

FRONT STREET

Growth and Income Class

INTERIM FINANCIAL STATEMENTS

FRONT STREET GROWTH AND INCOME CLASS

FOR THE SIX MONTHS ENDED APRIL 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 AND INCOME CLASS

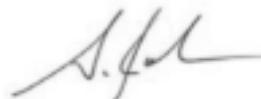
**STATEMENTS OF NET ASSETS
AS AT APRIL 30, 2013 (UNAUDITED) AND OCTOBER 31, 2012 (AUDITED)**

	2013 (Unaudited)	2012 (Audited)
ASSETS		
Investments, at fair value (cost - \$14,542,932; 2012-\$13,526,793)	\$ 14,629,049	\$ 13,410,400
Cash and cash equivalents	3,720,801	2,173,916
Amounts receivable relating to accrued income	130,406	107,319
Accounts receivable relating to portfolio assets sold	57,642	44,041
Accounts receivable relating to shares issued	35,000	27,500
	<u>\$ 18,572,898</u>	<u>\$ 15,763,176</u>
LIABILITIES		
Liabilities for portfolio assets purchased	\$ 1,866,756	\$ 576,413
Distributions payable	76,976	69,314
Accrued expenses, note 8	73,478	84,636
Accounts payable relating to shares redeemed	67,951	104,110
Obligations from portfolio assets sold short, at fair value	7,275	970,292
Forward contracts, at fair value, note 11	—	938
	<u>2,092,436</u>	<u>1,805,703</u>
Net assets representing shareholders' equity	<u>\$ 16,480,462</u>	<u>\$ 13,957,473</u>
Net assets applicable to outstanding shares allocated as follows:		
Net assets, Series A	\$ 12,985,464	\$ 10,492,065
Shares outstanding, Series A, note 3	1,694,737	1,371,067
Net assets per share, Series A	<u>\$ 7.66</u>	<u>\$ 7.65</u>
Net assets, Series B	\$ 2,346,452	\$ 2,354,595
Shares outstanding, Series B, note 3	306,326	307,861
Net assets per share, Series B	<u>\$ 7.66</u>	<u>\$ 7.65</u>
Net assets, Series F	\$ 1,127,964	\$ 1,090,939
Shares outstanding, Series F, note 3	144,754	140,975
Net assets per share, Series F	<u>\$ 7.79</u>	<u>\$ 7.74</u>
Net assets, Series X	\$ 20,582	\$ 19,874
Shares outstanding, Series X, note 3	2,673	2,589
Net assets per share, Series X	<u>\$ 7.70</u>	<u>\$ 7.68</u>

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



Gary P. Selke
Chief Executive Officer and Director



Susan Johnson
Chief Financial Officer

FRONT STREET GROWTH AND INCOME CLASS

**STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED APRIL 30, 2013 AND 2012
(UNAUDITED)**

	November 1, 2012 to April 30, 2013 (Unaudited)	November 1, 2011 to April 30, 2012 (Unaudited)
Investment income		
Interest	\$ 109,590	\$ 61,958
Dividends	87,868	35,703
Securities lending revenue, note 7	3,439	13
	<u>200,897</u>	<u>97,674</u>
Expenses		
Management fees, notes 4 and 8	99,514	47,726
Servicing fees, notes 4 and 8	53,620	27,677
Administration fees	47,233	32,997
Audit fees	12,397	25,000
Operating costs, notes 4 and 8	8,920	2,606
Compensatory dividends	5,554	3,733
Legal fees	4,111	432
Securityholder reporting costs	2,480	3,112
Custodial fees	1,693	-
Independent review committee	239	164
	<u>235,761</u>	<u>143,447</u>
Expenses waived or absorbed by Manager, notes 4 and 8	-	(74,257)
	<u>235,761</u>	<u>69,190</u>
Net investment income (loss) for the period	<u>(34,864)</u>	<u>28,484</u>
Net realized and unrealized gains (losses) on investments		
Net realized gain (loss) on sale of investments	434,443	(90,118)
Gain (loss) from derivatives	(67,518)	26,060
Transaction costs, note 6	(70,221)	(34,499)
Change in the unrealized appreciation (depreciation) of the value of investments	194,434	(257,474)
Net gain (loss) on investments for the period	<u>491,138</u>	<u>(356,031)</u>
Net increase (decrease) in net assets from operations for the period	<u>\$ 456,275</u>	<u>\$ (327,547)</u>
Increase (decrease) in net assets from operations applicable to outstanding shares allocated as follows:		
Increase (decrease) in net assets from operations, Series A	\$ 338,006	\$ (199,577)
Increase (decrease) in net assets from operations per share, Series A	<u>\$ 0.23</u>	<u>\$ (0.39)</u>
Increase (decrease) in net assets from operations, Series B	\$ 74,759	\$ (94,769)
Increase (decrease) in net assets from operations per share, Series B	<u>\$ 0.26</u>	<u>\$ (0.37)</u>
Increase (decrease) in net assets from operations, Series F	\$ 42,802	\$ (33,201)
Increase (decrease) in net assets from operations per share, Series F	<u>\$ 0.31</u>	<u>\$ (0.39)</u>
Increase in net assets from operations, Series X	\$ 708	\$ -
Increase in net assets from operations per share, Series X	<u>\$ 0.27</u>	<u>\$ -</u>

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME CLASS

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE PERIODS ENDED APRIL 30, 2013 AND 2012
(UNAUDITED)

	November 1, 2012 to April 30, 2013 (Unaudited)	November 1, 2011 to April 30, 2012 (Unaudited)
Series A		
Net assets, beginning of period	\$ 10,492,065	\$ 2,458,591
Net increase (decrease) in net assets from operations	338,006	(199,577)
Distributions to Shareholders		
Return of Capital	(385,749)	(150,253)
Shareholder transactions		
Proceeds from the issuance of shares	2,725,733	3,972,263
Aggregate amounts paid on the redemption of shares	(445,838)	(160,529)
Shares issued on the reinvestment of distributions	261,247	103,211
	2,541,142	3,914,945
Net increase in net assets for the period	2,493,399	3,565,115
Net assets, end of period	\$ 12,985,464	\$ 6,023,706
Series B		
Net assets, beginning of period	\$ 2,354,595	\$ 1,776,133
Net increase (decrease) in net assets from operations	74,759	(94,769)
Distributions to Shareholders		
Return of Capital	(75,067)	(67,958)
Shareholder transactions		
Proceeds from the issuance of shares	450,084	969,776
Aggregate amounts paid on the redemption of shares	(515,739)	(116,038)
Shares issued on the reinvestment of distributions	57,820	50,773
	(7,835)	904,511
Net increase (decrease) in net assets for the period	(8,143)	741,784
Net assets, end of period	\$ 2,346,452	\$ 2,517,917

FRONT STREET GROWTH AND INCOME CLASS

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE PERIODS ENDED APRIL 30, 2013 AND 2012
(UNAUDITED)

	November 1, 2012 to April 30, 2013 (Unaudited)	November 1, 2011 to April 30, 2012 (Unaudited)
Series F		
Net assets, beginning of period	\$ 1,090,939	\$ 517,220
Net increase (decrease) in net assets from operations	42,802	(33,201)
Distributions to Shareholders		
Return of Capital	(34,797)	(23,799)
Shareholder transactions		
Proceeds from the issuance of shares	45,707	476,916
Aggregate amounts paid on the redemption of shares	(46,256)	-
Shares issued on the reinvestment of distributions	29,569	20,170
	29020	497086
Net increase (decrease) in net assets for the period	37,025	440,086
Net assets, end of period	\$ 1,127,964	\$ 957,306
Series X		
Net assets, beginning of period	\$ 19,874	\$ -
Net increase in net assets from operations	708	-
Distributions to Shareholders		
Return of Capital	(652)	-
Shareholder transactions		
Proceeds from the issuance of shares	-	-
Aggregate amounts paid on the redemption of shares	-	-
Shares issued on the reinvestment of distributions	652	-
	652	-
Net increase in net assets for the period	708	-
Net assets, end of period	\$ 20,582	\$ -

FRONT STREET GROWTH AND INCOME CLASS**STATEMENTS OF CHANGES IN NET ASSETS
FOR THE PERIODS ENDED APRIL 30, 2013 AND 2012
(UNAUDITED)**

	November 1, 2012 to April 30, 2013 (Unaudited)	November 1, 2011 to April 30, 2012 (Unaudited)
Total		
Net assets, beginning of period	\$ 13,957,473	\$ 4,751,944
Net increase (decrease) in net assets from operations	456,275	(327,547)
Distributions to Shareholders		
Return of Capital	(496,265)	(242,010)
Shareholder transactions		
Proceeds from the issuance of shares	3,221,524	5,418,988
Aggregate amounts paid on the redemption of shares	(1,007,833)	(276,567)
Shares issued on the reinvestment of distributions	349,288	174,154
	2,562,979	5,316,542
Net increase in net assets for the period	2,522,989	4,746,985
Net assets, end of period	\$ 16,480,462	\$ 9,498,929

FRONT STREET GROWTH AND INCOME CLASS

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

	Number of Shares/ Units/ Par Value	Cost \$	Fair Value \$
Long Positions (88.8%)			
Energy (13.2%)			
AltaGas Limited	6,000	\$ 190,936	\$ 225,000
Brasil Ecoetanol Limited 'Restricted'	500,000	150,000	150,000
Canadian Natural Resources Limited	10,000	296,910	295,498
Cenovus Energy Inc.	3,000	89,122	90,450
Kelt Exploration Limited	5,000	27,000	36,600
Keyera Corporation	3,500	171,449	219,975
Lignol Energy Corporation	1,300,000	195,000	123,500
Lignol Energy Corporation Warrants December 17, 2014	650,000	-	61,750
Parex Resources Inc.	20,500	93,155	92,045
Strad Energy Services Limited	30,471	97,727	97,507
Suncor Energy Inc.	12,500	387,963	392,033
Whitecap Resources Inc.	18,000	160,352	185,580
Xtreme Drilling and Coil Services Corporation	85,400	111,910	207,522
		<u>\$ 1,971,524</u>	<u>\$ 2,177,460</u>
Materials (6.6%)			
Agua Resources Limited	844,317	\$ 139,695	\$ 67,011
Banro Corporation Warrants March 1, 2017	9,600	17,202	2,967
Canexus Corporation	22,800	185,678	214,548
Compass Gold Corporation Warrants August 23, 2014	416,666	833	-
Conifex Timber Inc.	17,848	138,012	171,698
EcoSynthetix Inc.	47,000	184,227	164,970
Enpar Technologies Inc. Warrants April 23, 2014	1,250,000	-	30,956
Immy Inc. Warrants March 31, 2015	2	-	-
International Forest Products Limited 'A'	9,800	95,401	101,920
Mega Graphite Inc. 'Private Placement'	58,536	119,999	12,293
Potash Corporation of Saskatchewan Inc.	1,000	42,234	42,381
Potash Ridge Corporation	333,300	149,975	133,320
The Dow Chemical Company	4,350	131,005	148,519
		<u>\$ 1,204,261</u>	<u>\$ 1,090,583</u>
Consumer Discretionary (7.8%)			
Amaya Gaming Group Inc.	30,769	\$ 149,230	\$ 180,614
Amaya Gaming Group Inc. Warrants April 30, 2015	5,000	-	13,150
Bauer Performance Sports Limited	26,700	315,940	309,720
DHX Media Limited	76,700	127,585	209,391
Martinrea International Inc.	32,600	262,392	277,426
NeuLion Inc.	475,000	95,000	137,750
Neulion Inc. Warrants March 25, 2015	437,500	-	72,018
Transat A.T. Inc. 'B'	15,000	83,820	79,050
		<u>\$ 1,033,967</u>	<u>\$ 1,279,119</u>
Financials (24.5%)			
Bank of America Corporation	35,000	\$ 427,709	\$ 432,873
Bank of Montreal	15,300	961,993	965,892
Canadian Imperial Bank of Commerce	4,000	319,621	322,240
Citigroup Inc.	8,000	357,970	375,949
Manulife Financial Corporation	15,000	213,000	223,350
Royal Bank of Canada	10,000	643,127	607,800
Sun Life Financial Inc.	7,500	215,368	212,850
The Bank of Nova Scotia	7,000	421,372	406,630
The Toronto-Dominion Bank	6,000	500,332	495,540
		<u>\$ 4,060,492</u>	<u>\$ 4,043,124</u>

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME CLASS

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

	Number of Shares/ Units/ Par Value	Cost \$	Fair Value \$
Industrials (6.1%)			
Aecon Group Inc.	2,700	\$ 32,273	\$ 33,345
Bombardier Inc. 'B'	10,000	39,540	39,800
Boyd Group Income Fund	9,200	164,653	178,940
CAE Inc.	20,000	203,604	217,400
GENIVAR Inc.	8,600	199,788	214,570
Ocean Harvest Technology (Canada) Inc. 'Private Placement'	50,000	50,000	50,000
Vicwest Inc.	23,800	318,204	262,038
		<u>\$ 1,008,062</u>	<u>\$ 996,093</u>
Health Care (0.0%)			
ISEE3D Inc.	920,000	\$ 92,000	\$ -
ISEE3D Inc. Warrants December 19, 2013	460,000	-	-
ISEE3D Inc. Warrants September 16, 2014	266,666	-	-
		<u>\$ 92,000</u>	<u>\$ -</u>
Information Technology (9.5%)			
Apple Inc.	100	\$ 44,170	\$ 44,587
CGI Group Inc. 'A'	3,000	80,696	95,640
COM DEV International Limited	2,600	9,749	9,542
Edgewater Wireless Systems, Inc.	2,424,243	150,000	72,727
Edgewater Wireless Systems Inc. Warrants November 20, 2014	1,818,182	-	23,335
First Global Data Limited	714,391	277,579	150,022
First Global Data Limited Warrants	356,831	-	73,982
Mobidia Technology Inc. 'A' Series 4 Preferred Shares	120,000	150,000	150,000
Redknee Solutions Inc.	90,000	114,602	280,800
Sierra Wireless Inc.	25,300	209,018	281,589
The Descartes Systems Group Inc.	15,000	121,800	148,500
Wi-LAN Inc.	58,800	324,465	233,436
Windtronics LLC Warrants January 1, 2014	375	-	-
WindTronics LLC Warrants June 27, 2017	6,000	-	-
		<u>\$ 1,482,078</u>	<u>\$ 1,564,160</u>

FRONT STREET GROWTH AND INCOME CLASS

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

	Number of Shares/ Units/ Par Value	Cost \$	Fair Value \$
Corporate Bonds (21.1%)			
Advantage Oil & Gas Limited 5.000%, January 30, 2015	100,000	\$ 99,550	\$ 99,570
Aecon Group Inc. 7.000%, September 30, 2014	150,000	156,000	156,150
Aecon Group Inc. 6.250%, October 31, 2015	150,000	155,813	156,345
AG Growth International Inc. Convertible Debenture, 7.000%, December 31, 2014	245,000	255,119	252,718
American Apparel Inc. 13.000%, April 15, 2020	335,000	330,425	336,552
Atlantic Power Corporation 5.600%, June 30, 2017	88,000	77,319	77,009
Banro Corporation 10.000%, March 1, 2017	200,000	182,588	160,137
Canwel Building Materials Group Limited 5.850%, April 30, 2017	50,000	40,000	40,250
Flint Energy Services Limited 7.500%, June 15, 2019	75,000	75,000	82,493
Ford Credit Canada Limited 4.200%, November 14, 2013	100,000	99,949	101,287
Ford Credit Canada Limited 7.500%, August 18, 2015	250,000	277,175	277,740
Fortress Paper Limited Convertible Debenture, 7.000%, December 31, 2019	300,000	300,000	216,000
Gasfrac Energy Services Inc. 7.000%, February 28, 2017	105,000	105,000	74,025
H&R Real Estate Investment Convertible Bond, 5.400%, November 30, 2018	100,000	106,010	107,500
Huntingdon Capital Corporation 7.500%, December 31, 2016	100,000	100,000	104,150
IBI Group Inc. 7.000%, December 31, 2014	61,000	59,551	59,194
Immy Inc. Convertible Note, 6.000%, May 8, 2015	42,000	41,983	42,300
ISEE3D Inc. Promissory Notes, 6.000%, September 14, 2014	100,000	100,000	42,000
Just Energy Exchange Corporation Convertible Debenture, 6.000%, September 30, 2014	100,000	95,000	97,240
Southern Pacific Resources Corporation 6.000%, June 30, 2016	210,000	166,447	144,900
Sprott Power Corporation Convertible Bond, 6.750%, December 31, 2017	150,000	150,000	162,000
TransAlta Corporation 6.450%, May 29, 2014	100,000	104,483	103,956
Uranium One Inc. Convertible Step Coupon 5.000%, March 13, 2015	100,000	101,375	101,020
VoodooVox Inc. Non-Convertible Debentures, 15.00%, March 1, 2013	99,000	99,000	99,000
Xinergy Corporation 9.250%, May 15, 2019	150,000	138,263	109,716
Windtronics Promissory Note, 15.00%, September 8, 2012	150,000	150,000	150,000
Windtronics Promissory Note, 15.00%, September 30, 2012	75,000	74,978	74,978
YPG Financing Inc. 9.250%, November 30, 2018	45,149	45,149	45,387
YPG Financing Inc. 8.000%, November 30, 2022	5,825	4,370	4,893
		<u>\$ 3,690,547</u>	<u>\$ 3,478,510</u>
Total Long Positions (88.8%)		<u>\$ 14,542,932</u>	<u>\$ 14,629,049</u>
Short Positions (-0.0%)			
Written Options (-0.0%)			
Alamos Gold Inc. May/12 WPO	(125)	\$ (8,625)	\$ (1,875)
Cenovus Energy Inc. May/30 WPO	(100)	(4,700)	(5,400)
Total Short Positions (-0.0%)		<u>\$ (13,325)</u>	<u>\$ (7,275)</u>
Transaction costs, note 2		<u>\$ (41,707)</u>	
Total Investments (88.8%)		<u>\$ 14,487,900</u>	\$ 14,621,774
Cash and cash equivalents (22.5%)			3,720,801
Other assets less other liabilities (-11.3%)			<u>(1,862,113)</u>
Net assets (100.0%)			<u>\$ 16,480,462</u>

FRONT STREET GROWTH AND INCOME CLASS

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2013 AND 2012

(UNAUDITED)

1. THE FUND

Front Street Growth And Income Class (the "Fund") is a class of shares of Front Street Mutual Funds Limited (the "Corporation"), a mutual fund corporation incorporated under the Canada Business Corporations Act on April 11, 2006, and is authorized to issue an unlimited number of classes of shares in multiple series. Reference is made to the Fund's Simplified Prospectus for additional information on the Fund's structure. The Fund was established on June 29, 2011. Series A commenced operations on July 8, 2011. Series B commenced operations on July 8, 2011. Series F commenced operations on July 8, 2011. Series X commenced operations on July 9, 2012.

The foregoing financial statements and accompanying notes to the financial statements presented herein are for the Fund. Separate financial statements of each of the other classes of shares of the Corporation have also been prepared as at April 30, 2013.

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

The Fund's investment objective is to provide shareholders with consistent long term capital growth and the opportunity for income through the selection, management and strategic trading of long and short positions in securities of common shares, preferred shares, derivatives and corporate and government debt while at the same time providing investors with a superior risk-adjusted returns using an active options trading strategy.

FRONT STREET GROWTH AND INCOME CLASS

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

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were 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 forward contracts, at fair value are classified as held for trading. Amounts receivable relating to accrued income, accounts receivable relating to portfolio assets sold, accounts receivable relating to shares issued, and due from manager are classified as loans and receivables. Liabilities for portfolio assets purchased, accounts payable relating to shares redeemed, accrued expense and distributions payable 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 10) 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.

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 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.

FRONT STREET GROWTH AND INCOME CLASS

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2013 AND 2012

(UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

b) Valuation of investments (Continued...)

- ii) Investments which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided in paragraph (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 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.

- 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, forwards 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.

FRONT STREET GROWTH AND INCOME CLASS

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

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 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 11 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 14 for additional details.

d) Transaction costs

Portfolio transaction costs are expensed and are included in "Transaction costs" in the Statements 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) 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.

FRONT STREET GROWTH AND INCOME CLASS

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2013 AND 2012

(UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

g) Securities lending, repurchase and reverse repurchase transactions

The Fund is permitted to enter into securities lending, repurchase and reverse repurchase transactions as set out in the Simplified Prospectus. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities on a future date. The value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, sold or purchased. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the statements of operations - securities lending revenue.

h) 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.

i) Net increase (decrease) in net assets from operations per share

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

j) Net assets per share

The net assets per share is calculated by dividing the net assets of a series of shares by the total number of shares of the series outstanding at the end of the period.

k) 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 13 for additional details.

l) General standards on financial statement presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, includes 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.

FRONT STREET GROWTH AND INCOME CLASS

NOTES TO THE FINANCIAL STATEMENTS

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(UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

m) 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 investments in private companies and the fair value of the Fund's investments in corporate warrants which are not traded in active markets. Actual results may differ from those estimates.

n) 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 period commencing November 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.

FRONT STREET GROWTH AND INCOME CLASS

NOTES TO THE FINANCIAL STATEMENTS

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(UNAUDITED)

3. SHARES ISSUED AND OUTSTANDING

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

Series A shares

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

Series B shares

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

Series F shares

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

Series X shares

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

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

FRONT STREET GROWTH AND INCOME CLASS

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

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

The following share transactions took place during the periods:

	November 1, 2012 to April 30, 2013	November 1, 2011 to April 30, 2012
Shares outstanding, beginning of the period:		
Series A	1,371,067	279,649
Series B	307,861	202,131
Series F	140,975	58,697
Series X	2,589	-
Shares issued during the period:		
Series A	347,737	457,766
Series B	57,951	111,160
Series F	5,737	54,471
Series X	-	-
Share distributions reinvested during the period:		
Series A	33,979	12,200
Series B	7,514	5,993
Series F	3,782	2,367
Series X	84	-
Shares redeemed during the period:		
Series A	58,046	18,488
Series B	67,000	13,527
Series F	5,740	-
Series X	-	-
Shares outstanding, end of the period:		
Series A	1,694,737	731,127
Series B	306,326	305,757
Series F	144,754	115,535
Series X	2,673	-

FRONT STREET GROWTH AND INCOME CLASS

NOTES TO THE FINANCIAL STATEMENTS

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(UNAUDITED)

4. FEES AND EXPENSES

The Fund pays a monthly management fee equal to 1/12 of 1.25% of the net asset value of Series A and Series X shares and 1/12 of 1.00% of the net asset value of Series B and Series F shares of the Fund calculated and paid at the end of each month in arrears from each Fund series.

The Fund pays a monthly service fee of 1/12 of 0.75% of the net asset value of the Series A shares, 1/12 of 1.00% of the net asset value of Series B shares and 1/12 of 0.50% of the net asset value of Series X shares calculated at the end of each month.

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

The 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 fiscal quarter or quarters since a performance fee was last payable exceeds the percentage gain or loss of the benchmark (the "Benchmark") over the same period. The Benchmark for the Fund is 50% of the percentage gain or loss of the S&P/TSX Composite Index plus 50% of the percentage gain or loss of the DEX Universe All Corporate Bond Index. The fee is equal to this excess return per share multiplied by the number of shares outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per share of the Fund (including distributions) is greater than all previous values at the end of each previous fiscal quarter, in which a performance fee was paid. The starting reference point for the next fiscal quarter's calculation is based on the higher of either the Benchmark performance adjusted net asset value per share or the adjusted actual net asset value per share, both with respect to the previous quarter in which a performance fee was payable.

The Manager may, at its discretion add a service charge of up to 15% of the costs incurred for any operating and administrative costs charged to the Fund other than management services which are already included in the management fee rate which the Manager receives from the Fund.

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

FRONT STREET GROWTH AND INCOME CLASS

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

5. INCOME TAX AND DISTRIBUTION

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

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

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

The Fund anticipates that gains and losses realized on the disposition of investments will normally give rise to capital gains not ordinary income. The Fund intends to declare sufficient capital gains dividends so that it is entitled to a refund of the full amount of tax paid or payable on their capital gains. The suspended loss rules in the Income Tax Act (Canada) may prevent the Fund from recognizing capital losses on the disposition of securities in certain circumstances, which may increase the amount of capital gains dividends that the Fund must pay to Fund shareholders.

If allowable capital losses exceed taxable capital gains of the Fund in any taxation period, the excess cannot be allocated to shareholders, but may be carried back three periods and carried forward indefinitely and be applied against taxable capital gains in such previous or subsequent periods.

The Fund will allocate taxes payable and recoverable of the Fund to each of the classes. The Fund can pay ordinary taxable dividends or capital gains dividends to shareholders of any class in order to receive a refund of taxes on Canadian dividends or capital gains taxes. The Fund intends to pay out such dividends so as to maximize tax refunds and minimize taxes payable at the corporate level.

The Fund may be subject to provincial capital taxes.

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

FRONT STREET GROWTH AND INCOME CLASS

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2013 AND 2012

(UNAUDITED)

6. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to securities transactions for the period ended April 30, 2013 was \$70,221 (2012 - \$34,499).

7. SECURITIES LENDING

The Fund lends portfolio securities from time to time in order to earn additional income. The Fund has entered into a securities lending program with its custodian, NBCN Inc. The aggregate fair value of all securities loaned will not exceed 50% of the net assets of the Fund. The Fund receives collateral (in the form of obligations of, or guaranteed by, the Government of Canada, or a province thereof, or by the United States government or its agencies and/or cash) against the loaned securities. Collateral is maintained in an amount representing at least 102% of the fair value of the loaned securities during the period the loan is outstanding. The fair value of the loaned securities is determined daily at the close of business of the Fund and any additional collateral required is delivered to the Fund on the next business day. As at April 30, 2013 and October 31, 2012, the aggregate fair values of the Fund's securities loaned and the collateral received were as follows.

	April 30, 2013	October 31, 2012
Value of securities loaned	\$ 279,920	\$ 207,190
Value of collateral received	\$ 354,767	\$ 230,015

8. RELATED PARTY TRANSACTIONS

During the periods ended April 30, 2013 and 2012 fees paid to (waived or absorbed) the Manager were as follows:

	2013	2012
Management fees (note 4)	\$ 99,514	\$ 47,726
Servicing fees (note 4)	53,620	27,677
Operating costs (note 4)	8,920	2,606
Expenses waived or absorbed by Manager, note 4	<u>-</u>	<u>(74,257)</u>
	<u>\$ 162,054</u>	<u>\$ 3,752</u>

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

	April 30, 2013	October 31, 2012
Management fees payable	\$ 19,264	\$ 14,408
Servicing fees payable	10,696	8,923
Operating costs payable	<u>1,424</u>	<u>592</u>
	<u>\$ 31,384</u>	<u>\$ 23,923</u>

FRONT STREET GROWTH AND INCOME CLASS

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

8. RELATED PARTY TRANSACTIONS (Continued...)

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

	April 30, 2013	October 31, 2012
Series A held by the Manager	5,595	5,000
Percentage of Series A held by the Manager	0.33%	0.36%
Series B held by the Manager	5,596	5,000
Percentage of Series B held by the Manager	1.83%	1.64%
Series F held by the Manager	5,590	5,000
Percentage of Series F held by the Manager	3.86%	3.55%

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 April 30, 2013, Tuscarora Capital Inc., a company under common control to the Manager, received \$31,263 (October 31, 2012 - \$Nil) in commissions on portfolio transactions for the Fund.

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

9. RECONCILIATION OF NET ASSET VALUE TO NET ASSETS FOR FINANCIAL STATEMENTS

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 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 sale 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:

FRONT STREET GROWTH AND INCOME CLASS

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2013 AND 2012

(UNAUDITED)

9. RECONCILIATION OF NET ASSET VALUE TO NET ASSETS FOR FINANCIAL STATEMENTS (Continued...)

As at April 30, 2013

	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV per share	GAAP NA per share
Series A	\$ 12,821,063	\$ 164,401	\$ 12,985,464	\$ 7.57	\$ 7.66
Series B	2,316,832	29,620	2,346,452	7.56	7.66
Series F	1,113,751	14,213	1,127,964	7.69	7.79
Series X	20,323	259	20,582	7.60	7.70
Total	\$ 16,271,969	\$ 208,493	\$ 16,480,462		

As at October 31, 2012

	Transactional NAV	Section 3855 Adjustment	GAAP per share	Transactional NAV per share	GAAP NA
Series A	\$ 10,467,353	\$ 24,712	\$ 10,492,065	\$ 7.63	\$ 7.65
Series B	2,349,051	5,544	2,354,595	7.63	7.65
Series F	1,088,380	2,559	1,090,939	7.72	7.74
Series X	19,827	47	19,874	7.66	7.68
Total	\$ 13,924,611	\$ 32,862	\$ 13,957,473		

10. FINANCIAL INSTRUMENTS

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

	As at April 30, 2013	As at October 31, 2012
Assets		
Held for trading	\$ 14,629,049	\$ 13,410,400
Cash and cash equivalents	3,720,801	2,173,916
Loans and receivables	<u>223,048</u>	<u>178,860</u>
Total Assets	<u>18,572,898</u>	<u>15,763,176</u>
Liabilities		
Held for trading	7,275	971,230
Other financial liabilities at amortized cost	<u>2,085,161</u>	<u>834,473</u>
Total liabilities	<u>2,092,436</u>	<u>1,805,703</u>
Net Assets	<u>\$ 116,480,462</u>	<u>\$ 13,957,473</u>

FRONT STREET GROWTH AND INCOME CLASS

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2013 AND 2012

(UNAUDITED)

10. FINANCIAL INSTRUMENTS (Continued...)

The Fund's financial instruments consist of investments at fair value, cash and cash equivalents, accounts receivable relating to accrued income, accounts receivable relating to portfolio assets sold, accounts receivable relating to shares issued, due from manager, forward contracts, at fair value, obligations from portfolio assets sold short, at fair value, liabilities for portfolio assets purchased, accounts payable relating to shares redeemed, accrued expenses and distributions payable. It is the Manager's opinion that due to the short term nature of these financial instruments, the Fund is not exposed to significant market price, currency, interest rate, liquidity, cash flow 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 April 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.

i) Market price risk

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

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

ii) Currency risk

The Fund may invest in financial instruments denominated in currencies other than its measurement currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of the portion of

the Fund's assets or liabilities denominated in currencies other than Canadian dollars, absent any changes in market price or investment specific events.

FRONT STREET GROWTH AND INCOME CLASS

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

10. FINANCIAL INSTRUMENTS (Continued...)

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

Currency	Marketable Securities at at fair value	Cash	Total	Percentage of GAAP NA
United States Dollar	\$ 2,458,312	\$ 3,009,715	\$ 5,468,027	33.18 %
Australian Dollar	<u>67,011</u>	<u>-</u>	<u>67,011</u>	<u>0.41 %</u>
	<u>\$ 2,525,323</u>	<u>\$ 3,009,715</u>	<u>\$ 5,535,038</u>	<u>33.59 %</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 April 30, 2013, there were 21.1% (October 31, 2012 – 20.8%) of net assets which are held in bonds. 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	\$ -	\$ 3,478,510	\$ 11,150,539	\$ 14,629,049
Other receivables	-	-	223,048	223,048
Cash and cash equivalents	<u>3,720,801</u>	<u>-</u>	<u>-</u>	<u>3,720,801</u>
Total	<u>\$ 3,720,801</u>	<u>\$ 3,478,510</u>	<u>\$ 11,373,587</u>	<u>\$ 18,572,898</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 7,275	\$ 7,275
Other financial liabilities	<u>-</u>	<u>-</u>	<u>2,085,161</u>	<u>2,085,161</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,092,436</u>	<u>\$ 2,092,436</u>
GAAP NA				<u>\$ 16,480,462</u>

FRONT STREET GROWTH AND INCOME CLASS

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2013 AND 2012 (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. Shareholder redemption requests are the main liquidity risk for the Fund.

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

	0-12 months	1 - 3 periods	3 - 5 periods	Beyond 5 periods	Indefinite maturity	Total
Financial assets						
Held for trading	\$ 425,265	\$ 1,486,468	\$ 762,471	\$ 902,541	\$ 11,052,304	\$ 14,629,049
Other receivables	223,048	-	-	-	-	223,048
Cash and cash equivalents	<u>3,720,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,720,801</u>
Total	<u>\$ 4,369,114</u>	<u>\$ 1,486,468</u>	<u>\$ 762,471</u>	<u>\$ 902,541</u>	<u>\$ 11,052,304</u>	<u>\$ 18,572,898</u>
Financial liabilities						
Held for trading	\$ 7,275	\$ -	\$ -	\$ -	\$ -	\$ 7,275
Financial liabilities	<u>2,085,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,085,161</u>
Total	<u>\$ 2,092,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,092,436</u>
GAAP NA						<u>\$ 16,480,462</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at April 30, 2013 the fair value of such assets was 4.7% (October 31, 2012 – 8.8%) 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 AND INCOME CLASS

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2013 AND 2012

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 and the Fund's securities lending activities. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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

To partially mitigate credit risk with respect to its securities lending the Fund receives collateral against the securities loaned (note 7). As at April 30, 2013, the Fund loaned securities with an aggregate fair value of \$279,920 (October 31, 2012 - \$207,190) and received collateral with an aggregate fair value of \$354,767 (October 31, 2012 - \$230,015).

As at April 30, 2013, the Fund had 21.1% (October 31, 2012 – 20.8%) of holdings in long term debt instruments for which the following credit rating have been obtained from Standard and Poor's, Moody's or DBRS:

Debt Instruments by Credit Rating	Percentage of GAAP NA
BBB	0.7%
BBB-	3.0%
BB-	1.1%
B	0.3%
B-	3.0%
Not available or not rated	13.0%

11. FORWARD FOREIGN CURRENCY CONTRACTS

The Fund may enter into forward foreign currency contracts to protect against fluctuations in the U.S. dollar exchange rates.

As at April 30, 2013, the Fund did not enter into any forward currency contracts.

As at October 31, 2012, the Fund contracted to sell U.S. dollar currency amounting to CDN \$1,769,646 at a forward rate of 0.9998 maturing on November 30, 2012. The net unrealized loss from the contracts amounted to \$938.

FRONT STREET GROWTH AND INCOME CLASS

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2013 AND 2012

12. CAPITAL MANAGEMENT

The Manager considers the Fund's capital to consist of the issued ordinary share capital and the net assets attributable to participating shareholders.

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 shareholder redemptions. The Fund's overall strategy for managing capital remains unchanged from 2012.

The Fund does not have any externally imposed capital requirements

13. FAIR VALUE HIERARCHY

The following is a summary of inputs used as of April 30, 2013 in valuing the Fund's investments and derivatives at fair value as discussed in note 2(c):

	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	
Assets at fair value as at April 30, 2013	Level 1	Level 2	Level 3	Total
Investments, at fair value	<u>\$ 10,523,238</u>	<u>\$ 3,335,240</u>	<u>\$ 770,571</u>	<u>\$ 14,629,049</u>
Liabilities at fair value as at April 30, 2013	Level 1	Level 2	Level 3	
Obligations from portfolio assets sold short at fair value	<u>\$ 7,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,275</u>

During the period ended April 30, 2013, the 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
Beginning of period	\$ 537,789	\$ 694,965
Purchases	200,000	-
Sales	(150,000)	(339,809)
Transfers in (out)	(57,975)	-
Gains (losses)		
Realized	-	61,559
Unrealized	<u>(167,521)</u>	<u>(8,437)</u>
Balance as at April 30, 2013	<u>\$ 362,293</u>	<u>\$ 408,278</u>

The transfer out of equities represents equities reallocated to level one as a result of having quoted prices in active markets for identical assets now available with respect to these holdings

FRONT STREET GROWTH AND INCOME CLASS

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2013 AND 2012

(UNAUDITED)

14. SUBSEQUENT EVENT

On May 28, 2013, Front Street Mutual Funds Limited and its manager, Front Street Capital 2004, held the adjourned special meeting of holders of Series A, Series B, Series F and Series X Shares of each of Front Street Tactical Equity Class, Front Street Growth and Income Class and Front Street Value Class and Series A, Series B, Series F, Series X and Series L Shares of Front Street Resource Class to consider the proposed mergers of Front Street Tactical Equity Class and Front Street Value Class into Front Street Growth and Income Class and Front Street Resource Class (to be renamed Front Street Resource Growth and Income Class), respectively, as follows:

<u>Terminating Fund</u>		<u>Continuing Fund</u>
Front Street Tactical Equity Class	→	Front Street Growth and Income Class
Front Street Value Class	→	Front Street Resource Growth and Income Class

Shareholders of each of the Funds approved the special resolutions at the meeting to authorize the respective mergers. Shareholders of Front Street Resource Class and Front Street Growth and Income Class also approved special resolutions at the meeting to authorize changes to the fundamental investment objectives of each of those Funds. The mergers are expected to occur on or about June 27, 2013, subject to receipt of all necessary regulatory approval.

Interim Management Report of Fund Performance As at April 30, 2013 Front Street Growth and Income Class

This Interim Management Report of Fund Performance contains financial highlights but does not contain the complete interim financial statements for Front Street Growth and Income Class (the "Fund"), a class of shares of Front Street Mutual Funds Limited. 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 contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the performance of the equity securities market, expectations about interest rates and factors incorporated by reference herein as risk factors.

The above list of important factors affecting forward looking information is not exhaustive, and reference should be made to the other risks discussed in the Fund's filings with Canadian securities regulatory authorities. The forward looking information is given as of the date of this Interim 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 investment objective of the Fund is to provide shareholders with consistent long term capital growth and the opportunity for income through the selection, management and strategic trading of long and short positions in securities of common shares, preferred shares, derivatives and corporate and government debt while at the same time providing investors with a superior risk-adjusted returns using an active options trading strategy.

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

A key strategy of the Fund will be to use a combination of option writing strategies, including covered calls and cash covered puts, to generate premium income. The strategy will take advantage of the inherent volatility in the equity markets, in addition to equities and debt instruments (bonds, convertible debt), to generate investment returns and provide investors with an exposure to strategies to mitigate market risk.

The Fund will invest in a diversified portfolio of securities in a variety of sectors, including resource-based issuers (including oil and gas, mining), agricultural stocks as well as financial sector securities, convertible shares and REITS. The Fund will also seek to invest in growth-oriented companies that are poised to increase in enterprise value over a short-to-medium term horizon. Securities selection will be based on fundamental bottom-up credit analysis. While the Fund may invest in foreign securities, including debt and equity securities, of issuers with business activities outside of Canada and that are traded on U.S., European or Asian exchanges, a majority of the Fund's assets will be invested in Canadian securities. In advising the Fund, the Investment Advisor will position the Fund's investment portfolio to reduce its correlation to Canadian and global equity and fixed-income indices.

From time to time the Fund may invest in other mutual funds and may purchase securities of, or enter into specified derivative transactions for which the underlying interest is based on the securities of other mutual funds. Such investments may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund's investment objectives stated above and enhancing returns as permitted by securities regulations. The Fund will not enter any such transaction where the other mutual fund is managed by the Manager or any of its associates or affiliates. No percentage of net assets is dedicated to such investments. Accordingly, all the assets of Fund may be invested in other mutual funds in accordance with securities legislation including NI 81-102.

RISK

Most of the Fund's assets will be invested in securities that include yield components, whether interest, dividends or return of capital. It may also invest in dividend-paying common shares or preferred shares. The Fund will therefore be subject to stock market risk and interest rate risk. Since the Fund may also invest in foreign securities, this 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 will also be subject to "Risks Associated With Securities of REITS", "Series Risk" and "Securities Lending, Repurchase and Reverse Purchase Risk" The Fund may also be exposed to the risks of short selling and investing in derivatives.

Currency risk - had an effect on the fund as the Canadian dollar weakened by 2.5% compared to the US dollar during the period. Company's who have Canadian expenses and revenue in US dollars typically benefitted from the fall in the Canadian dollar. Volatility in currency markets continues to be high, suggesting uncertainty going forward on this front.

Equity Risk – Although the TSX was relatively flat from the start to end of the period, there was significant volatility in Canadian markets during the half year, affecting the fund. Fears of political and economic events around the world influenced stock market direction. The number of equity financings and IPOs fell dramatically during the period forcing many companies to delay growth plans.

Interest-rate risk was also a factor, as global central banks generally kept administered rates at very low levels. Should global growth resume or expectations for price inflation appear, even moderately, interest rates generally are likely to rise, negatively impacting bond values.

Credit risk will continue to be a factor for the fund. Although the possibility of an economic “double dip” is low, credit spreads could widen if economic growth should start to trend below consensus, while a “flight to quality” as the result of concerns over sovereign credit ratings was being cut or crisis of confidence in another major currency such as the Japanese Yen or the U.S. dollar.

Economic risk has also impacted the holdings of the Fund. As governments reduce fiscal stimulus or reduce spending to lower national indebtedness, economic growth could slow. The risk of rising taxes, currency manipulation and the possibility of international trade disputes could further erode confidence in the global economy.

The Fund has multiple risks associated with equity and corporate debt markets. Investors whose primary concern is preservation of capital should not be invested in this Fund. The Fund is suitable for investors seeking quarterly income and 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

For the six-months ended April 30, 2013, the Front Street Growth and Income Class returned 2.33% while the benchmark returned 1.54%.

Although central banks around the world buy bonds, create inflation targets, or stand ready to “do what it takes” to enhance liquidity, Canada’s resource-heavy equity market did not participate in the rally. Gains in the Canadian fixed-income space did not materialize until late March when rumblings in Europe prompted some to a more risk-neutral (not quite risk-off) positioning.

While we see the S&P 500 pushed to new highs, we are surprised by how narrow the rally has been. The real winners are the defensive sectors: healthcare, utilities, consumer staples, along with consumer discretionary, which is benefitting from the housing consumer recoveries.

In contrast, the commodity-heavy TSX has been flat. Given improving economic data in China, and the U.S., along with better performance of global equities, this has been somewhat puzzling. Considering that the Australian market has performed as well as the S&P 500 and its index is similar to ours, why are we doing so badly?

There are concerns about the domestic economy and housing. Canadian residential investment will be a drag on the Canadian economy, as well as on general consumer spending. It is well documented how indebted Canadians are. After years of economic outperformance, Canada is now simply tweaking its good fortune, while the U.S. is rebounding.

Although there are more points of stability in the broader economy over the past several quarters, We believe that a healthy dose of skepticism is still warranted when allocating investment dollars. As for equities themselves, negative earnings guidance outpaced positive guidance at the highest ratio since early 2010. It’s important to note that positive guidance has been declining for one year. It is hard to imagine expanding multiples at a time when corporate profit margins are as high as ever (in part due to cuts in staffing and wage reductions), when governments

are becoming more aggressive tax collectors and when capital expenditures are being forgone and replaced by rising dividends and share buybacks.

During the period ended April 30, 2013, the Fund earned investment income of \$200,897 from interest, dividends and security lending revenue. There were net realized gains on the sale of investments of \$434,443, losses from derivatives of \$67,518 and an unrealized appreciation on the value of investments of \$194,434.

Operating expenses, excluding management fees, servicing fees and compensatory dividends, totaled \$77,073 during the period ended April 30, 2013.

RECENT DEVELOPMENTS

While we see long-term value in the TSX as it tracks at a significant discount to the Canadian 10- year yield, we believe that for its relative performance to improve, domestic economic headwinds must abate. For this to take place, the dollar will likely need to fall, a development we think could happen over the next 18-24 months. A declining Canadian dollar favors all export companies (specifically those with Canadian costs and U.S. revenue), oil & gas producers (somewhat muted due to oil differentials), and companies that have the bulk of their revenues south of the border.

In the 1990's the TSX was hurt by its heavy commodity exposure. Between 1990 and 1998, the TSX underperformed the S&P by 306%. Now, given all the quantitative easing and turmoil in the world, we do not believe commodities are dead, but we do need to diversify given that China is no longer the key driver in start-up magnitude. A U.S. rebound is now a much more compelling story.

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International Financial Reporting Standards (“IFRS”)

Effective for its fiscal year commencing November 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 periods ended April 30, 2013 and 2012, fees paid to (waived or absorbed by) the Manager were as follows:

	2013	2012
Management fees	\$ 99,514	\$ 47,726
Servicing fees	53,620	27,677
Operating costs	8,920	2,606
Expenses waived or absorbed by Manager	<u>-</u>	<u>(74,257)</u>
	<u>\$ 162,054</u>	<u>\$ 3,752</u>

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

	April 30, 2013	October 31, 2012
Management fees payable	\$ 19,264	\$ 14,408
Servicing fees payable	10,696	8,923
Operating costs payable	<u>1,424</u>	<u>592</u>
	<u>\$ 31,384</u>	<u>\$ 23,923</u>

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

	April 30, 2013	October 31, 2012
Series A held by the Manager	5,595	5,000
Percentage of Series A held by the Manager	0.33%	0.36%
Series B held by the Manager	5,596	5,000
Percentage of Series B held by the Manager	1.83%	1.64%
Series F held by the Manager	5,590	5,000
Percentage of Series F held by the Manager	3.86%	3.55%

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 April 30, 2013, Tuscarora Capital Inc, a company under common control to the Manager, received \$31,263 (2012 - \$Nil) in commissions on portfolio transactions for the Fund.

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

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance since inception. This information is derived from the Fund's audited annual and interim financial statements for the six months ended April 30, 2013.

Series A

The Fund's Net Assets per Share

	April 30 2013 \$	October 31 2012 ⁽¹⁾ \$	For the period from commencement of operations on July 8, 2011 to October 31 2011 ⁽¹⁾ \$
Net Assets, beginning of the period	7.65	8.79	10.00*
Increase (decrease) from operations:			
Total revenue	0.11	0.23	0.06
Total expenses	(0.13)	(0.29)	(0.02)
Realized gains (losses) for the period	0.15	(0.51)	(1.00)
Unrealized gains (losses) for the period	0.10	0.06	(0.15)
Total increase (decrease) from operations⁽²⁾	0.23	(0.51)	(1.11)
Distributions to Shareholders:			
From income (excluding dividends)	—	—	—
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	(0.25)	(0.50)	(0.17)
Total distributions to Shareholders⁽³⁾	(0.25)	(0.50)	(0.17)
Net Assets, end of the period	7.66	7.65	8.79

- (1) This information is derived from the Fund's audited annual financial statements and interim unaudited financial statements. The net assets per share 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 shares outstanding at the relevant time. The increase (decrease) from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

Ratios and Supplemental Data

Total net asset value (\$000's) ⁽¹⁾	12,821	10,467	2,470
Number of shares outstanding ⁽¹⁾	1,694,737	1,371,067	279,649
Management expense ratio ⁽²⁾	3.32%	3.61%	0.88%
Management expense ratio before waivers or absorptions ⁽²⁾	3.32%	4.25%	10.94%
Trading expense ratio ⁽³⁾	0.96%	1.27%	2.56%
Portfolio turnover rate ⁽⁴⁾	115.01%	165.92%	49.56%
Net asset value per share (\$)	7.57	7.63	8.83

- (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 portfolio transaction costs) for the stated period and is expressed as annualized percentage of daily average net asset value during the period. The manager waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessary a relationship between a high turnover rate and the performance of a fund.

* Initial Price

Series B
The Fund's Net Assets per Share

	April 30 2013 \$	October 31 2012 ⁽¹⁾ \$	For the period from commencement of operations on July 8, 2011 to October 31 2011 ⁽¹⁾ \$
Net Assets, beginning of the period	7.65	8.79	10.00*
Increase (decrease) from operations:			
Total revenue	0.10	0.23	0.06
Total expenses	(0.12)	(0.23)	(0.03)
Realized gains (losses) for the period	0.16	(0.54)	(1.05)
Unrealized gains (losses) for the period	0.12	(0.16)	(0.16)
Total increase (decrease) from operations⁽²⁾	0.26	(0.70)	(1.18)
Distributions to Shareholders:			
From income (excluding dividends)	—	—	—
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	(0.25)	(0.50)	(0.17)
Total distributions to Shareholders⁽³⁾	(0.25)	(0.50)	(0.17)
Net Assets, end of the period	7.66	7.65	8.79

- (1) This information is derived from the Fund's audited annual financial statements and interim unaudited financial statements. The net assets per share 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 shares outstanding at the relevant time. The increase (decrease) from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

Ratios and Supplemental Data

Total net asset value (\$000's) ⁽¹⁾	2,317	2,349	1,785
Number of shares outstanding ⁽¹⁾	306,326	307,861	202,131
Management expense ratio ⁽²⁾	3.26%	2.85%	1.12%
Management expense ratio before waivers or absorptions ⁽²⁾	3.26%	3.49%	10.68%
Trading expense ratio ⁽³⁾	0.96%	1.27%	2.56%
Portfolio turnover rate ⁽⁴⁾	115.01%	165.92%	49.56%
Net asset value per share (\$)	7.56	7.63	8.83

- (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 portfolio transaction costs) for the stated period and is expressed as annualized percentage of daily average net asset value during the period. The manager waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessary a relationship between a high turnover rate and the performance of a fund.

* Initial Price

Series F
The Fund's Net Assets per Share

	April 30 2013 \$	October 31 2012 ⁽¹⁾ \$	For the period from commencement of operations on July 8, 2011 to October 31 2011 ⁽¹⁾ \$
Net Assets, beginning of the period	7.74	8.81	10.00*
Increase (decrease) from operations:			
Total revenue	0.11	0.23	0.06
Total expenses	(0.09)	(0.19)	—
Realized gains (losses) for the period	0.17	(0.56)	(0.97)
Unrealized gains (losses) for the period	0.12	(0.06)	(0.14)
Total increase (decrease) from operations⁽²⁾	0.31	(0.58)	(1.05)
Distributions to Shareholders:			
From income (excluding dividends)	—	—	—
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	(0.25)	(0.50)	(0.17)
Total distributions to Shareholders⁽³⁾	(0.25)	(0.50)	(0.17)
Net Assets, end of the period	7.79	7.74	8.81

- (1) This information is derived from the Fund's audited annual financial statements and interim unaudited financial statements. The net assets per share 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 shares outstanding at the relevant time. The increase (decrease) from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

Ratios and Supplemental Data

Total net asset value (\$000's) ⁽¹⁾	1,114	1,088	520
Number of shares outstanding ⁽¹⁾	144,754	140,975	58,697
Management expense ratio ⁽²⁾	2.26%	2.35%	0.16%
Management expense ratio before waivers or absorptions ⁽²⁾	2.26%	2.99%	10.11%
Trading expense ratio ⁽³⁾	0.96%	1.27%	2.56%
Portfolio turnover rate ⁽⁴⁾	115.01%	165.92%	49.56%
Net asset value per share (\$)	7.69	7.72	8.85

- (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 portfolio transaction costs) for the stated period and is expressed as annualized percentage of daily average net asset value during the period. The manager waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessary a relationship between a high turnover rate and the performance of a fund.

* Initial Price

Series X
The Fund's Net Assets per Share

	April 30 2013 \$	For the period from commencement of operations on July 9, 2012 to October 31 2012 ⁽¹⁾ \$
Net Assets, beginning of the period	7.68	7.66*
Increase (decrease) from operations:		
Total revenue	0.10	0.07
Total expenses	(0.11)	(0.09)
Realized gains (losses) for the period	0.16	—
Unrealized gains (losses) for the period	0.12	0.38
Total increase (decrease) from operations⁽²⁾	0.27	0.36
Distributions to Shareholders:		
From income (excluding dividends)	—	—
From dividends	—	—
From capital gains	—	—
Return of capital	(0.25)	(0.25)
Total distributions to Shareholders⁽³⁾	(0.25)	(0.25)
Net Assets, end of the period	7.70	7.68

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- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

Ratios and Supplemental Data

Total net asset value (\$000's) ⁽¹⁾	20	20
Number of shares outstanding ⁽¹⁾	2,673	2,589
Management expense ratio ⁽²⁾	2.99%	3.67%
Management expense ratio before waivers or absorptions	2.99%	5.71%
Trading expense ratio ⁽³⁾	0.96%	1.27%
Portfolio turnover rate ⁽⁴⁾	115.01%	165.92%
Net asset value per share (\$)	7.60	7.66

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

MANAGEMENT AND PERFORMANCE FEES

The Fund pays a monthly management fee equal to 1/12 of 1.25% of the net asset value of Series A and Series X shares and 1/12 of 1.00% of the net asset value of Series B and Series F shares of the Fund calculated and paid at the end of each month in arrears from each Fund series.

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

The 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 fiscal quarter or quarters since a performance fee was last payable exceeds the percentage gain or loss of the benchmark (the "Benchmark") over the same year. The Benchmark for the Fund is 50% of the percentage gain or loss of the S&P/TSX Composite Index plus 50% of the percentage gain or loss of the DEX Universe All Corporate Bond Index. The fee is equal to this excess return per share multiplied by the number of shares outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per share of the Fund (including distributions) is greater than all previous values at the end of each previous fiscal quarter, in which a performance fee was paid. The starting reference point for the next fiscal quarter's calculation is based on the higher of either the Benchmark performance adjusted net asset value per share or the adjusted actual net asset value per share, both with respect to the previous quarter in which a performance fee was payable.

The Manager may, at its discretion add a service charge of up to 15% of the costs incurred for any operating and administrative costs charged to the Fund other than management services which are already included in the management fee rate which the Manager receives from the Fund.

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

DEALER COMPENSATION

Brokers, dealers and advisors may be paid a "trailer commission" for assets that their sales representatives place in the Series A, Series B, and Series X Fund securities. The Fund may, at its discretion, negotiate, change the terms and conditions of, or discontinue the trailer commission with brokers, dealers and advisors.

The trailer commission is calculated as a percentage of assets each broker, dealer or advisor has placed in the Fund series. The trailer commission is calculated based on the closing balance of client accounts for each calendar month. The trailer commission will not be paid if the assets are removed from the Funds. Trailer commissions are paid monthly at rates set within ranges according to the following table.

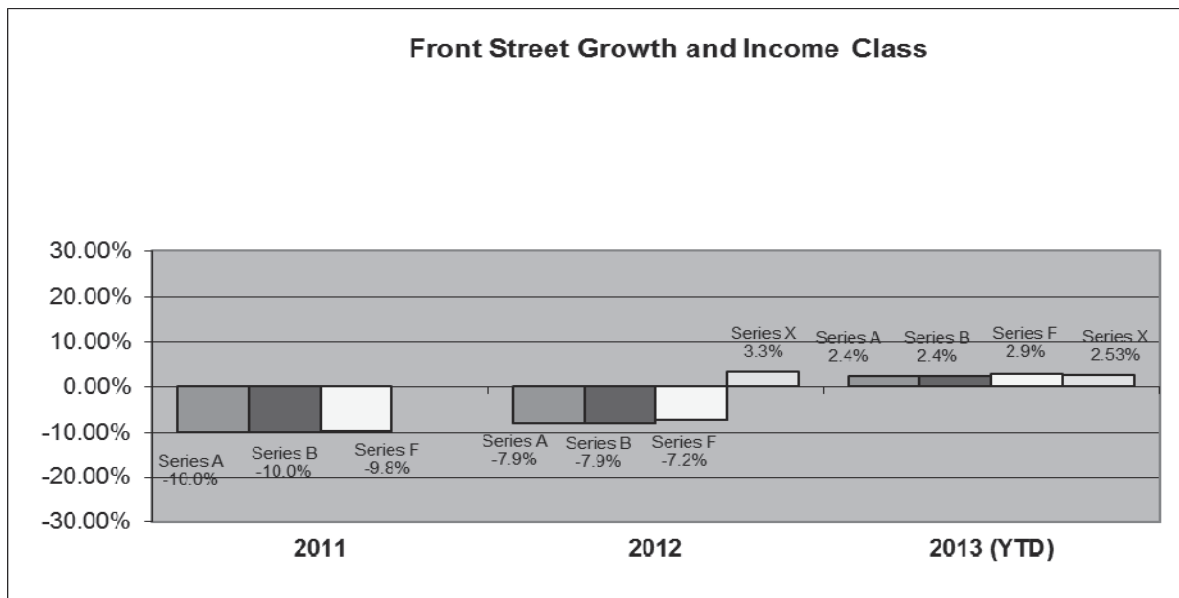
Series	Trailer Annual Rate	Annual Payment per \$1,000 of Fund securities held
A	0.75%	\$7.50
B	1.00%	\$10.00
F	0.00%	Nil
X	0.50%	\$5.00

PAST PERFORMANCE

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

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

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



Summary of Investment Portfolio as at April 30, 2013
Portfolio by Category

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Financials	24.9%
Cash & Cash Equivalents	22.9%
Corporate Bonds	21.4%
Energy	13.1%
Information Technology	9.1%
Consumer Discretionary	7.4%
Materials	6.5%
Industrials	6.1%
Health Care	0.0%
SHORT POSITIONS	
Written Call Options	-0.0%
Other assets less of other liabilities	-11.4%
	100.0%

Top 25 Holdings

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Bank of Montreal	5.9%
Royal Bank of Canada	3.7%
The Toronto-Dominion Bank	3.0%
Bank of America Corporation	2.7%
The Bank of Nova Scotia	2.5%
Suncor Energy Inc.	2.4%
Ford Credit Canada Limited*	2.3%
Citigroup Inc.	2.3%
American Apparel Inc.*	2.1%
Canadian Imperial Bank of Commerce	2.0%
Aecon Group Inc.*	1.9%
Bauer Performance Sports Limited	1.9%
Canadian Natural Resources Limited	1.8%
Redknee Solutions Inc.	1.7%
Sierra Wireless Inc.	1.7%
Martinrea International Inc.	1.7%
Vicwest Inc.	1.6%
AG Growth International Inc.*	1.6%
Wi-LAN Inc.	1.4%
AltaGas Limited	1.4%
Manulife Financial Corporation	1.4%
Keyera Corporation	1.4%
CAE Inc.	1.3%
Xtreme Drilling and Coil Services Corporation	1.3%
Fortress Paper Limited*	1.3%
	52.3%
TOTAL TRANSACTIONAL NET ASSET VALUE (000's)	\$16,272

*Debt instruments

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



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