



FRONT STREET GROWTH FUND
A FRONT STREET CAPITAL MUTUAL FUND

Interim Management Report of Fund Performance

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Unaudited Interim Financial Statements

JUNE 30, 2013

Interim Management Report of Fund Performance As at June 30, 2013 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 interim (or annual) 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 website at www.frontstreetcapital.com or SEDAR at www.sedar.com.

Securityholders 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 Interim 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 Interim 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 are invested in common shares, and other equity securities. The Fund is exposed to stock market risk. The Fund may invest in relatively illiquid securities, which may expose it to liquidity risk. The Fund is exposed to sector risk due to concentrated investing 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 natural resource companies.

Currency risk had an effect on the Fund's returns. During the First half of the year the Canadian dollar fell 6% versus the US dollar. This should have a positive effect on the income of most Canadian resource companies later into 2013, as most commodities are sold in US dollars.

Equity risk affected the Fund, as market volatility continued. Slower than expected growth in Europe and China cut into demand for commodities, which hurt the performance of resource companies. In terms of sector performance, the TSX Materials and the TSX Energy indices were down 31.5% and 2.1%, respectively, in the first half of 2013.

Interest rate risk was also a factor. Central banks around the world closely monitored economic growth and inflation, before raising interest rates, which had been kept at historically low levels. Easy monetary policy, combined with massive amounts of fiscal stimulus 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. Many companies, who rely on debt to finance expansion, have had to halt such plans, as financing is not currently available.

Political risk remained a significant factor this year, negatively affecting the Fund. Civil unrest in numerous developing countries drove the share prices of companies operating in those regions lower. We also witnessed 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

During the first half of the year the resource sub-indices were among the weakest on the TSX. Although the US economy appears to be gaining some traction, weaker than expected growth continues in Europe and Asia. We continue to see an aversion to small cap stocks with investors seeking the perceived safety and liquidity of larger issuers.

The price of oil remained fairly stable through the first half, mainly trading in a range of \$90-95 US per barrel. World supply and demand remained fairly well balanced, with the only increase in production coming out of North America. Natural gas, which has been weak for several years, saw a sharp recovery early into the spring, before fading to end the half year. Massive inventories that were built up over the last few years in North America have been drawn by strong industrial demand. Many of the strongest performers in the sector have been the energy services companies. Investors are buying these stocks now in anticipation of the massive needs for these services as drilling activity picks up for Canada's emerging liquefied natural gas ("LNG") industry.

Gold sold off dramatically during the half helping to bring down the TSX gold sector by 44% year-to-date. Investors feeling more confident of a recovery in the US economy, and the feeling that the US government will soon stop its stimulus programs, led investors to sell this safe haven metal. Silver also pulled back quite sharply in the first half. Many producing companies are going through corporate reviews as previous questionable acquisitions, and rising costs on the development and production sides are seriously cutting into earnings with a lower commodity price.

During the period ended June 30, 2013, the Fund earned investment income of \$2.7 million from dividends and interest. There were net realized losses on the sale of investments of \$9.9 million and an unrealized depreciation on the value of investments of \$13.5 million.

Operating expenses, excluding management fees totalled \$670,337 during the period ended June 30, 2013.

RECENT DEVELOPMENTS

The Front Street Growth Fund is a thematically-driven portfolio. It looks to identify economic forces and sectors that may be driven by factors such as global economic activity, geopolitical forces, environmental issues and technology themes driven, etc. The Front Street Growth Fund is highly focused on the North American energy theme. A theme we believe is responsible for reshaping North America, driving its reindustrialization and driving its growth acceleration.

Let's look at some of the events so far this year that impacted the strategy. Firstly, on the economic front, the U.S. continues to lead, reporting sound employment, housing and auto sales data during the quarter. China, on the other hand, continues to be of concern for the basic material sector as its economy continues to decelerate.

Geopolitics are at the forefront today with Egypt undergoing its second iteration of government change already since the Arab Spring of 2011. Many parts of Africa are also seeing significant geopolitical/security issues, as the growing Islamist presence is threatening stability. We continue to maintain that the Arab Spring that began in Tunisia and quickly spread to other Middle Eastern and North African countries is a scene that will play out for generations to come as sectarian forces fight for control of power and wealth in the continent. The Egyptian power struggle has driven up the price of crude oil from the lows of \$90 a barrel to over \$105 barrel, currently.

On the environmental front there have been a couple of notable events that will impact industries. The Obama administration laid out its initial thinking with respect to America's power industry. With coal fired plants being the predominant power producer and the largest single source emitter of pollution, the Obama administration policies will likely make the coal fired power business more difficult / expensive to compete with the abundant, cheaper and cleaner natural gas powered alternatives. While this is not a new theme for us, it's clearly a case where public policy is a driver of economic decisions by industries. This is benefiting the natural gas producers as well as the energy service sectors in North America. The second event was the unfortunate rail accident in Quebec. How will politicians in North America react? Will they enact more costly/restrictive policies with respect to oil-by-rail transportation? Or will it drive them to reconsider all pipeline routes as longer term safer cheaper solutions? We continue to believe the latter is the most logical.

On the Industry/Technology scene, there have been a number of announcements on the LNG front alone. South of the border, the Obama administration approved America's second LNG project and it is now under construction. There are over 20 projects in the U.S. under application, waiting for review. In Canada, two new export applications were put in front of the BC government during the quarter, and both Exxon and British Gas filed their proposals to build vary sizable LNG facilities off the Western coast of BC. They are looking to capitalize on the abundant supplies of cheap Natural Gas in Canada by shipping it to markets overseas where it is in high demand. Exxon and British Gas are looking to be the 4th and 5th projects approved in Canada. Three have already been approved for export licenses. This is one of the reasons why we like the Energy Service stocks operating in North America.

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. The Fund's shareholders' equity meets the definition of a puttable instrument. The Manager has assessed the Fund's shareholder structure and has determined the liability treatment is the most appropriate classification.
- (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 has assessed the guidance that will apply under IFRS and has determined that the use of closing market prices is appropriate in valuing investments.

The anticipated impact of IFRS on accounting policies and implementation decisions will predominantly 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 cash flows, and will be required to include certain additional and enhanced disclosures.

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

During the period ended June 30, 2013 and 2012, fees paid to the Manager were as follows:

	2013	2012
Management fees, note 4	<u>\$2,260,459</u>	<u>\$3,330,820</u>

Included in accrued expenses are amounts payable to the Manager as follows:

	June 30 2013	December 31 2012
Management fees payable	<u>\$358,292</u>	<u>\$485,229</u>

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

	June 30 2013	December 31 2012
Series B units held by Partners of the Manager	135,707	286,114
Percentage of Series B units held by Partners of the Manager	0.91%	1.56%
Series B units held by relatives of Partners of the Manager	14,641	16,261
Percentage of Series B units held by relatives of Partners of the Manager	0.10%	0.09%
Series F units held by Partners of the Manager	41,543	41,543
Percentage of Series F units held by Partners of the Manager	1.15%	0.89%
Series F units held by relatives of Partners of the Manager	185,259	185,259
Percentage of Series F units held by relatives of Partners of the Manager	5.14%	3.99%

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, 2013, Tuscarora Capital Inc, a company under common control to the Manager, received \$3,473 (June 30, 2012 - \$Nil) in commissions on portfolio transactions of 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.

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 annual financial statements and from the unaudited interim financial statements for the six-month period ended June 30, 2013.

Series A

The Fund's Net Assets per Unit

	June 30 2013 \$	December 31 ⁽¹⁾ 2012 \$	December 31 ⁽¹⁾ 2011 \$	December 31 ⁽¹⁾ 2010 \$	December 31 ⁽¹⁾ 2009 \$	December 31 ⁽¹⁾ 2008 \$
Net assets, beginning of the period	6.44	7.96	10.14	6.98	3.05	6.56
Increase (decrease) from operations:						
Total revenue	0.08	0.12	0.12	0.07	0.04	0.05
Total expenses	(0.09)	(0.19)	(0.26)	(0.85)	(0.11)	(0.24)
Realized gains (losses) for the period	(0.28)	(0.39)	0.27	1.80	0.49	(0.38)
Unrealized gains (losses) for the period	(0.38)	(1.09)	(2.50)	2.16	3.51	(3.19)
Total increase (decrease) from operations ⁽²⁾	(0.67)	(1.55)	(2.37)	3.18	3.93	(3.76)
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	5.76	6.44	7.96	10.14	6.98	3.05

- (1) This information is derived from the Fund's audited annual financial statements and interim unaudited financial statements. The net assets per security presented in the financial statements differ from the net asset value 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⁾	79,100	103,359	130,716	138,101	88,760	38,871
Number of units outstanding ⁽¹⁾	13,638,490	15,936,692	16,272,621	13,531,055	12,580,413	12,625,181
Management expense ratio ⁽²⁾	2.59%	2.57%	2.65%	10.77%	2.46%	4.20%
Management expense ratio before waivers or absorptions	2.59%	2.57%	2.65%	10.77%	2.46%	4.20%
Trading expense ratio ⁽³⁾	0.27%	0.22%	0.26%	0.29%	0.46%	0.34%
Portfolio turnover rate ⁽⁴⁾	12.06%	46.02%	54.82%	70.29%	89.37%	65.94%
Net asset value per unit (\$)	5.80	6.49	8.03	10.21	7.06	3.08

- (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 necessary a relationship between a high turnover rate and the performance of a fund.

Series B
The Fund's Net Assets per Unit

	June 30 2013 \$	December 31 ⁽¹⁾ 2012 \$	December 31 ⁽¹⁾ 2011 \$	December 31 ⁽¹⁾ 2010 \$	December 31 ⁽¹⁾ 2009 \$	December 31 ⁽¹⁾ 2008 \$
Net assets, beginning of the period	6.44	7.95	10.13	6.98	3.05	6.56
Increase (decrease) from operations:						
Total revenue	0.08	0.12	0.12	0.07	0.04	0.05
Total expenses	(0.09)	(0.18)	(0.26)	(0.83)	(0.11)	(0.24)
Realized gains (losses) for the period	(0.29)	(0.38)	0.32	1.78	0.49	(0.39)
Unrealized gains (losses) for the period	(0.37)	(1.12)	(2.60)	2.05	3.52	(2.94)
Total increase (decrease) from operations ⁽²⁾	(0.67)	(1.56)	(2.42)	3.07	3.94	(3.52)
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	5.76	6.44	7.95	10.13	6.98	3.05

- (1) This information is derived from the Fund's audited annual financial statements and interim unaudited financial statements. The net assets per security presented in the financial statements differ from the net asset value 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⁾	86,072	118,961	171,117	194,261	130,009	53,203
Number of units outstanding ⁽¹⁾	14,847,044	18,352,079	21,316,936	19,038,235	18,426,847	17,279,941
Management expense ratio ⁽²⁾	2.58%	2.55%	2.63%	10.54%	2.45%	4.15%
Management expense ratio before waivers or absorptions	2.58%	2.55%	2.63%	10.54%	2.45%	4.15%
Trading expense ratio ⁽³⁾	0.27%	0.22%	0.26%	0.29%	0.46%	0.34%
Portfolio turnover rate ⁽⁴⁾	12.06%	46.02%	54.82%	70.29%	89.37%	65.94%
Net asset value per unit (\$)	5.80	6.48	8.03	10.20	7.06	3.08

- (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 necessary a relationship between a high turnover rate and the performance of a fund.

Series F
The Fund's Net Assets per Unit

	June 30 2013 \$	December 31 ⁽¹⁾ 2012 \$	December 31 ⁽¹⁾ 2011 \$	December 31 ⁽¹⁾ 2010 \$	December 31 ⁽¹⁾ 2009 \$	December 31 ⁽¹⁾ 2008 \$
Net assets, beginning of the period	6.88	8.40	10.57	7.23	3.15	6.72
Increase (decrease) from operations:						
Total revenue	0.08	0.13	0.12	0.07	0.05	0.05
Total expenses	(0.05)	(0.11)	(0.15)	(0.80)	(0.12)	(0.25)
Realized gains (losses) for the period	(0.30)	(0.40)	0.29	1.85	0.51	(0.40)
Unrealized gains (losses) for the period	(0.42)	(1.19)	(2.69)	2.18	3.56	(3.39)
Total increase (decrease) from operations ⁽²⁾	(0.69)	(1.57)	(2.43)	3.30	4.00	(3.99)
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	6.19	6.88	8.40	10.57	7.23	3.15

- (1) This information is derived from the Fund's audited annual financial statements and interim unaudited financial statements. The net assets per security presented in the financial statements differ from the net asset value 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⁾	22,446	32,185	35,950	38,703	24,038	4,713
Number of units outstanding ⁽¹⁾	3,604,535	4,646,786	4,237,731	3,636,859	3,289,635	1,480,689
Management expense ratio ⁽²⁾	1.50%	1.46%	1.50%	9.91%	2.29%	4.10%
Management expense ratio before waivers or absorptions	1.50%	1.46%	1.50%	9.91%	2.29%	4.10%
Trading expense ratio ⁽³⁾	0.27%	0.22%	0.26%	0.29%	0.46%	0.34%
Portfolio turnover rate ⁽⁴⁾	12.06%	46.02%	54.82%	70.29%	89.37%	65.94%
Net asset value per unit (\$)	6.23	6.93	8.48	10.64	7.31	3.18

- (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 necessary 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 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.

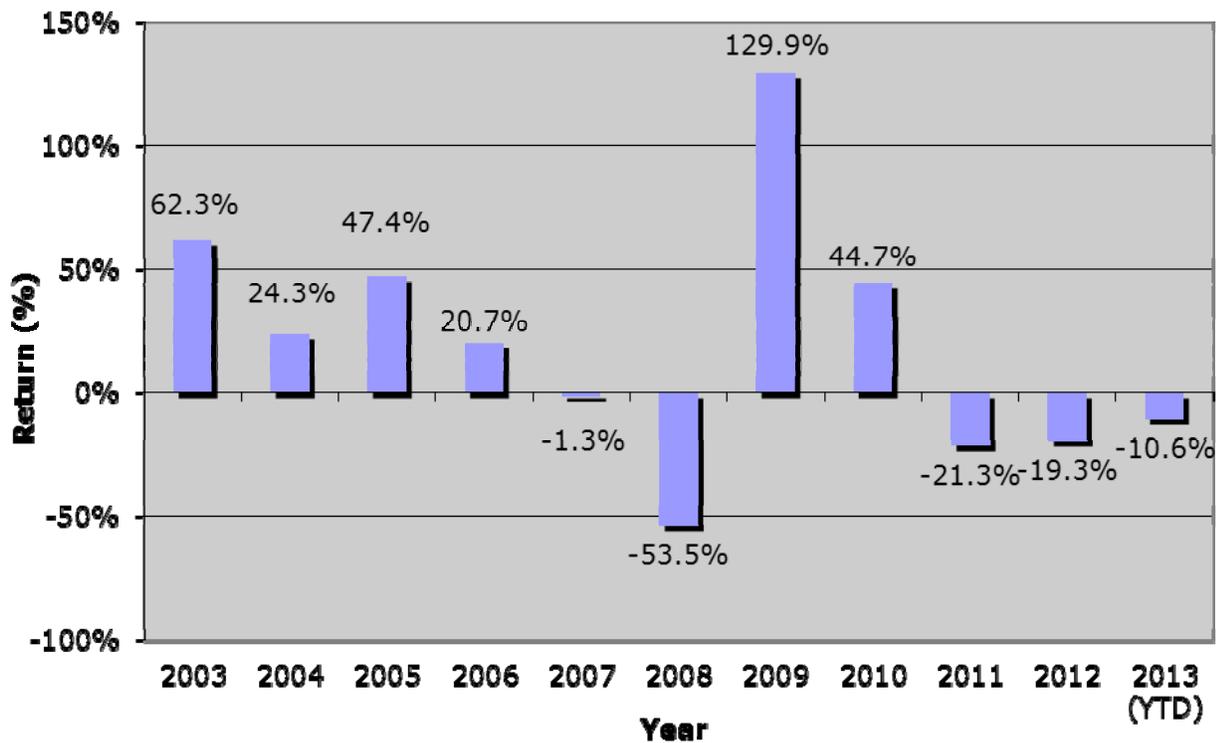
PAST PERFORMANCE

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, 2013

Portfolio by Category

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Energy	77.5%
Materials	16.4%
Corporate Bonds	5.4%
Industrials	3.5%
Cash and cash equivalents	1.7%
Financials	0.5%
Utilities	0.2%
SHORT POSITIONS	
Energy	-5.3%
Other assets less other liabilities	0.1%
	100.0%

Top 25 Holdings

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Whitecap Resources Inc.	9.4%
Laricina Energy Limited	9.0%
PHX Energy Services Corporation	8.2%
CanElson Drilling Inc.	8.0%
Angle Energy Inc.	7.7%
Tourmaline Oil Corporation	7.7%
The Dow Chemical Company	5.7%
Crew Energy Inc.	4.7%
Ensign Energy Services Inc.	4.6%
Precision Drilling Corporation	4.5%
Northwest Upgrading Inc.	3.5%
Savanna Energy Services Corporation	2.5%
HudBay Minerals Inc.	2.2%
Athabasca Oil Corporation	2.1%
Mullen Group Limited	1.9%
Pine Cliff Energy Limited	1.9%
Athabasca Oil Corporation 7.50% November 19, 2017*	1.8%
Xinergy Corporation 9.25% May 15, 2019*	1.7%
Confex Timber Inc.	1.5%
Nuvista Energy Limited	1.5%
Capstone Mining Corporation	1.4%
Western Areas Limited	1.1%
Xinergy Limited	1.1%
Banro Corporation 10.00% March 1, 2017*	1.1%
SHORT POSITION	
EnCana Corporation	-5.3%
	89.5%
TOTAL TRANSACTIONAL NET ASSET VALUE (000s)	\$187,618

* 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 Front Street Capital.



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INTERIM FINANCIAL STATEMENTS

FRONT STREET GROWTH FUND

FOR THE SIX MONTHS ENDED JUNE 30, 2013

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

**STATEMENTS OF NET ASSETS
AS AT JUNE 30, 2013 (UNAUDITED) AND DECEMBER 31, 2012 (AUDITED)**

	2013 (Unaudited)	2012 (Audited)
ASSETS		
Investments, at fair value (cost - \$239,584,279: 2012- \$293,367,120)	\$ 192,984,667	\$ 261,199,786
Cash and cash equivalents	3,120,780	3,664,528
Accounts receivable relating to portfolio assets sold	1,967,687	369,845
Accounts receivable relating to accrued income	553,530	504,697
Accounts receivable relating to units issued	164,207	284,536
	<u>\$ 198,790,871</u>	<u>\$ 266,023,392</u>
LIABILITIES		
Obligations from portfolio assets sold short, at fair value	\$ 9,916,830	\$ 12,120,390
Accounts payable relating to units redeemed	1,276,488	213,590
Liabilities for portfolio assets purchased	612,328	—
Accrued expenses	578,035	856,990
	<u>12,383,681</u>	<u>13,190,970</u>
Net assets representing unitholders' equity	<u>\$ 186,407,190</u>	<u>\$ 252,832,422</u>
Net assets applicable to outstanding units allocated as follows:		
Net assets, Series A	\$ 78,590,196	\$ 102,679,486
Units outstanding, Series A, note 3	13,638,490	15,936,692
Net assets per unit, Series A	<u>\$ 5.76</u>	<u>\$ 6.44</u>
Net assets, Series B	\$ 85,514,998	\$ 118,179,310
Units outstanding, Series B, note 3	14,847,044	18,352,079
Net assets per unit, Series B	<u>\$ 5.76</u>	<u>\$ 6.44</u>
Net assets, Series F	\$ 22,301,996	\$ 31,973,626
Units outstanding, Series F, note 3	3,604,535	4,646,786
Net assets per unit, Series F	<u>\$ 6.19</u>	<u>\$ 6.88</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

**STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2013 & 2012 (UNAUDITED)**

	2013 (Unaudited)	2012 (Unaudited)
Investment income		
Dividends	\$ 2,201,723	\$ 2,090,764
Interest	558,375	668,992
Less: foreign withholding taxes	(40,347)	(55,304)
	<u>2,719,751</u>	<u>2,704,452</u>
Expenses		
Management fees, note 4 and 6	2,260,459	3,330,820
Administration fees	570,291	414,095
Custodial fees	29,424	33,737
Unitholder reporting costs	24,521	47,434
Audit fees	20,598	24,836
Legal fees	19,617	19,891
Independent review committee	5,886	7,968
	<u>2,930,796</u>	<u>3,878,781</u>
Net investment loss for the period	<u>(211,045)</u>	<u>(1,174,329)</u>
Realized and unrealized gains (losses) on investments		
Net realized gain (loss) on sale of investments	(9,931,628)	(13,701,145)
Transaction costs, note 5 and 6	(293,324)	(316,557)
Change in the unrealized depreciation of the value of investments	<u>(13,549,447)</u>	<u>(62,088,886)</u>
Net gain (loss) on investments for the period	<u>(23,774,399)</u>	<u>(76,106,588)</u>
Decrease in net assets from operations for the period	<u>\$ (23,985,444)</u>	<u>\$ (77,280,917)</u>
Decrease in net assets from operations applicable to outstanding units allocated as follows:		
Decrease in net assets from operations, Series A	\$ (10,029,615)	\$ (30,849,445)
Decrease in net assets from operations per unit, Series A	<u>\$ (0.67)</u>	<u>\$ (1.87)</u>
Decrease in net assets from operations, Series B	\$ (10,992,046)	\$ (37,824,560)
Decrease in net assets from operations per unit, Series B	<u>\$ (0.67)</u>	<u>\$ (1.82)</u>
Decrease in net assets from operations, Series F	\$ (2,963,783)	\$ (8,606,912)
Decrease in net assets from operations per unit, Series F	<u>\$ (0.69)</u>	<u>\$ (1.97)</u>

See accompanying notes to the financial statements

FRONT STREET GROWTH FUND**STATEMENTS OF CHANGES IN NET ASSETS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2013 & 2012 (UNAUDITED)**

	2013 (Unaudited)	2012 (Unaudited)
Series A		
Net assets, beginning of period	\$ 102,679,486	\$ 129,499,681
Net decrease in net assets from operations	(10,029,615)	(30,849,445)
Unitholder transactions		
Capital contributions	1,838,884	9,885,830
Redemptions	(15,898,559)	(7,447,551)
	(14,059,675)	2,438,279
Net decrease in net assets for the period	(24,089,290)	(28,411,166)
Net assets, end of period	\$ 78,590,196	\$ 101,088,515
Series B		
Net assets, beginning of period	\$ 118,179,310	\$ 169,523,789
Net decrease in net assets from operations	(10,992,046)	(37,824,560)
Unitholder transactions		
Capital contributions	2,251,006	8,386,262
Redemptions	(23,923,272)	(19,093,313)
	(21,672,266)	(10,707,051)
Net decrease in net assets for the period	(32,664,312)	(48,531,611)
Net assets, end of period	\$ 85,514,998	\$ 120,992,178

FRONT STREET GROWTH FUND

**STATEMENTS OF CHANGES IN NET ASSETS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2013 & 2012 (UNAUDITED)**

	2013 (Unaudited)	2012 (Unaudited)
Series F		
Net assets, beginning of period	\$ 31,973,626	\$ 35,615,548
Net decrease in net assets from operations	(2,963,783)	(8,606,912)
Unitholder transactions		
Capital contributions	2,646,776	4,337,374
Redemptions	(9,354,623)	(3,076,048)
	(6,707,847)	1,261,326
Net decrease in net assets for the period	(9,671,630)	(7,345,586)
Net assets, end of period	\$ 22,301,996	\$ 28,269,962
Total		
Net assets, beginning of period	\$ 252,832,422	\$ 334,639,018
Net decrease in net assets from operations	(23,985,444)	(77,280,917)
Unitholder transactions		
Capital contributions	6,736,666	22,609,466
Redemptions	(49,176,454)	(29,616,912)
	(42,439,788)	(7,007,446)
Net decrease in net assets for the period	(66,425,232)	(84,288,363)
Net assets, end of period	\$ 186,407,190	\$ 250,350,655

See accompanying notes to the financial statements

FRONT STREET GROWTH FUND

STATEMENT OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2013 (UNAUDITED)

	Number of Shares/Units/ Par Value	Cost \$	Fair Value \$
Long positions (103.5%)			
Energy (77.5%)			
Angle Energy Inc.	4,472,485	\$ 28,603,496	\$ 14,401,400
Athabasca Oil Corporation	608,847	7,273,784	3,951,417
CanElson Drilling Inc.	2,766,848	9,801,442	14,830,305
Crew Energy Inc.	1,702,210	18,006,228	8,800,426
Ensign Energy Services Inc.	524,668	8,763,604	8,410,428
Gasfrac Energy Services Inc.	1,034,581	7,574,349	1,965,704
HRT Participacoes em Petroleo SA	885,000	2,637,887	1,095,746
HRT Participacoes em Petroleo SA Warrants	8,850	-	15,974
Laricina Energy Limited	765,804	12,909,120	16,847,688
Madalena Ventures Inc.	3,322,402	963,588	913,661
Mullen Group Limited	159,832	3,705,971	3,624,990
Nuvista Energy Limited	380,444	1,870,882	2,689,739
P1 Energy Corporation	583,033	1,749,099	174,910
Pacific Coal Resources Limited Warrants	700,000	-	46,979
PHX Energy Services Corporation	1,437,542	13,781,850	15,237,945
Pine Cliff Energy Limited	3,853,465	3,391,049	3,429,584
Precision Drilling Corporation	946,266	8,382,921	8,469,081
Savanna Energy Services Corporation	690,759	4,975,338	4,662,623
Sintana Energy Inc.	6,402,816	1,033,459	448,197
Southern Pacific Resource Corporation	1,975,851	2,701,487	612,514
Tourmaline Oil Corporation	342,003	9,750,988	14,364,126
Whitecap Resources Inc.	1,622,318	10,374,229	17,569,704
Xinergy Limited	3,946,541	10,743,550	1,854,874
		<u>\$ 168,994,321</u>	<u>\$ 144,418,015</u>
Financial (0.5%)			
Delavaco Properties Inc.	1,000,000	\$ 1,000,000	\$ 1,000,000
Industrial (3.5%)			
Northwest Upgrading Inc.	3,112,500	\$ 5,072,013	\$ 6,536,250
Materials (16.3%)			
Banro Corporation Warrants	148,800	\$ 266,628	\$ 32,878
Americas Bullion Royalty Corporation	3,246,864	2,168,584	373,389
Barisan Gold Corporation Warrants	140,438	-	-
Capstone Mining Corporation	1,519,792	4,516,141	2,705,230
Conifex Timber Inc.	376,195	2,944,697	2,783,843
Dalradian Resources Inc.	1,674,613	1,849,871	988,022
HudBay Minerals Inc.	606,060	6,252,999	4,212,117
Huntsman Corporation	43,292	538,466	753,910
Lithium Americas Corporation	3,714,089	6,277,732	1,782,763
Mirabela Nickel Limited	8,272,305	2,731,709	703,146
Sirocco Mining Inc.	3,394,055	4,072,866	1,697,028
The Dow Chemical Company	318,625	9,941,141	10,775,746
Touchstone Gold Limited	3,703,703	1,598,185	129,630

FRONT STREET GROWTH FUND

**STATEMENT OF INVESTMENT PORTFOLIO
AS AT JUNE 30, 2013 (UNAUDITED)**

	Number of Shares/Units/ Par Value	Cost \$	Fair Value \$
Western Areas Limited	952,414	4,973,285	2,110,074
Wildcat Silver Corporation	3,305,741	3,873,291	1,388,411
		<u>\$ 52,005,595</u>	<u>\$ 30,436,187</u>
Utilities (0.2%)			
Trilliant Inc.	671,939	<u>\$ 488,570</u>	<u>\$ 403,163</u>
Total Equity (98.0%)		<u><u>\$ 227,560,499</u></u>	<u><u>\$ 182,793,615</u></u>
Corporate Bonds (5.5%)			
Athabasca Oil Corporation 7.500% November 19, 2017	3,463,000	<u>\$ 3,460,160</u>	<u>\$ 3,298,854</u>
Banro Corporation 10.000% March 1, 2017	3,030,407	2,766,586	2,071,408
Delavaco Properties Inc. Convertible Debenture 9.000% December 20, 2014	1,635,000	1,611,044	1,719,369
Xinergy Corporation 9.250% May 15, 2019	4,329,151	4,185,990	3,101,421
		<u>\$ 12,023,780</u>	<u>\$ 10,191,052</u>
Total Long Positions		<u><u>\$ 239,584,279</u></u>	<u><u>\$ 192,984,667</u></u>
Short Positions (-5.3%)			
Energy (-5.3%)			
EnCana Corporation	-556,500	<u>\$ (11,527,327)</u>	<u>\$ (9,916,830)</u>
Total Short Positions		<u><u>\$ (11,527,327)</u></u>	<u><u>\$ (9,916,830)</u></u>
Transaction costs, note 2		<u>\$ (566,015)</u>	-
Total Investments (98.2%)		<u><u>\$ 227,490,937</u></u>	183,067,837
Cash and Cash Equivalent (1.7%)			3,120,780
Other assets less other liabilities (0.1%)			<u>218,573</u>
Net assets (100.0%)			<u><u>\$ 186,407,190</u></u>

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012 (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, and obligations from portfolio assets sold short, at fair value have been classified as held for trading. Accounts receivable relating to accrued income, accounts receivable relating to portfolio assets sold and amounts receivable relating to units issued are classified as loans and receivables. Accrued expenses, accounts payable relating to units redeemed, bank indebtedness, 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. These 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, 2013 AND 2012 (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.

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.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012 (UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

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 adopted CICA Handbook Sections 3862, Financial Instruments - Disclosures and 3863, Financial Instruments - 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.

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.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012 (UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

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.

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.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012 (UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

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.

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:

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012 (UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

o) Future accounting pronouncements (Continued...)

- (a) IAS 32, Financial Instruments: Disclosure and Presentation, requires unitholders' equity to be classified as liability unless certain criteria are met. The Fund's unitholders' equity meets the definition of a puttable instrument. The Manager has assessed the Fund's unitholder structure and has determined the liability treatment is the most appropriate classification.
- (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 has assessed the guidance that will apply under IFRS and has determined that the use of closing market prices is appropriate in valuing investments.

The anticipated impact of IFRS on accounting policies and implementation decisions will predominantly 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 cash flows, and will be required to include certain additional and enhanced disclosures.

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.

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.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012 (UNAUDITED)

3. UNITS ISSUED AND OUTSTANDING (Continued...)

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:

	2013	2012
Units outstanding, beginning of the period:		
Series A	15,936,692	16,272,621
Series B	18,352,079	21,316,936
Series F	4,646,786	4,237,731
Units issued during the period:		
Series A	292,669	1,265,599
Series B	362,293	1,067,242
Series F	389,449	515,111
Units redeemed during the period:		
Series A	2,590,871	991,539
Series B	3,867,328	2,566,894
Series F	1,431,700	396,064
Units outstanding, end of the period:		
Series A	13,638,490	16,546,681
Series B	14,847,044	19,817,284
Series F	3,604,535	4,356,778

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012 (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, 2013 was \$293,324 (June 30, 2012 - \$316,557).

6. RELATED PARTY TRANSACTIONS

During the period ended June 30, 2013 and 2012, fees paid to the Manager were as follows:

	2013	2012
Management fees, note 4	<u>\$2,260,459</u>	<u>\$3,330,820</u>

Included in accrued expenses are amounts payable to the Manager as follows:

	June 30 2013	December 31 2012
Management fees payable	<u>\$358,292</u>	<u>\$485,229</u>

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012 (UNAUDITED)

6. RELATED PARTY TRANSACTIONS (Continued...)

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

	June 30 2013	December 31 2012
Series B units held by Partners of the Manager	135,707	286,114
Percentage of Series B units held by Partners of the Manager	0.91%	1.56%
Series B units held by relatives of Partners of the Manager	14,641	16,261
Percentage of Series B units held by relatives of Partners of the Manager	0.10%	0.09%
Series F units held by Partners of the Manager	41,543	41,543
Percentage of Series F units held by Partners of the Manager	1.15%	0.89%
Series F units held by relatives of Partners of the Manager	185,259	185,259
Percentage of Series F units held by relatives of Partners of the Manager	5.14%	3.99%

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, 2013, Tuscarora Capital Inc, a company under common control to the Manager, received \$3,473 (June 30, 2012 - \$Nil) in commissions on portfolio transactions of 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, 2013 AND 2012 (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, 2013

	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV per unit	GAAP NA per unit
Series A	\$ 79,100,090	\$ (509,894)	\$ 78,590,196	\$ 5.80	\$ 5.76
Series B	86,071,564	(556,566)	85,514,998	5.80	5.76
Series F	22,446,452	(144,456)	22,301,996	6.23	6.19
Total	\$ 187,618,106	\$ (1,210,916)	\$ 186,407,190		

As at December 31, 2012

	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV per unit	GAAP NA per unit
Series A	\$103,358,785	\$ (679,299)	\$ 102,679,486	\$ 6.49	\$ 6.44
Series B	118,961,302	(781,992)	118,179,310	6.48	6.44
Series F	32,184,767	(211,141)	31,973,626	6.93	6.88
Total	\$ 254,504,854	\$ (1,672,432)	\$ 252,832,422		

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012 (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 2013 (unaudited)	As at December 31 2012 (audited)
Assets		
Held for trading	\$ 192,984,667	\$ 261,199,786
Cash and cash equivalents	3,120,780	3,664,528
Loans and receivables	<u>2,685,424</u>	<u>1,159,078</u>
Total Assets	<u>\$ 198,790,871</u>	<u>\$ 266,023,392</u>
Liabilities		
Held for trading	\$ 9,916,830	\$ 12,120,390
Other financial liabilities at amortized cost	<u>2,466,851</u>	<u>1,070,580</u>
Total liabilities	<u>\$ 12,383,681</u>	<u>\$ 13,190,970</u>
Net Assets	<u>\$ 186,407,190</u>	<u>\$ 252,832,422</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.

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 June 30, 2013, and groups the securities by asset type, sector and/or market segment. Significant risks that are relevant to the Fund are discussed below.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012 (UNAUDITED)

10. FINANCIAL INSTRUMENTS (Continued...)

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	Investments at fair value	Cash and cash equivalents	Total	Percentage of GAAP NA
United States Dollar	\$ 18,454,732	\$ 2,384,027	\$20,838,759	11.2%
Australian Dollar	2,110,074	-	2,110,074	1.1%
Brazilian Real	<u>111,720</u>	<u>-</u>	<u>111,720</u>	<u>0.6%</u>
	<u>\$ 20,676,526</u>	<u>\$ 2,384,027</u>	<u>\$ 23,060,553</u>	<u>12.9%</u>

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, 2013, there were investments in corporate bonds representing 5.5% (December 31, 2012 - 4.0%) of the investments owned, maturing ranging from 2014 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.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012 (UNAUDITED)

10. FINANCIAL INSTRUMENTS (Continued...)

Financial assets	Floating Rate Financial Instruments	Fixed Rate Financial Instruments	Non-interest bearing	Total
Held for trading	\$ -	\$ 10,191,052	\$ 182,793,615	\$ 192,984,667
Cash and cash equivalents	3,120,780	-	-	3,120,780
Other receivables	-	-	2,685,424	2,685,424
Total	<u>\$ 3,120,780</u>	<u>\$ 10,191,052</u>	<u>\$ 185,479,039</u>	<u>\$ 198,790,871</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 9,916,830	\$ 9,916,830
Other financial liabilities	-	-	2,466,851	2,466,851
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,383,681</u>	<u>\$ 12,383,681</u>
GAAP NA				<u>\$ 186,407,190</u>

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	\$ -	\$ 1,719,369	\$ 5,370,262	\$ 3,101,421	\$ 182,793,615	\$ 192,984,667
Cash and cash equivalents	3,120,780	-	-	-	-	3,120,780
Other receivables	2,685,424	-	-	-	-	2,685,424
Total	<u>\$ 5,806,204</u>	<u>\$ 1,719,369</u>	<u>\$ 5,370,262</u>	<u>\$ 3,101,421</u>	<u>\$ 182,793,615</u>	<u>\$ 198,790,871</u>
Financial liabilities						
Held for Trading	\$ -	\$ -	\$ -	\$ -	\$ 9,916,830	\$ 9,916,830
Other financial liabilities	2,466,851	-	-	-	-	2,466,851
Total	<u>\$ 2,466,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,916,830</u>	<u>\$ 12,383,681</u>
GAAP NA						<u>\$ 186,407,190</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at June 30, 2013, the fair value of such assets was 14.3% (December 31, 2012–13.0%) of the total net assets.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012 (UNAUDITED)

10. FINANCIAL INSTRUMENTS (Continued...)

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.

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, 2013, the Fund had \$10,191,052 (December 31, 2012 - \$10,196,315) in long term debt instruments with the following credit ratings obtained from Standard and Poor's Moody's or DBRS:

Debt instruments by credit ratings	Percentage of GAAP NA
B	1.8 %
Not available or not rated	3.7%

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 2012.

The Fund does not have any externally imposed capital requirements.

FRONT STREET GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012 (UNAUDITED)

12. FAIR VALUE HIERARCHY

The following is a summary of the inputs used as of June 30, 2013 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	Total
	Level 1	Level 2	Level 3	Total
Assets at fair value as at June 30, 2013				
Investments, at fair value	<u>\$ 157,735,774</u>	<u>\$ 8,567,514</u>	<u>\$ 26,681,379</u>	<u>\$ 192,984,667</u>
Liabilities at fair value as at June 30, 2013				
Obligations from portfolio assets sold short, at fair value	<u>\$ 9,916,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,916,830</u>

During the period ended June 30 2013 reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Investments, At Fair Value Equities	Investments, at Fair Value Bonds
Balance at January 1, 2013	\$ 31,234,201	\$ 1,626,332
Purchases (sales)	-	-
Transfers out	-	-
Gains (losses)		
Realized	-	-
Unrealized	<u>(6,272,191)</u>	<u>93,037</u>
Balance at June 30, 2013	<u>\$ 24,962,010</u>	<u>\$ 1,719,369</u>

13. INCOME TAX LOSS CARRYFORWARD

The Fund has \$771,049 in non-capital losses available to be applied against taxable income of capital of future years which will expire in 2032.

The Fund has \$8,222,332 in net capital losses available to be applied against capital gains of future years. These losses do not expire.



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