



FRONT STREET
Mutual Funds Limited

FRONT STREET MUTUAL FUNDS LIMITED

FRONT STREET GROWTH AND INCOME FUND

Management Report of Fund Performance

and

Interim Financial Statements

April 30, 2012

Interim Management Report of Fund Performance As at April 30, 2012 Front Street Growth and Income Fund

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 Fund, a class of shares of Front Street Mutual Funds Limited fund (the "Fund"). The interim financials of the Fund are attached behind this report and you can also get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-800-513-2832, by writing to us at Front Street Capital 2004, 33 Yonge Street, Suite 600, Toronto, Ontario M5E 1G4 or by visiting our web site at www.frontstreetcapital.com or SEDAR at www.sedar.com.

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

Forward Looking Information

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

Although the Fund believes it has a reasonable basis for making the forecasts or projections included in this 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

The Fund's assets may 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 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.

Equity risk also affected Fund volatility. Equity returns have been volatile partly as a result of uneven global economic growth, fear of contagion arising from a possible sovereign debt default in Europe as well as concerns that corporate profit margins might have peaked.

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

The net asset value of the fund was impacted by the moves in the equity markets, particularly the growth oriented equities. This was offset by some gains in the fixed income and some special situations among equity positions.

During the period ended April 30, 2012, the Fund earned investment income of \$97,661 from dividends and interest; investment income of \$13 from security lending. There were net realized losses on the sale of investments of \$90,118, realized gain from derivatives of \$26,060 and an unrealized depreciation on the value of investments of \$257,474.

Operating expenses totalled \$143,447 and the Manager waived and absorbed \$74,257 of expenses during the period ended April 30, 2012.

RECENT DEVELOPMENTS

Macro concerns continued to dominate financial markets as a restructuring of Greece's debt in early 2012 did not alleviate the deep financial stress facing that country, while sovereign debt or banking problems looked to spread to other parts of Europe. By the end of April both Greece and France has elected political parties or individuals running on anti-austerity programs. These elections dealt a further blow to investors hoping for some stability in European asset markets. Equities indices began to weaken in April after a strong run from November / December. The aforementioned news out of Europe weighed on investor sentiment, as did concerns that valuations were running high given that profit margins were running near all-time highs when the foundations of the global economy were beginning to look shaky. Treasuries, which had been weak in the first quarter of 2012, began to strengthen in April as the safety trade began again. Volatility across many asset classes will continue as market participants struggle with fears of a possible slowdown in the US or Chinese economy, the probability of sovereign debt default or a banking crisis in Europe and whether the European Monetary Union is itself at risk.

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.
- 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.

At October 31, 2011, the IASB has published an exposure draft for comment addressing specific issues relating to Investment Companies and Funds.

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

The anticipated impact of IFRS on accounting policies and implementation decisions will be on the financial statement presentation and note disclosures in the Fund's financial statements. In particular, the Fund will be required to present a statement of shareholders' equity and a statement of cash flows, and will be required to include certain additional and enhanced disclosures.

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

RELATED PARTY-TRANSACTIONS

Management fees of \$47,726 were paid to the Manager during the period. Servicing fees of \$ 27,677 were paid to the Manager during the period. Operating costs of \$2,606 were paid to the Manager during the period. Expenses waived and absorbed by the Manager during the period amounted to \$74,257. Included in accrued expenses are \$6,768 (October 31, 2011 - \$Nil) in management fees payable to the Manager. Included in accrued expenses are \$6,337 (October 31, 2011 - \$2,725) in accrued servicing fees payable to the Manager. Included in accrued expenses are \$2,606 (October 31, 2011 - \$ Nil) in operating costs payable to the Manager.

5,000 of series A shares outstanding at period end representing 0.68% of the series A shares of the Fund are held by the Manager.

5,000 of series B shares outstanding at period end representing 1.64% of the series B shares of the Fund are held by the Manager.

5,000 of series F shares outstanding at period end representing 4.33% of the series F shares of the Fund are held by the Manager.

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

Series A

The Fund's Net Assets per Share

	April 30, 2012 \$	For the period from commencement of operation on July 8, 2011 to October 31, 2011 ⁽¹⁾ \$
Net Assets, beginning of the period	8.79	10.00*
Increase (decrease) from operations:		
Total revenue	0.11	0.06
Total expenses	(0.10)	(0.02)
Realized gains (losses) for the period	(0.12)	(1.00)
Unrealized gains (losses) for the period	(0.28)	(0.15)
Total increase (decrease) from operations ⁽²⁾	(0.39)	(1.11)
Distributions to Shareholders:		
From income (excluding dividends)	—	—
From dividends	—	—
From capital gains	—	—
Return of capital	(0.25)	(0.17)
Total distributions to Shareholders ⁽³⁾	(0.25)	(0.17)
Net Assets, end of the period	8.24	8.79

- (1) This information is derived from the Fund's audited annual 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⁾	6,059	2,470
Number of shares outstanding ⁽¹⁾	731,127	279,649
Management expense ratio ⁽²⁾	2.33%	0.88%
Management expense ratio before waivers or absorptions	4.33%	10.94%
Trading expense ratio ⁽³⁾	0.93%	2.56%
Portfolio turnover rate ⁽⁴⁾	52.04%	49.56%
Net asset value per share	\$ 8.29	\$ 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 assets during the period.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a 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, 2012 \$	For the period from commencement of operation on July 8, 2011 to October 31, 2011 ⁽¹⁾ \$
Net Assets, beginning of the period	8.79	10.00*
Increase (decrease) from operations:		
Total revenue	0.11	0.06
Total expenses	(0.05)	(0.03)
Realized gains (losses) for the period	(0.11)	(1.05)
Unrealized gains (losses) for the period	(0.32)	(0.16)
Total increase (decrease) from operations ⁽²⁾	(0.37)	(1.18)
Distributions to Shareholders:		
From income (excluding dividends)	—	—
From dividends	—	—
From capital gains	—	—
Return of capital	(0.25)	(0.17)
Total distributions to Shareholders ⁽³⁾	(0.25)	(0.17)
Net Assets, end of the period	8.24	8.79

(1) This information is derived from the Fund's audited annual 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⁾	2,533	1,785
Number of shares outstanding ⁽¹⁾	305,757	202,131
Management expense ratio ⁽²⁾	1.29%	1.12%
Management expense ratio before waivers or absorptions	3.29%	10.68%
Trading expense ratio ⁽³⁾	0.93%	2.56%
Portfolio turnover rate ⁽⁴⁾	52.04%	49.56%
Net asset value per share	\$ 8.28	\$ 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 assets during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a 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, 2012 \$	For the period from commencement of operation on July 8, 2011 to October 31, 2011 ⁽¹⁾ \$
Net Assets, beginning of the period	8.81	10.00*
Increase (decrease) from operations:		
Total revenue	0.11	0.06
Total expenses	(0.04)	—
Realized gains (losses) for the period	(0.12)	(0.97)
Unrealized gains (losses) for the period	(0.36)	(0.14)
Total increase (decrease) from operations ⁽²⁾	(0.39)	(1.05)
Distributions to Shareholders:		
From income (excluding dividends)	—	—
From dividends	—	—
From capital gains	—	—
Return of capital	(0.25)	(0.17)
Total distributions to Shareholders ⁽³⁾	(0.25)	(0.17)
Net Assets, end of the period	8.29	8.81

- (1) This information is derived from the Fund's audited annual 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⁾	963	520
Number of shares outstanding ⁽¹⁾	115,535	58,697
Management expense ratio ⁽²⁾	0.97%	0.16%
Management expense ratio before waivers or absorptions	2.97%	10.11%
Trading expense ratio ⁽³⁾	0.93%	2.56%
Portfolio turnover rate ⁽⁴⁾	52.04%	49.56%
Net asset value per share	\$ 8.33	\$ 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 assets during the period.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a 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

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 has not been provided because the Fund is less than one year old.

Summary of Investment Portfolio as at April 30, 2012

Portfolio by Category

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Materials	17.9%
Corporate Bonds	17.1%
Energy	15.3%
United States	14.2%
Information Technology	8.8%
Cash & Cash Equivalents	7.0%
Consumer Discretionary	4.9%
Financials	4.9%
Australia	3.8%
Utilities	3.2%
Consumer Staples	2.6%
United Kingdom	2.1%
Industrials	1.5%
Bermuda	0.7%
British Virgin Island	0.5%
Health Care	0.4%
Cayman Islands	0.3%
Written Options	0.2%
SHORT POSITIONS	
United States	-4.5%
Materials	-1.4%
Consumer Staples	-1.1%
Consumer Discretionary	-0.6%
Written Options	-0.4%
Energy	-0.4%
Forward Contracts	-0.2%
Other assets less other liabilities	3.2%
	100.0%

Top 25 Holdings

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
ePals Corporation	2.8%
Wi-LAN Inc.	2.6%
The Mosaic Company	2.3%
Athabasca Oil Sands Corporation	2.2%
Verde Potash PLC	2.1%
Agrium Inc.	1.8%
Banro Corporation*	1.8%
Talison Lithium Limited	1.8%
The Dow Chemical Company	1.8%
JPMorgan Chase & Company	1.8%
The Goldman Sachs Group Inc.	1.7%
C&C Energia Limited	1.7%
Viterra Inc.	1.7%
Pure Technologies Limited	1.6%
Valeant Pharmaceuticals International Inc.*	1.6%
Monsanto Company	1.6%
Brasil Ecoetanol Limited	1.6%
REDF V Limited Partnership 'B' Unit	1.6%
Windtronics LLC*	1.6%
Potash Ridge Corporation	1.6%
Bank of Montreal	1.5%
Perseus Mining Limited	1.4%
Labrador Iron Mines Holdings Limited	1.4%
Amaya Gaming Group Inc.*	1.4%
SHORT POSITIONS	
Intrepid Potash Inc.	-2.6%
	40.4%
TOTAL TRANSACTIONAL NET ASSET VALUE (000)	\$9,554

* Debt instruments

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



FRONT STREET

Growth and Income Fund

INTERIM FINANCIAL STATEMENTS

FRONT STREET GROWTH INCOME FUND

FOR THE SIX MONTHS ENDED APRIL 30, 2012

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS

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

FRONT STREET GROWTH AND INCOME FUND

**STATEMENT OF NET ASSETS
AS AT APRIL 30, 2012 (UNAUDITED) AND OCTOBER 31, 2011 (AUDITED)**

	2012 (Unaudited)	2011 (Audited)
ASSETS		
Investments, at fair value (cost - \$9,671,752; 2011-\$4,466,665)	\$ 9,353,560	\$ 4,338,007
Cash and cash equivalents	666,920	800,510
Accounts receivable relating to portfolio assets sold	433,616	176,539
Amounts receivable relating to accrued income	56,111	22,893
Accounts receivable relating to shares issued	—	79,272
Due from Manager, note 6	—	46,252
Forward contracts, at fair value, note 12	—	5,043
	<u>\$ 10,510,207</u>	<u>\$ 5,468,516</u>
LIABILITIES		
Obligations from portfolio assets sold short, at fair value	\$ 809,679	\$ 303,699
Liabilities for portfolio assets purchased	114,440	392,082
Distributions payable	39,572	17,694
Accrued expenses	31,233	3,097
Forward contracts, at fair value, note 12	14,754	—
Accounts payable relating to shares redeemed	1,600	—
	<u>1,011,278</u>	<u>716,572</u>
Commitments , note 9		
Net assets representing shareholders' equity	<u>\$ 9,498,929</u>	<u>\$ 4,751,944</u>
Net assets applicable to outstanding shares allocated as follows:		
Net assets, Series A	\$ 6,023,706	\$ 2,458,591
Shares outstanding, Series A, note 3	731,127	279,649
Net assets per share, Series A	<u>\$ 8.24</u>	<u>\$ 8.79</u>
Net assets, Series B	\$ 2,517,917	\$ 1,776,133
Shares outstanding, Series B, note 3	305,757	202,131
Net assets per share, Series B	<u>\$ 8.24</u>	<u>\$ 8.79</u>
Net assets, Series F	\$ 957,306	\$ 517,220
Shares outstanding, Series F, note 3	115,535	58,697
Net assets per share, Series F	<u>\$ 8.29</u>	<u>\$ 8.81</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 FUND

**STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED APRIL 30, 2012
(UNAUDITED)**

	November 1, 2011 to April 30, 2012 (Unaudited)
<hr/>	
Investment income	
Interest	\$ 61,958
Dividends	35,703
Securities Lending	13
	<u>97,674</u>
Expenses	
Servicing fees, notes 4 and 8	27,677
Management fees, notes 4 and 8	47,726
Administration fees	32,997
Compensatory dividends	3,733
Audit fees	25,000
Operating costs, notes 4 and 8	2,606
Legal fees	432
Securityholder reporting costs	3,112
Independent review committee	164
	<u>143,447</u>
Expenses waived or absorbed by Manager, note 8	<u>(74,257)</u>
	<u>69,190</u>
Net investment income for the period	<u>28,484</u>
Net realized and unrealized gains (losses) on investments	
Net realized loss on sale of investments	(90,118)
Gain from derivatives	26,060
Transaction costs, note 7	(34,499)
Change in the unrealized depreciation of the value of investments	(257,474)
Net loss on investments for the period	<u>(356,031)</u>
Net decrease in net assets from operations for the period	<u>\$ (327,547)</u>
 Decrease in net assets from operations applicable to outstanding shares allocated as follows:	
Decrease in net assets from operations, Series A	\$ (199,577)
Decrease in net assets from operations per share, Series A	<u>\$ (0.39)</u>
Decrease in net assets from operations, Series B	\$ (94,769)
Decrease in net assets from operations per share, Series B	<u>\$ (0.37)</u>
Decrease in net assets from operations, Series F	\$ (33,201)
Decrease in net assets from operations per share, Series F	<u>\$ (0.39)</u>

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME FUND

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED APRIL 30, 2012
(UNAUDITED)**

	November 1, 2011 to April 30, 2012 (Unaudited)
Series A	
Net assets, beginning of period	\$ 2,458,591
Net decrease in net assets from operations	(199,577)
Distributions to Shareholders	
Return of Capital	(150,253)
Shareholder transactions	
Proceeds from the issuance of shares	3,972,263
Aggregate amounts paid on the redemption of shares	(160,529)
Shares issued on the reinvestment of distributions	103,211
	3,914,945
Net increase in net assets for the period	3,565,115
Net assets, end of period	\$ 6,023,706
Series B	
Net assets, beginning of period	\$ 1,776,133
Net decrease in net assets from operations	(94,769)
Distributions to Shareholders	
Return of Capital	(67,958)
Shareholder transactions	
Proceeds from the issuance of shares	969,776
Aggregate amounts paid on the redemption of shares	(116,038)
Shares issued on the reinvestment of distributions	50,773
	904,511
Net increase in net assets for the period	741,784
Net assets, end of period	\$ 2,517,917

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME FUND

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED APRIL 30, 2012
(UNAUDITED)**

	November 1, 2011 to April 30, 2012 (Unaudited)
<hr/>	
Series F	
Net assets, beginning of period	<u>\$ 517,220</u>
Net decrease in net assets from operations	<u>(33,201)</u>
Distributions to Shareholders	
Return of Capital	<u>(23,799)</u>
Shareholder transactions	
Proceeds from the issuance of shares	476,916
Aggregate amounts paid on the redemption of shares	—
Shares issued on the reinvestment of distributions	<u>20,170</u>
	<u>497,086</u>
Net increase in net assets for the period	<u>440,086</u>
Net assets, end of period	<u><u>\$ 957,306</u></u>
Total	
Net assets, beginning of period	<u>\$ 4,751,944</u>
Net decrease in net assets from operations	<u>(327,547)</u>
Distributions to Shareholders	
Return of Capital	<u>(242,010)</u>
Shareholder transactions	
Proceeds from the issuance of shares	5,418,955
Aggregate amounts paid on the redemption of shares	(276,567)
Shares issued on the reinvestment of distributions	<u>174,154</u>
	<u>5,316,542</u>
Net increase in net assets for the period	<u>4,746,985</u>
Net assets, end of period	<u><u>\$ 9,498,929</u></u>

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME FUND

**STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)**

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Long Positions (98.5%)			
Energy (15.3%)			
AltaGas Limited	3,000	\$ 89,490	\$ 95,580
Americas Petrogas Inc.	25,000	75,250	67,750
Athabasca Oil Sands Corporation	18,000	209,532	207,540
Baytex Energy Corporation	1,000	50,672	52,150
Brasil Ecoetanol Limited Restricted	500,000	150,000	150,000
C&C Energia Limited	22,400	160,384	164,863
Canyon Services Group Inc.	6,680	76,066	74,148
Crescent Point Energy Corporation	1,000	42,937	43,030
Crew Energy Inc.	16,100	207,573	112,378
Fission Energy Corporation	50,000	40,750	32,500
Pengrowth Energy Corporation	10,000	99,100	88,400
Strad Energy Services Limited	10,000	40,200	55,200
Suncor Energy Inc.	4,000	125,543	130,400
Trican Well Service Limited	6,000	108,035	85,260
Western Wind Energy Corporation Restricted	20,000	40,000	29,596
Western Wind Energy Corporation Warrants January 20, 2014	10,000	-	1,502
Xinergy Limited	12,000	52,701	27,000
Xtreme Drilling and Coil Services Corporation	12,000	39,638	36,840
		<u>\$ 1,607,871</u>	<u>\$ 1,454,137</u>
Materials (18.1%)			
Agrium Inc.	2,000	\$ 160,868	\$ 173,680
Banro Corporation Warrants March 2, 2017	9,600	17,202	14,935
Barrick Gold Corporation	1,500	70,336	59,880
Capstone Mining Corporation	25,000	72,156	73,250
Cardero Resource Corporation	72,000	92,201	64,800
EcoSynthetix Inc.	20,000	91,400	98,400
Entree Gold Inc.	45,000	56,250	47,250
First Quantum Minerals Limited	5,000	99,863	102,500
Formation Metals Inc.	60,000	24,750	26,400
Great Western Minerals Group Limited	100,000	63,000	42,500
Guyana Goldfields Inc.	3,696	29,548	10,127
Hana Mining Limited	43,700	70,661	59,432
IC Potash Corporation	103,157	99,002	97,999
Labrador Iron Mines Holdings Limited	28,800	141,633	133,632
Lithium One Inc.	40,000	40,400	49,600
Lundin Mining Corporation	20,000	86,520	96,000
MBAC Fertilizer Corporation	30,000	87,618	88,500
Mega Graphite Inc. Private Placement	58,536	119,999	87,804
Potash Ridge Corporation Restricted	333,300	149,975	149,975
Sherritt International Corporation	10,000	47,342	56,200
Silver Wheaton Corporation	3,000	108,291	90,270
Western Potash Corporation	100,000	107,760	100,000
		<u>\$ 1,836,775</u>	<u>\$ 1,723,134</u>

FRONT STREET GROWTH AND INCOME FUND

**STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)**

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Consumer Discretionary (4.6%)			
Amaya Gaming Group Inc. Warrants April 30, 2015	5,000	\$ -	\$ 6,250
Boston Pizza Royalties Income Fund	4,000	53,548	73,040
ePals Corporation Restricted	610,000	250,100	221,674
Indigo Books & Music Inc.	5,435	44,947	49,459
Magna International Inc.	2,000	78,520	86,440
		<u>\$ 427,115</u>	<u>\$ 436,863</u>
Consumer Staples (2.6%)			
Saputo Inc.	2,000	\$ 79,162	\$ 92,100
Viterra Inc.	10,000	140,300	159,000
		<u>\$ 219,462</u>	<u>\$ 251,100</u>
Financials (4.9%)			
Bank of Montreal	2,500	\$ 144,926	\$ 146,625
Huntingdon Capital Corporation Warrants December 31, 2016	2,800	-	8,540
Manulife Financial Corporation	6,000	62,348	80,940
REDF V Limited Partnership 'B' Units	150	150,000	150,000
The Toronto-Dominion Bank	1,000	80,777	83,370
		<u>\$ 438,051</u>	<u>\$ 469,475</u>
Industrials (1.6%)			
Canexus Corporation	14,900	\$ 113,364	\$ 122,627
Innovative Composite International, Inc.	50,000	52,000	24,250
		<u>\$ 165,364</u>	<u>\$ 146,877</u>
Health Care (0.4%)			
ISEE3D Inc.	920,000	\$ 92,000	\$ 27,600
ISEE3D Inc. Promissory Note Warrants September 16, 2014	266,666	-	3,450
ISEE3D Inc. Warrants December 30, 2013	460,000	-	5,350
		<u>\$ 92,000</u>	<u>\$ 36,400</u>
Information Technology (8.7%)			
Celestica Inc.	5,000	\$ 39,220	\$ 44,100
DragonWave Inc.	15,000	60,897	57,450
Hemisphere GPS Inc.	65,000	53,840	51,350
Pure Technologies Limited	30,840	95,069	150,499
Redknee Solutions Inc.	70,000	76,720	89,600
Sierra Wireless Inc.	10,000	70,382	67,200
The Descartes Systems Group Inc.	10,000	75,100	85,000
TransGaming Inc.	60,000	39,132	17,700
VIQ Solutions Inc.	110,000	43,005	17,600
Wi-LAN Inc.	43,800	262,880	246,594
		<u>\$ 816,245</u>	<u>\$ 827,093</u>

FRONT STREET GROWTH AND INCOME FUND

**STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)**

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Utilities (3.4%)			
Alter NRG Corporation	60,000	\$ 44,028	\$ 27,900
Capital Power Corporation	5,000	123,550	116,650
Emera Inc.	2,000	62,705	69,880
Enpar Technologies Inc. Restricted	1,250,000	100,000	80,500
Enpar Technologies Inc. Warrants April 23, 2014	1,250,000	-	32,245
		<u>\$ 330,283</u>	<u>\$ 327,175</u>
Corporate Bonds (17.2%)			
AG Growth International Inc. 7.000% December 31, 2014	95,000	\$ 97,431	\$ 101,650
Amaya Gaming Group Inc. 10.500% April 30, 2014	100,000	100,000	133,000
Armtec Holdings Limited 8.875% September 22, 2017	75,000	62,813	46,500
Banro Corporation 10.000% March 1, 2017	200,000	182,588	175,962
Flint Energy Services Limited 7.500% June 15, 2019	75,000	75,000	81,877
Ford Credit Canada Limited 4.200% November 14, 2013	100,000	99,948	101,623
Gasfrac Energy Services 7.000% February 28, 2017	105,000	105,000	104,738
Huntingdon Capital Corporation 7.500% December 31, 2016	100,000	100,000	104,010
ISEE3D Inc. Promissory Notes 6.000% September 14, 2014	100,000	100,000	100,000
Sherritt International Corporation 8.000% November 15, 2018	100,000	100,000	107,306
Valeant Pharmaceuticals International Inc. 6.750% October 1, 2017	150,000	138,995	152,731
VoodooVox Inc. 15.000% Debentures March 12, 2013	99,000	99,000	99,000
Windtronics Promissory Notes 15.000% September 7, 2012	150,000	150,000	150,000
Xinergy Corporation 9.250% May 15, 2019	150,000	138,263	108,432
Yellow Media Inc. 6.500% July 10, 2013	100,000	78,250	63,000
		<u>\$ 1,627,288</u>	<u>\$ 1,629,829</u>
Options (0.2%)			
Agrium Inc. 85 CO May/2012	15	\$ 5,213	\$ 5,931
Alpha Natural Resources Inc. 14 CO May/2012	15	2,117	3,411
Barrick Gold Corporation 42 CO May/2012	20	2,973	1,008
Calfrac Well Services Limited 26 PO May/2012	14	2,268	560
Financial Select Sector SPDR Fund 15 PO May/2012	50	2,556	643
iShares Russell 2000 Index Fund 80 PO May/2012	35	7,910	3,460
Molycorp Inc. 35 CO May/2012	25	5,064	272
Potash Corporation of Saskatchewan Inc. 43 CO May/2012	15	4,091	1,616
SPDR Metals & Mining 48 PO May/2012	14	3,274	1,536
SPDR Metals & Mining 49 PO May/2012	20	4,043	3,045
		<u>\$ 39,509</u>	<u>\$ 21,482</u>
Global Equities			
Australia (3.8%)			
Incitec Pivot Limited	15,000	\$ 60,608	\$ 50,168
Perseus Mining Limited	50,000	148,383	134,000
Talison Lithium Limited	53,000	183,776	172,780
		<u>\$ 392,767</u>	<u>\$ 356,948</u>

FRONT STREET GROWTH AND INCOME FUND

**STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)**

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
British Virgin Island (0.5%)			
Frontier Rare Earths Limited	33,500	\$ 33,410	\$ 28,475
Rio Verde Minerals Development Corporation	60,000	27,150	17,100
		<u>\$ 60,560</u>	<u>\$ 45,575</u>
Bermuda (0.7%)			
Bunge Limited	1,000	\$ 57,530	\$ 63,762
Cayman Islands (0.3%)			
Coastal Energy Company	1,900	\$ 25,682	\$ 30,799
United Kingdom (2.0%)			
Verde Potash PLC	35,000	\$ 221,945	\$ 192,500
United States (14.2%)			
Alpha Natural Resources Inc.	4,000	\$ 75,590	\$ 63,742
CF Industries Holdings Inc.	675	115,520	128,817
FMC Corporation	700	53,253	76,354
JPMorgan Chase & Company	4,000	143,223	169,794
Monsanto Company	2,000	160,560	150,596
ProShares Short 20+ Year Treasury ETF	1,500	50,920	46,843
Sanderson Farms Inc.	1,500	65,909	76,469
The Dow Chemical Company	5,225	174,209	174,945
The Goldman Sachs Group Inc.	1,500	185,662	170,688
The Mosaic Company	4,150	218,999	216,612
Walter Energy Inc.	1,000	69,460	65,551
Windtronics, LLC Warrants January 1, 2014	375	-	-
		<u>\$ 1,313,305</u>	<u>\$ 1,340,411</u>
Total Long Positions (98.5%)		<u>\$ 9,671,752</u>	<u>\$ 9,353,560</u>
Short Positions (-8.5%)			
Consumer Discretionary (-0.6%)			
Amaya Gaming Group Inc.	(400)	\$ (1,494)	\$ (1,596)
Tim Hortons Inc.	(1,000)	(48,726)	(57,050)
		<u>\$ (50,220)</u>	<u>\$ (58,646)</u>
Consumer Staples (-1.1%)			
Alimentation Couche-Tard Inc. 'B'	(2,500)	\$ (96,200)	\$ (107,125)
Energy (-0.4%)			
Cenovus Energy Inc.	(1,000)	\$ (31,300)	\$ (35,870)
Materials (-1.4%)			
Teck Resources Limited 'B'	(3,500)	\$ (126,353)	\$ (129,150)
United States (-4.5%)			
Financial Select Sector SPDR Fund	(7,300)	\$ (111,245)	\$ (111,421)
Freeport-McMoRan Copper & Gold Inc.	(1,750)	(68,218)	(66,275)
Intrepid Potash, Inc.	(10,000)	(237,263)	(245,754)
Microsoft Corporation	(200)	(6,369)	(6,331)
		<u>\$ (423,095)</u>	<u>\$ (429,781)</u>

FRONT STREET GROWTH AND INCOME FUND

**STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)**

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Written Options (-0.5%)			
Agrium Inc. 88 WCO May/2012	(15)	\$ (3,154)	\$ (3,707)
Agrium Inc. 93 WCO May/2012	(5)	(783)	(297)
Alimentation Couche-Tard Inc. 'B' 38 WPO May/2012	(25)	(1,975)	(375)
Alpha Natural Resources Inc. 15 WCO May/2012	(20)	(1,624)	(3,084)
Alpha Natural Resources Inc. 16 WCO May/2012	(15)	(868)	(1,409)
Barrick Gold Corporation 44 WCO May/2012	(20)	(1,469)	(336)
Calfrac Well Services Limited 24 WPO May/2012	(7)	(378)	(175)
CF Industries Holdings Inc. 175 WPO May/2012	(30)	(13,270)	(4,151)
CF Industries Holdings Inc. 195 WCO May/2012	(4)	(2,085)	(2,254)
Crew Energy Inc. 7 WPO May/2012	(350)	(3,150)	(14,000)
Financial Select Sector SPDR Fund 14 WPO May/2012	(50)	(952)	(198)
First Quantum Minerals Limited 22 WCO May/2012	(25)	(1,600)	(1,625)
Intrepid Potash, Inc. 23 WPO May/2012	(50)	(4,171)	(1,730)
iShares Russell 2000 Index Fund 78 WPO May/2012	(17)	(2,593)	(924)
JPMorgan Chase & Company 44 WCO May/2012	(30)	(5,111)	(1,246)
Magna International Inc. 48 WCO May/2012	(10)	(1,630)	(150)
Manulife Financial Corporation 14 WCO May/2012	(30)	(1,560)	(510)
Molycorp Inc. 37 WCO May/2012	(25)	(3,366)	(198)
Monsanto Company 85 WCO May/2012	(10)	(1,576)	(40)
Potash Corporation of Saskatchewan Inc. 48 WCO May/2012	(15)	(561)	(148)
Silver Wheaton Corporation 32 WCO May/2012	(10)	(550)	(420)
SPDR Metals & Mining 46 WPO May/2012	(7)	(1,052)	(422)
SPDR Metals & Mining 47 WPO May/2012	(10)	(1,288)	(880)
Teck Resources Limited 33 WPO May/2012	(35)	(6,142)	(727)
The Dow Chemical Company 35 WCO May/2012	(37)	(2,740)	(1,244)
The Goldman Sachs Group Inc. 115 WCO May/2012	(15)	(8,424)	(3,855)
Trican Well Service Limited 13 WCO May/2012	(20)	(1,180)	(3,000)
Walter Energy Inc. 65 WCO May/2012	(5)	(1,921)	(2,002)
		<u>\$ (75,173)</u>	<u>\$ (49,107)</u>
Total Short Positions (-8.5%)		<u>\$ (802,341)</u>	<u>\$ (809,679)</u>
Unrealized Loss on Forward Foreign Currency Contract, note 11 (-0.2%)		<u>\$</u>	<u>\$ (14,754)</u>
Transaction costs, note 2		<u>\$ (28,381)</u>	
Total Investments (89.8%)		<u><u>\$ 8,841,030</u></u>	\$ 8,529,127
Cash and cash equivalents (7.0%)			666,920
Other assets less other liabilities (3.2%)			<u>302,882</u>
Net assets (100.0%)			<u><u>\$ 9,498,929</u></u>

FRONT STREET GROWTH AND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012

(UNAUDITED)

1. THE FUND

Front Street Growth And Income Fund (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.

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, 2012.

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 FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 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 and forward contracts, at fair value and obligations from portfolio assets sold short at fair value are classified as held for trading. Accounts receivable relating to portfolio assets sold, accounts receivable relating to shares issued, due from manager and amounts receivable relating to accrued income are classified as loans and receivables. Liabilities for portfolio assets purchased, distributions payable and accrued expenses 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 FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 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 FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 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 FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012

(UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

g) 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.

h) Net decrease in net assets from operations per share

Net 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.

i) 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.

j) 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.

k) General standards on financial statement presentation

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

l) 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.

FRONT STREET GROWTH AND INCOME FUND

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

m) Future accounting pronouncements

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

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.
- (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.

At October 31, 2011, the IASB has published an exposure draft for comment addressing specific issues relating to Investment Companies and Funds.

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

The anticipated impact of IFRS on accounting policies and implementation decisions will be on the financial statement presentation and note disclosures in the Fund's financial statements. In particular, the Fund will be required to present a statement of shareholders' equity and a statement of cash flows, and will be required to include certain additional and enhanced disclosures.

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 FUND

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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 year following acquisition. A redemption fee of 3% applies to shares of this series sold within the second year following acquisition. A redemption fee of 1.5% applies to shares of this series sold within the third year following acquisition. No redemption fee applies to shares of this series sold after the third year 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 FUND

NOTES TO THE FINANCIAL STATEMENTS

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(UNAUDITED)

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

The following share transactions took place during the period:

	November 1, 2011 to April 30, 2012
Shares outstanding, beginning of the period:	
Series A	279,649
Series B	202,131
Series F	58,697
Shares issued during the period:	
Series A	457,766
Series B	111,160
Series F	54,471
Share distributions reinvested during the period:	
Series A	12,200
Series B	5,993
Series F	2,367
Shares redeemed during the period:	
Series A	18,488
Series B	13,527
Series F	-
Shares outstanding, end of the period:	
Series A	731,127
Series B	305,757
Series F	115,535

FRONT STREET GROWTH AND INCOME FUND

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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 FUND

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(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 are redeemed. Gains and losses realized by the Fund in relation to certain derivative transactions and short sale transactions may be taxed on account of income as opposed to on account of capital. Other income is subject to tax at normal corporate rates and is not subject to refundable tax treatment.

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

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

The 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 years and carried forward indefinitely and be applied against taxable capital gains in such previous or subsequent years.

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 FUND

NOTES TO THE FINANCIAL STATEMENTS

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(UNAUDITED)

6. DUE FROM MANAGER

Due from Manager represents fees and expenses paid to Manager prior to the announcement on November 24, 2011 of the retroactive adjustment to waive certain fees and expenses relating to the Fund. These balances are non-interest bearing.

7. TRANSACTION COSTS

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

8. RELATED PARTY TRANSACTIONS

Management fees of \$47,726 were paid to the Manager during the period (see note 4). Servicing fees of \$27,677 were paid to the Manager during the period (see note 4). Operating costs of \$2,606 were paid to the Manager during the period (see note 4). Expenses waived and absorbed by the Manager during the period amounted to \$74,257 (see note 4). Included in accrued expenses are \$6,768 (October 31, 2011 - \$Nil) in management fees payable to the Manager. Included in accrued expenses are \$6,337 (October 31, 2011 - \$2,725) in accrued servicing fees payable to the Manager. Included in accrued expenses are \$2,606 (October 31, 2011 - \$ Nil) in operating costs payable to the Manager.

5,000 of series A shares outstanding at period end representing 0.68% of the series A shares of the Fund are held by the Manager.

5,000 of series B shares outstanding at period end representing 1.64% of the series B shares of the Fund are held by the Manager.

5,000 of series F shares outstanding at period end representing 4.33% of the series F shares of the Fund are held by the Manager.

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

FRONT STREET GROWTH AND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012

(UNAUDITED)

9. COMMITMENTS

As at October 31, 2011, the Fund has outstanding capital call commitments of \$140,625 related to its investment in a limited partnership.

10. 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 NAV. The impact of the adoption of Section 3855 on the net asset value of the Fund is as follows:

As at April 30, 2012

	Transactional NAV	<u>Net Asset Value</u>		<u>Net Assets per Share</u>	
		Section 3855 Adjustment	GAAP NA	Transactional NAV	GAAP NA
Series A	\$ 6,058,954	\$ (35,248)	\$ 6,023,706	\$ 8.29	\$ 8.24
Series B	2,532,634	(14,717)	2,517,917	8.28	8.24
Series F	962,891	(5,585)	957,306	8.33	8.29
Total Net Asset Value	\$ 9,554,479	\$ (55,550)	\$ 9,498,929		

As at October 31, 2011

	Transactional NAV	<u>Net Asset Value</u>		<u>Net Assets per Share</u>	
		Section 3855 Adjustment	GAAP NA	Transactional NAV	GAAP NA
Series A	\$ 2,470,426	\$ (11,835)	\$ 2,458,591	\$ 8.83	\$ 8.79
Series B	1,784,686	(8,553)	1,776,133	8.83	8.79
Series F	519,715	(2,495)	517,220	8.85	8.81
Total Net Asset Value	\$ 4,774,827	\$ (22,883)	\$ 4,751,944		

FRONT STREET GROWTH AND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012

(UNAUDITED)

11. FINANCIAL INSTRUMENTS

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

	As at April 30, 2012 (Unaudited)	As at October 31, 2011 (Audited)
Assets		
Held for trading	\$ 9,353,560	\$ 4,343,050
Cash and cash equivalents	666,920	800,510
Loans and receivables	<u>474,973</u>	<u>324,956</u>
Total Assets	<u>10,510,207</u>	<u>5,468,516</u>
Liabilities		
Held for trading	824,433	303,699
Other financial liabilities at amortized cost	<u>186,845</u>	<u>412,873</u>
Total liabilities	<u>1,011,278</u>	<u>716,572</u>
Net Assets	<u>\$ 9,498,929</u>	<u>\$ 4,751,944</u>

The Fund's financial instruments consist of investments at fair value, cash and cash equivalents, accounts receivable relating to portfolio assets sold, accounts receivable relating to shares issued, due from manager, amounts receivable relating to accrued income, forward contracts, at fair value, liabilities for portfolio assets purchased, obligations from portfolio assets sold short, at fair value, distributions payable and accrued expenses. It is the Manager's opinion that due to the short term nature of these financial instruments, the Fund is not exposed to significant market price, currency, interest rate, liquidity, cash flow and credit risks arising from these financial instruments except as described below. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Risk Management

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

FRONT STREET GROWTH AND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012

(UNAUDITED)

11. FINANCIAL INSTRUMENTS (Continued...)

The Fund's investment activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The Statement of Investment Portfolio presents the securities held by the Fund as at April 30, 2012, 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.

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

Currency	Financial Instruments	Cash	Forward Contract, at fair value	Total	Percentage of GAAP NA
United States Dollar	\$ 1,418,522	\$ 2,099	\$ (1,828,822)	\$ (408,201)	-4.30%
Australian Dollar	<u>50,168</u>	<u>-</u>	<u>-</u>	<u>50,168</u>	<u>0.53%</u>
	<u>\$ 1,468,690</u>	<u>\$ 2,099</u>	<u>\$ (1,828,822)</u>	<u>\$ (358,033)</u>	<u>-3.77%</u>

FRONT STREET GROWTH AND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

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(UNAUDITED)

11. FINANCIAL INSTRUMENTS (Continued...)

iii) Interest rate risk

The Fund may invest in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future. Interest payable on bank overdraft or broker margin account positions will be affected by fluctuations in interest rates. As at April 30, 2012, there were 17.2% 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.

	Floating Rate	Fixed Rate	Non-Interest	
Financial assets	Financial Assets	Financial Assets	Bearing	Total
Held for trading	\$ -	\$1,629,829	\$ 7,723,731	\$ 9,353,560
Other receivables	-	-	489,727	489,727
Cash and cash equivalents	<u>666,920</u>	<u>-</u>	<u>-</u>	<u>666,920</u>
Total	<u>\$ 666,920</u>	<u>\$ 1,629,829</u>	<u>\$ 8,213,458</u>	<u>\$10,510,207</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 824,433	\$ 824,433
Other financial liabilities	<u>-</u>	<u>-</u>	<u>186,845</u>	<u>186,845</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,011,278</u>	<u>\$ 1,011,278</u>
GAAP NA				<u>\$ 9,498,929</u>

FRONT STREET GROWTH AND INCOME FUND

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APRIL 30, 2012

(UNAUDITED)

11. 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 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets						
Held for trading	\$ 249,000	\$ 499,273	\$ 384,710	\$496,846	\$ 7,723,731	\$ 9,353,560
Other receivables	489,727	-	-	-	-	489,727
Cash and cash equivalents	666,920	-	-	-	-	666,920
Total	<u>\$ 1,405,647</u>	<u>\$ 499,273</u>	<u>\$ 384,710</u>	<u>\$496,846</u>	<u>\$ 7,723,731</u>	<u>\$ 10,510,207</u>
Financial liabilities						
Held for trading	\$ -	\$ -	\$ -	\$ -	\$ 824,433	\$ 824,433
Other financial liabilities	186,845	-	-	-	-	186,845
Total	<u>\$ 186,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 824,433</u>	<u>\$ 1,011,278</u>
GAAP NA						<u>\$ 9,498,929</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at April 30, 2012, the fair value of such assets was 9.3% (October 31, 2011 – 7.3%) of the total net assets.

v) Cash flow risk

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

FRONT STREET GROWTH AND INCOME FUND

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(UNAUDITED)

11. FINANCIAL INSTRUMENTS (Continued...)

vi) Credit risk

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

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

As at April 30, 2012, the Fund had 17.2% (October 31, 2011 – 20.3%) 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
BB+	1.1%
BB	2.7%
CCC	0.7%
Not available or not rated	12.8%

12. FORWARD FOREIGN CURRENCY CONTRACTS

The Fund has entered into forward foreign currency contracts to protect against fluctuations in the U.S. dollar exchange rates. As at April 30, 2012, the Fund has contracted to sell U.S. dollar currency in aggregate amounting to Cdn \$1,828,822 at a forward rate of 0.9812 maturing on May 31, 2012.

The net unrealized loss from the contracts amounted to \$14,754 as at April 30, 2012.

13. 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 does not have any externally imposed capital requirements.

FRONT STREET GROWTH AND INCOME FUND

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(UNAUDITED)

14. FAIR VALUE HIERARCHY

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

	Quoted price in active market for identical assets	Significant other observable inputs	Significant unobservable inputs	
Assets at fair value as at April 30, 2012	Level 1	Level 2	Level 3	Total
Investments, at fair value	<u>\$ 6,790,450</u>	<u>\$ 1,676,331</u>	<u>\$ 886,779</u>	<u>\$ 9,353,560</u>
Liabilities at fair value as at April 30, 2012	Level 1	Level 2	Level 3	Total
Obligations from portfolio assets sold short, at fair value	<u>\$ 809,679</u>	<u>\$ 14,754</u>	<u>\$ -</u>	<u>\$ 824,433</u>

During the period ended April 30, 2012, 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 balance as at November 1, 2011	\$ 97,179	\$ 250,000
Purchases	440,600	99,000
Gains (losses)		
Realized gain	-	-
Change in unrealized gain (loss)	<u>-</u>	<u>-</u>
Balance as at April 30, 2012	<u>\$ 537,779</u>	<u>\$ 349,000</u>



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