during the six months period ended June 30:

	2012	2011
Units outstanding, beginning of the period:		
Series A	16,272,621	13,531,055
Series B	21,316,936	19,038,235
Series F	4,237,731	3,636,859
Units issued during the period:		
Series A	1,265,599	3,613,600
Series B	1,067,242	6,345,597
Series F	515,111	1,108,260
Units redeemed during the period:		
Series A	991,539	1,153,419
Series B	2,566,894	2,318,435
Series F	396,064	355,019
Units outstanding, end of the period:		
Series A	16,546,681	15,991,236
Series B	19,817,284	23,065,397
Series F	4,356,778	4,390,100

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

4. MANAGEMENT AND PERFORMANCE FEES

The Fund pays a monthly management fee equal to 1/12 of 2% of the net asset value of the Fund calculated and paid at the end of each month in arrears for series A and B units and a monthly management fee equal to 1/12 of 1% of the net asset value of the Fund calculated and paid at the end of each month in arrears for series F units.

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 unitholders. As the Fund has more than one series of units, the unitholders 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 Fund pays a performance fee if the percentage gain in the net asset value of a series of the Fund (as adjusted for any prior return deficiencies) over the preceding calendar quarter or quarters since a performance fee was last payable exceed the percentage gain or loss of the benchmark (the "Benchmark") over the same period. The Benchmark for the Fund is the S&P/TSX Composite Index. The fee is equal to this excess return per unit multiplied by the number of units outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per unit of the Fund (including distributions) is greater than all previous values at the end of each previous calendar quarter. The starting reference point for the next calendar quarter's calculation will be based on the higher of either the Benchmark performance adjusted net asset value per unit or the adjusted actual net asset value per unit, both with respect to the previous quarter in which a performance fee was payable.

5. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to security transactions for the period ended June 30, 2012 was \$316,557 (June 30, 2011- \$492,961).

6. RELATED PARTY TRANSACTIONS

Management fees of \$3,330,820 (June 30, 2011 - \$4,631,818) were paid to the Manager during the period (see note 4). Included in accrued expenses are \$481,726 (December 31, 2011 - \$588,142) of management fees payable to the Manager.

336,114 (December 31, 2011- 522,772) of series B units outstanding at period end representing 1.70% (December 31, 2011- 2.45%) of the total series B units of the Fund are held by the Partners of the Manager. 16,261 (December 31, 2011- 16,261) of series B units outstanding at period end representing 0.08% (December 31, 2011- 0.08%) of the total series B units of the Fund are held by relatives of the Partners of the Manager.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

6. RELATED PARTY TRANSACTIONS (Continued...)

41,543 (December 31, 2011 – 41,543) of series F units outstanding at period end representing 0.95% (December 31, 2011– 0.98%) of the total series F units of the Fund are held by the Partners of the Manager. 185,259 (December 31, 2011- 193,068) of series F units outstanding at period end representing 4.25% (December 31, 2011- 4.56%) of the total series F units of the Fund are held by relatives of the Partners of the Manager.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution only basis. During the period ended June 30, 2012, Tuscarora Capital Inc., a company under common control to the Manager, received \$Nil (June 30, 2011- \$9,040) in commissions on portfolio transactions for the Fund.

Management fees and performance fees are measured at the exchange amount of consideration prescribed by the offering documents of the Fund. When related parties enter unitholder transactions with the Fund, the exchange amount of consideration is the transactional NAV available to all other unitholders on the trade date. In the case of brokerage commissions, the exchange amount of consideration is that which is negotiated by the related parties.

7. DISTRIBUTION POLICY

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

8. INDEMNIFICATION OF THE MANAGER

The Fund, pursuant to the Trust Agreement, will indemnify the Manager, its partners, directors, officers, employees and agents out of the Trust Property from all claims that may arise in connection with the exercise of its duties as Manager if they do not result from the Manager's willful misconduct, bad faith, gross negligence or reckless disregard of its duties, or breach of its obligations as manager under the Trust Agreement.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

9. RECONCILIATION OF NET ASSET VALUE - ADOPTION OF NEW ACCOUNTING POLICY - FINANCIAL INSTRUMENTS

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the transactional net asset value ("NAV") and net assets calculated using Canadian generally accepted accounting principles ("GAAP NA") of an investment fund is required. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) and ask prices (for investments sold) to be used in the fair valuation of investments, rather than the use of closing trade prices currently used for the purpose of determining transactional NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques (see note 2) rather than the use of valuation techniques in general practice in the investment funds industry.

These changes account for the difference between transactional NAV and GAAP NA. The impact of the adoption of Section 3855 on the net asset value of the Fund is as follows:

As at June 30, 2012

	<u>Net Asset Value</u>			<u>Net Assets per Unit</u>	
	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV	GAAP NA
Series A	\$ 101,047,999	\$ (40,516)	\$ 101,088,515	\$ 6.11	\$ 6.11
Series B	120,943,697	(48,481)	120,992,178	6.10	6.11
Series F	28,258,632	(11,330)	28,269,962	6.49	6.49
Total Net Asset Value	\$ 250,250,328	\$ (100,327)	\$ 250,350,655		

As at December 31, 2011

	<u>Net Asset Value</u>			<u>Net Assets per Unit</u>	
	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV	GAAP NA
Series A	\$ 130,716,333	\$ (1,216,652)	\$ 129,499,681	\$ 8.03	\$ 7.96
Series B	171,116,843	(1,593,054)	169,523,789	8.03	7.95
Series F	35,949,589	(334,041)	35,615,548	8.48	8.40
Total Net Asset Value	\$ 337,782,765	\$ (3,143,747)	\$ 334,639,018		

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

10. FINANCIAL INSTRUMENTS

The Fund's assets and liabilities classified in accordance with CICA Handbook Section 3855 are as follows:

	As at June 30, 2012 (unaudited)	As at December 31, 2011 (audited)
Assets		
Held for trading	\$ 232,095,913	\$ 333,063,985
Cash and cash equivalents	19,243,270	8,183,898
Loans and receivables	<u>962,376</u>	<u>3,233,501</u>
Total Assets	<u>252,301,559</u>	<u>344,481,384</u>
Liabilities		
Held for trading	428,620	8,601,228
Other financial liabilities at amortized cost	<u>1,522,284</u>	<u>1,241,138</u>
Total liabilities	<u>1,950,904</u>	<u>9,842,366</u>
Net Assets	<u>\$ 250,350,655</u>	<u>\$ 334,639,018</u>

The Fund's financial instruments consist of investments at fair value, accounts receivable relating to portfolio assets sold, accounts receivable relating to units issued, amounts receivable relating to accrued income, cash and cash equivalents, bank indebtedness, obligations from portfolio assets sold short, at fair value, accounts payable relating to units redeemed, accrued expenses, performance fees payable, liabilities for portfolio assets purchased, and future contracts, at fair value. 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 and credit risks arising from these financial instruments except as described below. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Risk management

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.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

10. FINANCIAL INSTRUMENTS (Continued...)

The Fund's investment activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The Statement of Investment Portfolio presents the securities held by the Fund as at December 31, 2011, and groups the securities by asset type, sector and/or market segment. Significant risks that are relevant to the Fund are discussed below.

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, 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.

Included in the undernoted accounts are the following foreign currency balances:

Currency	Marketable securities	Cash	Total	Percentage of GAAP NA
Brazilian Real	\$ 4,213,298	\$ -	\$ 4,213,298	1.68%
British Pound	843,580	-	843,580	0.34%
United States Dollar	25,093,590	4,910,660	30,004,250	11.99%
Australian Dollar	<u>4,612,111</u>	<u>-</u>	<u>4,612,111</u>	<u>1.84%</u>
	<u>\$ 34,762,579</u>	<u>\$ 4,910,660</u>	<u>\$ 39,673,239</u>	<u>15.85%</u>

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

10. 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 June 30, 2012, there were investments in short-term investments representing 0.80% (December 31, 2011 – 1.2%) of the investments owned, all maturing in less than 30 days. As at June 30, 2012, there were investments in corporate bonds representing 2.2% (December 31, 2011-3.3%) of the investments owned, maturing ranging from 2017 to 2019. The remaining portion of the Fund's investments are substantially non-interest bearing equity investments and its exposure to interest rate changes is minimal.

Financial assets	Floating Rate Financial Assets	Fixed Rate Financial Assets	Non-interest bearing	Total
Held for trading	\$ -	\$ 5,625,201	\$ 226,470,712	\$ 232,095,913
Other receivables	<u>1,998,380</u>	<u>-</u>	<u>18,207,266</u>	<u>20,205,646</u>
Total	<u>\$ 1,998,380</u>	<u>\$ 5,625,201</u>	<u>\$ 244,677,978</u>	<u>\$ 252,301,559</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 428,620	\$ 428,620
Other financial liabilities	<u>-</u>	<u>-</u>	<u>1,522,284</u>	<u>1,522,284</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,950,904</u>	<u>\$ 1,950,904</u>
GAAP NA				<u>\$ 250,350,655</u>

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

10. FINANCIAL INSTRUMENTS (Continued...)

iv) Liquidity risk

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

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

Financial assets	0-12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Held for Trading	\$ -	\$ -	\$ 2,724,147	\$ 2,901,054	\$ 226,470,712	\$ 232,095,913
Other receivables	<u>20,205,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,205,646</u>
Total	<u>\$ 20,205,646</u>	<u>\$ -</u>	<u>\$ 2,724,147</u>	<u>\$ 2,901,054</u>	<u>\$ 226,470,712</u>	<u>\$ 252,301,559</u>
		≡				
Financial liabilities						
Held for Trading	\$ -	\$ -	\$ -	\$ -	\$ 428,620	\$ 428,620
Other financial liabilities	<u>1,522,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,522,284</u>
Total	<u>\$ 1,522,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 428,620</u>	<u>\$ 1,950,904</u>
GAAP NA						<u>\$ 250,350,655</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at June 30, 2012, the fair value of such assets was 12.6% (December 31, 2011 – 12.3%) of the total net assets.

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 GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

10. 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 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 value as recorded in the Fund's Statement of Net Assets.

As at June 30, 2012, the Fund had 2.2% (December 31, 2011 - 3.3%) of holdings in debt instruments on which credit ratings are not available.

11. CAPITAL MANAGEMENT

The Manager considers the Fund's capital to consist of the issued units and the net assets attributable to participating unitholders.

The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Fund's prospectus, while maintaining sufficient liquidity to meet participating unitholder redemptions. The Fund's overall strategy for managing capital remains unchanged from 2011.

The Fund does not have any externally imposed capital requirements.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012 and 2011 (Unaudited)

12. FAIR VALUE HIERARCHY

The following is a summary of the inputs used as of June 30, 2012 in valuing the Fund's investments and derivatives carried at fair values as discussed in note 2(c):

	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
Assets at fair value as at June 30, 2012				
Investments, at fair value	\$ 192,414,920	\$ 8,067,820	\$ 31,613,173	\$ 232,095,913
Liabilities at fair value as at June 30, 2012				
Obligations from portfolio assets sold short, at fair value	\$ 428,620	\$ -	\$ -	\$ 428,620

During the period ended June 30, 2012 reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Equities	Debt Instruments
Balance at January 1, 2012	\$ 36,057,325	\$ 5,084,763
Purchases (sales)	1,000,000	(4,967,652)
Transfers out	-	-
Gains (losses)		
Realized	-	(117,111)
Unrealized	(5,444,152)	-
Balance at June 30, 2012	\$ 31,613,173	\$ -

13. INCOME TAX LOSS CARRYFORWARD

The Fund has \$2,823,758 in capital losses available to be applied against capital gains of future periods. These losses do not expire.



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