

Annual Management Report of Fund Performance As at October 31, 2011 Front Street Growth and Income Fund

This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete Annual financial statements for Front Street Growth and Income Fund, a class of shares of Front Street Mutual Funds Limited fund (the "Fund"). The annual 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 Annual 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 Annual 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.

Equity risk also affected Fund volatility. Equity returns have been volatile in 2011, 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.

Macro concerns continued to dominate the markets following the Japanese earthquake in March and the imbroglio surrounding sovereign credit issues in Europe. Despite a credit downgrade of the US debt, US treasuries rallied strongly ended the year as one of the strongest performing asset class. From a valuation standpoint, North American equities looked undervalued, as fund flows continued to chase low-beta yielding equities as a safe haven amidst the turbulence in Europe. We expect volatility to be a key factor governing the movements in equity markets and would look to trade it to generate income within the portfolio. Equities as an asset class offer a compelling value proposition as market participants look to price a Japanese style asset deflation due to macro concerns. A big swing factor will be the liquidity in the markets after successive stimulus measures to boost the balance sheets of beleaguered European Banks, as well as the future of the Euro itself as a reserve currency in Europe back-stopped by the European Central Bank. From a portfolio perspective, a mix of growth and income characteristics within the asset mix will provide a good balance to navigate through these turbulent times.

During the period ended October 31, 2011, the Fund earned investment income of \$21,030 from dividends and interest. There were net realized losses on the sale of investments of \$341,504, gain from derivatives of \$2,956 and an unrealized depreciation on the value of investments of \$49,384.

Operating expenses totalled \$110,135 and the Manager waived and absorbed \$102,216 of expenses during the period ended October 31, 2011.

RECENT DEVELOPMENTS

Post year end, the effects of China's tight monetary policy started to show as their inflation rate was falling quite dramatically. This should allow them to ease interest rates to help bolster economic growth. We also had a summit of European leaders reach agreement on changes to the EU treaty, mainly aimed at tighter fiscal rules, which may help some of the countries out of their debt crises.

On November 24, 2011, the Manager announced a cumulative adjustment to waive fees and expenses (excluding servicing fees) for three new corporate class funds, namely Front Street Growth and Income Fund, Front Street Value Fund and Front Street Global Opportunities Fund. All investors who purchased the above mutual funds prior to October 31, 2011 will be positively impacted with an appreciation in assets held. A price adjustment representing the cumulative waived fees and expenses was made on November 24, 2011 for investors of record as at October 31, 2011.

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 \$17,028 were paid to the Manager during the period. Servicing fees of \$7,438 were paid to the Manager during the period. Operating costs of \$4,999 were paid to the Manager during the period. Expenses waived and absorbed by the Manager during the period amounted to \$102,216. Included in accrued expenses are \$2,725 in accrued servicing fees payable to the Manager.

5,000 of series A shares outstanding at year end representing 1.79% of the series A shares of the Fund are held by the Manager.

5,000 of series B shares outstanding at year end representing 2.47% of the series B shares of the Fund are held by the Manager.

5,000 of series F shares outstanding at year end representing 8.52% 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 October 31, 2011, 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 financial statements.

Series A	For the period from commencement of operations on July 8, 2011 to October 31, 2011
The Fund's Net Assets per Share ⁽¹⁾	\$
Net Assets, beginning of the period	10.00*
Increase (decrease) from operations:	
Total revenue	0.06
Total expenses	(0.02)
Realized gains (losses) for the period	(1.00)
Unrealized gains (losses) for the period	(0.15)
Total increase (decrease) from operations ⁽²⁾	(1.11)
Distributions to Shareholders:	
From income (excluding dividends)	—
From dividends	—
From capital gains	—
Return of capital	(0.17)
Total distributions to Shareholders ⁽³⁾	(0.17)
Net Assets, end of the period	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⁾	2,470
Number of shares outstanding ⁽¹⁾	279,649
Management expense ratio ⁽²⁾	0.88%
Management expense ratio before waivers or absorptions	10.94%
Trading expense ratio ⁽³⁾	2.56%
Portfolio turnover rate ⁽⁴⁾	49.56%
Net asset value per share	\$ 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 ⁽¹⁾

 For the period
 from commencement of
 operations on July 8,
 2011
 to October 31, 2011
 \$

Net Assets, beginning of the period	10.00*
Increase (decrease) from operations:	
Total revenue	0.06
Total expenses	(0.03)
Realized gains (losses) for the period	(1.05)
Unrealized gains (losses) for the period	(0.16)
Total increase (decrease) from operations ⁽²⁾	(1.18)
Distributions to Shareholders:	
From income (excluding dividends)	—
From dividends	—
From capital gains	—
Return of capital	(0.17)
Total distributions to Shareholders ⁽³⁾	(0.17)
Net Assets, end of the period	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⁾	1,785
Number of shares outstanding ⁽¹⁾	202,131
Management expense ratio ⁽²⁾	1.12%
Management expense ratio before waivers or absorptions	10.68%
Trading expense ratio ⁽³⁾	2.56%
Portfolio turnover rate ⁽⁴⁾	49.56%
Net asset value per share	\$ 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 ⁽¹⁾

 For the period
 from commencement of
 operations on July 8,
 2011
 to October 31, 2011
 \$

Net Assets, beginning of the period	10.00*
Increase (decrease) from operations:	
Total revenue	0.06
Total expenses	(0.00)
Realized gains (losses) for the period	(0.97)
Unrealized gains (losses) for the period	(0.14)
Total increase (decrease) from operations ⁽²⁾	(1.05)
Distributions to Shareholders:	
From income (excluding dividends)	—
From dividends	—
From capital gains	—
Return of capital	(0.17)
Total distributions to Shareholders ⁽³⁾	(0.17)
Net Assets, end of the period	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⁾	520
Number of shares outstanding ⁽¹⁾	58,697
Management expense ratio ⁽²⁾	0.16%
Management expense ratio before waivers or absorptions	10.11%
Trading expense ratio ⁽³⁾	2.56%
Portfolio turnover rate ⁽⁴⁾	49.56%
Net asset value per share	\$ 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 and Series B 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 October 31, 2011

Portfolio by Category

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Materials	16.0%
Cash & Cash Equivalents	16.8%
United States	14.8%
Corporate Bonds	20.3%
Energy	14.2%
Information Technology	6.8%
Financials	3.6%
Australia	2.8%
Netherlands	2.7%
Consumer Discretionary	2.4%
Consumer Staples	1.7%
Utilities	1.4%
Bermuda	1.3%
Industrials	1.2%
Telecommunication Services	0.9%
British Virgin Island	0.8%
Written Options	0.4%
Forward contracts	0.1%
SHORT POSITIONS	
Written Options	-0.6%
Energy	-0.7%
Consumer Discretionary	-1.0%
United States	-2.0%
Materials	-2.1%
Other assets less other liabilities	-1.8%
	100.0%

Top 25 Holdings

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Windtronics*	3.1%
Valeant Pharmaceuticals*	3.1%
Neo Material Technologies*	3.1%
Wi-LAN Inc.	2.9%
CNH Global N.V.	2.7%
Capital Power Corporation	2.6%
Xinergy Corporation*	2.5%
Wi-Lan Inc.*	2.5%
FMC Corporation	2.3%
Athabasca Oil Sands Corporation	2.2%
Trican Well Service Limited	2.2%
ISEE3D Inc.*	2.1%
Bank of Montreal	1.9%
CF Industries Holdings Inc.	1.9%
Mega Graphite Inc.	1.8%
Crew Energy Inc.	1.8%
Celestica Inc.	1.7%
Saputo Inc.	1.7%
Lundin Mining Corporation	1.6%
The Toronto-Dominion Bank	1.6%
Flint Energy Services*	1.5%
Sanderson Farms Inc.	1.5%
Alpha Natural Resources Inc.	1.5%
JPMorgan Chase & Company	1.4%
SHORT POSITIONS	
Teck Resources Limited	-2.1%
	49.1%
TOTAL TRANSACTIONAL NET ASSET VALUE (000)	\$4,775

* 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

**FINANCIAL STATEMENTS
OCTOBER 31, 2011**

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of Front Street Growth and Income Fund have been prepared by the management of Front Street Capital 2004, the Manager of the Fund, and approved by the Board of Directors of Front Street Mutual Funds Limited. The Manager is responsible for the information and representations contained in these financial statements.

The Manager maintains processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies, which the Manager believes are appropriate for the Fund, are described in note 2 to the financial statements.

The Board of Directors of Front Street Mutual Funds Limited is responsible for reviewing the financial statements, the adequacy of internal controls, the audit process and financial reporting with the Manager and the external auditors. The Board of Directors approves the audited financial statements for publication.

Segal LLP are the external auditors of Front Street Growth and Income Fund. They are appointed by the Manager of the Fund. The external auditors have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out below.

On behalf of Management of Front Street Capital 2004,
Manager of the Fund



Gary P. Selke
Management Committee Member
Front Street Capital 2004



Normand G. Lamarche
Management Committee Member
Front Street Capital 2004

January 19, 2012
Toronto, Ontario

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Front Street Growth and Income Fund (the "Fund") of Front Street Mutual Funds Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Front Street Growth and Income Fund which comprise the statement of net assets as at October 31, 2011, the statement of operations and the statement of changes in net assets for the period from the commencement of the Fund on June 29, 2011 to October 31, 2011, the statement of investment portfolio as at October 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Independent Auditor's Report
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We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Front Street Growth and Income Fund as at October 31, 2011 and the results of its operations and changes in net assets for the period from the commencement of the Fund on June 29, 2011 to October 31, 2011 in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
January 19, 2012

FRONT STREET GROWTH AND INCOME FUND

STATEMENT OF NET ASSETS AS AT OCTOBER 31, 2011

ASSETS

Investments, at fair value (cost - \$4,466,665)	\$ 4,338,007
Cash and cash equivalents	800,510
Accounts receivable relating to portfolio assets sold	176,539
Accounts receivable relating to shares issued	79,272
Due from Manager, note 6	46,252
Amounts receivable relating to accrued income	22,893
Forward contracts, at fair value, note 12	<u>5,043</u>
	<u>\$ 5,468,516</u>

LIABILITIES

Liabilities for portfolio assets purchased	\$ 392,082
Obligations from portfolio assets sold short, at fair value	303,699
Distributions payable	17,694
Accrued expenses	<u>3,097</u>
	<u>716,572</u>

Commitments, note 9

Net assets representing shareholders' equity \$ 4,751,944

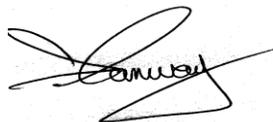
Net assets applicable to outstanding shares allocated as follows:

Net assets, Series A	\$ 2,458,591
Shares outstanding, Series A, note 3	279,649
Net assets per share, Series A	<u>\$ 8.79</u>
Net assets, Series B	\$ 1,776,133
Shares outstanding, Series B, note 3	202,131
Net assets per share, Series B	<u>\$ 8.79</u>
Net assets, Series F	\$ 517,220
Shares outstanding, Series F, note 3	58,697
Net assets per share, Series F	<u>\$ 8.81</u>

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



Gary P. Selke
Chief Executive Officer and Director



David A. Conway
Chief Financial Officer

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME FUND

STATEMENT OF OPERATIONS FOR THE PERIOD FROM THE COMMENCEMENT OF THE FUND ON JUNE 29, 2011 TO OCTOBER 31, 2011

Investment income

Interest	\$ 14,362
Dividends	<u>6,668</u>
	<u>21,030</u>

Expenses

Administration fees	32,433
Audit fees	25,000
Legal fees	17,716
Management fees, notes 4 and 8	17,028
Servicing fees, notes 4 and 8	7,438
Securityholder reporting costs	5,000
Operating costs, notes 4 and 8	4,999
Compensatory dividends	381
Independent review committee	<u>140</u>

	110,135
Expenses waived or absorbed by Manager, notes 8 and 15	<u>(102,216)</u>
	<u>7,919</u>

Net investment income for the period	<u>13,111</u>
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Net realized and unrealized gains (losses) on investments

Net realized loss on the sale of investments	(341,504)
Gain from derivatives	2,956
Transaction costs, note 7	(26,494)
Change in the unrealized depreciation of the value of investments	<u>(49,384)</u>
Net loss on investments for the period	<u>(414,426)</u>

Net decrease in net assets from operations for the period	<u>\$ (401,315)</u>
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Decrease in net assets from operations applicable to outstanding shares allocated as follows:

Decrease in net assets from operations, Series A	\$ (204,522)
Decrease in net assets from operations per share, Series A	<u>\$ (1.11)</u>
Decrease in net assets from operations, Series B	\$ (154,480)
Decrease in net assets from operations per share, Series B	<u>\$ (1.18)</u>
Decrease in net assets from operations, Series F	\$ (42,313)
Decrease in net assets from operations per share, Series F	<u>\$ (1.05)</u>

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD FROM THE COMMENCEMENT OF THE FUND ON JUNE 29, 2011 TO OCTOBER 31, 2011

Series A

Net assets, beginning of period	\$ _____	-
Net decrease in net assets from operations	_____	(204,522)
Distributions to shareholders		
Return of Capital	_____	(40,982)
Shareholder transactions		
Proceeds from the issuance of shares		2,713,737
Aggregate amounts paid on the redemption of shares		(39,918)
Shares issued on the reinvestment of distributions		<u>30,276</u>
		<u>2,704,095</u>
Net increase in net assets for the period	_____	<u>2,458,591</u>
Net assets, end of period	\$ _____	<u>2,458,591</u>

Series B

Net assets, beginning of period	\$ _____	-
Net decrease in net assets from operations	_____	(154,480)
Distributions to shareholders		
Return of Capital	_____	(29,091)
Shareholder transactions		
Proceeds from the issuance of shares		1,939,312
Aggregate amounts paid on the redemption of shares		(426)
Shares issued on the reinvestment of distributions		<u>20,818</u>
		<u>1,959,704</u>
Net increase in net assets for the period	_____	<u>1,776,133</u>
Net assets, end of period	\$ _____	<u>1,776,133</u>

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD FROM THE COMMENCEMENT OF THE FUND ON JUNE 29, 2011 TO OCTOBER 31, 2011

Series F

Net assets, beginning of period	\$ _____	-
Net decrease in net assets from operations	_____	(42,313)
Distributions to shareholders		
Return of Capital	_____	(8,629)
Shareholder transactions		
Proceeds from the issuance of shares		560,250
Aggregate amounts paid on the redemption of shares		-
Shares issued on the reinvestment of distributions	_____	7,912
	_____	568,162
Net increase in net assets for the period	_____	517,220
Net assets, end of period	\$ _____	517,220
Total		
Net assets, beginning of period	\$ _____	-
Net decrease in net assets from operations	_____	(401,315)
Distributions to shareholders		
Return of Capital	_____	(78,702)
Shareholder transactions		
Proceeds from the issuance of shares		5,213,299
Aggregate amounts paid on the redemption of shares		(40,344)
Shares issued on the reinvestment of distributions	_____	59,006
	_____	5,231,961
Net increase in net assets for the period	_____	4,751,944
Net assets, end of period	\$ _____	4,751,944

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME FUND

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2011

	Number of Shares / Units	Cost \$	Fair Value \$
Long Positions (91.3%)			
Energy (14.2%)			
Athabasca Oil Sands Corporation	8,000	\$ 101,082	\$ 103,120
Baytex Energy Corporation	1,000	50,672	52,670
C & C Energia Limited	6,500	49,595	54,405
Capital Power Corporation	5,000	125,876	125,949
Crescent Point Energy Corporation	1,000	42,937	42,550
Crew Energy Inc.	8,000	97,115	87,680
Suncor Energy Inc.	2,000	63,011	63,440
Trican Well Service Limited	6,000	108,035	105,600
Xtreme Coil Drilling Corporation	12,000	<u>39,638</u>	<u>37,200</u>
		<u>\$ 677,961</u>	<u>\$ 672,614</u>
Materials (16.0%)			
Allana Potash Corporation	50,000	\$ 54,125	\$ 54,500
Amaya Gaming Group Inc.	25,000	50,500	55,500
Barrick Gold Corporation	1,200	65,654	59,052
Capstone Mining Corporation	15,000	43,616	50,250
EcoSynthetix Inc.	7,000	52,837	49,350
Guyana Goldfields Inc.	5,000	39,974	43,800
Hana Mining Limited	28,700	50,273	45,346
IC Potash Corporation	30,000	27,624	31,200
Lithium One Inc.	40,000	40,400	40,000
Lundin Mining Corporation	20,000	85,239	78,000
Mega Graphite Inc.	58,536	119,999	87,804
Sherritt International Corporation	10,000	47,342	57,300
Silver Wheaton Corporation	2,000	67,831	68,800
Windtronics Inc. Warrants	375	-	-
Xinergy Limited	12,000	<u>52,701</u>	<u>40,560</u>
		<u>\$ 798,115</u>	<u>\$ 761,462</u>
Consumer Discretionary (2.4%)			
Gildan Activewear Inc.	1,500	\$ 45,651	\$ 38,415
Indigo Books & Music Inc.	6,000	49,620	39,000
Magna International Inc.	1,000	<u>37,290</u>	<u>38,000</u>
		<u>\$ 132,561</u>	<u>\$ 115,415</u>

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME FUND

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2011

	Number of Shares / Units	Cost \$	Fair Value \$
Consumer Staples (1.7%)			
Saputo Inc.	2,000	\$ 79,162	\$ 82,360
Financials (3.6%)			
Bank of Montreal	1,500	\$ 88,134	\$ 88,320
Redf V Limited Partnership	9	9,375	9,375
The Toronto-Dominion Bank	1,000	76,357	75,030
		\$ 173,866	\$ 172,725
Industrials (1.2%)			
Pure Technologies Limited	16,740	\$ 56,801	\$ 56,581
Information Technology (6.8%)			
Celestica Inc.	10,000	\$ 78,440	\$ 82,500
Sierra Wireless Inc.	5,000	37,097	36,300
TransGaming Inc.	60,000	39,132	32,400
VIQ Solutions Inc.	110,000	43,005	31,900
Wi-Lan Inc.	18,800	125,858	139,496
		\$ 323,532	\$ 322,596
Telecommunication Services (0.9%)			
Hemisphere GPS Inc.	65,000	\$ 53,840	\$ 40,950
Utilities (1.4%)			
Emera Inc.	2,000	\$ 62,705	\$ 65,420
Corporate Bonds (20.3%)			
Armtec Holdings Limited 8.90%, September 22, 2017	75,000	\$ 62,813	\$ 52,767
Flint Energy Services 7.50%, June 15, 2019	75,000	75,000	72,828
ISEE3D Inc. 6.00%, September 14, 2014	100,000	100,000	100,000
Neo Material Technologies 5.00%, December 31, 2017	160,000	146,708	139,054
Valeant Pharmaceuticals 6.75%, October 1, 2017	150,000	138,994	148,242
Wi-Lan Inc. 6.00%, September 30, 2016	120,000	120,000	119,292
Windtronics Inc. 15.00%, September 7, 2012	150,000	149,999	150,000
Xinergy Corporation 9.25%, May 15, 2019	150,000	138,262	120,679
Yellow Media Inc. 6.50%, July 10, 2013	100,000	78,250	63,000
		\$ 1,010,026	\$ 965,862

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME FUND

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2011

	Number of Shares / Units	Cost \$	Fair Value \$
Global Equities			
Australia (2.8%)			
Incitec Pivot Limited	15,000	\$ 60,608	\$ 55,000
Perseus Mining Limited	10,000	32,783	32,500
Talison Lithium Limited	13,000	<u>51,828</u>	<u>44,460</u>
		<u>\$ 145,219</u>	<u>\$ 131,960</u>
British Virgin Islands (0.8%)			
Frontier Rare Earths Limited	30,000	<u>\$ 30,294</u>	<u>\$ 37,200</u>
Netherlands (2.7%)			
CNH Global N.V.	3,500	<u>\$ 117,645</u>	<u>\$ 129,321</u>
Bermuda (1.3%)			
Bunge Limited	1,000	<u>\$ 57,530</u>	<u>\$ 61,333</u>
United States (14.8%)			
Alpha Natural Resources Inc.	3,000	\$ 69,509	\$ 71,633
CF Industries Holdings Inc.	550	77,617	88,651
FMC Corporation	1,400	106,507	109,728
ISEE3D Inc. Warrants	266,666	-	12,743
JPMorgan Chase & Company	2,000	72,107	69,031
Microsoft Corporation	1,950	48,858	51,558
Peabody Energy Corporation	1,500	66,096	64,616
ProShares Short 20+ Year Treasury	1,500	50,920	49,389
Sanderson Farms Inc.	1,500	65,909	73,749
The Dow Chemical Company	1,950	50,935	53,960
The Mosaic Company	1,000	<u>57,746</u>	<u>58,125</u>
		<u>\$ 666,204</u>	<u>\$ 703,183</u>
Options (0.4%)			
iShares S&P/TSX 60 I Nov/16 WPO	100	\$ 5,100	\$ 200
iShares S&P/TSX Capp Nov/15 WPO	200	14,200	400
iShares Silver Trust Nov/29 WPO	100	28,483	2,781
SPDR Metals & Mining Nov/50 WPO	50	15,691	3,228
SPDR Metals & Mining Dec/54 WPO	50	<u>17,730</u>	<u>12,416</u>
		<u>\$ 81,204</u>	<u>\$ 19,025</u>
Total Long Positions (91.3%)		<u>\$ 4,466,665</u>	<u>\$ 4,338,007</u>

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME FUND

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2011

	Number of Shares / Units	Cost \$	Fair Value \$
Short Positions (-6.4%)			
Consumer Discretionary (-1.0)			
Tim Hortons Inc.	(1,000)	\$ (48,726)	\$ (49,100)
Energy (-0.7%)			
Cenovus Energy Inc.	(1,000)	\$ (31,300)	\$ (34,180)
Materials (-2.1%)			
Teck Resources Limited "B"	(2,500)	\$ (87,841)	\$ (100,025)
United States (-2.0%)			
Freeport-McMoRan Copper & Gold Inc.	(1,500)	\$ (49,022)	\$ (59,997)
Intrepid Potash, Inc.	(1,200)	(33,639)	(33,194)
		\$ (82,661)	\$ (93,191)
Written Options (-0.6%)			
Alpha Natural Resources Inc. Nov/25 WCO	(20)	\$ (3,417)	\$ (2,662)
Athabasca Oil Sands Nov/10 WPO	(50)	(4,200)	(500)
CF Industries Holding Inc. Nov/160 WCO	(5)	(3,388)	(4,445)
CF Industries Holdings Inc Nov/105 WPO	(30)	(17,086)	(328)
Goldman Sachs Group Nov/75 WPO	(30)	(17,592)	(268)
iShares S&P/TSX 60 Nov/15 WPO	(100)	(2,500)	(500)
iShares S&P/TSX Cap Nov/13 WPO	(200)	(4,642)	(1,000)
iShares Silver Trust Nov/27 WPO	(100)	(19,125)	(1,589)
JPMorgan Chase & Company Dec/37 WCO	(7)	(1,259)	(688)
Magna International Inc. Nov/40 WCO	(8)	(1,024)	(640)
Peabody Energy Corporation Dec/47 WCO	(7)	(1,959)	(1,057)
Sanderson Farms Inc. Nov/50 WCO	(15)	(2,545)	(2,309)
Silver Wheaton Corporation Nov/32 WCO	(10)	(2,281)	(3,250)
The Dow Chemical Company Nov/26 WCO	(10)	(1,891)	(2,404)
The Mosaic Company Nov/45 WPO	(30)	(4,005)	(447)
The Toronto-Dominion Bank Nov/66 WPO	(45)	(10,260)	(540)
The Toronto-Dominion Bank Nov/76 WCO	(45)	(7,065)	(3,690)
Tim Hortons Inc. Nov/46 WPO	(10)	(840)	(250)
Walter Energy Inc. Nov/55 WPO	(20)	(8,182)	(636)
		\$ (113,261)	\$ (27,203)

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME FUND

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2011

	Number of Shares / Units	Cost \$	Fair Value \$
Total Short Positions (-6.4%)		<u>\$ (363,789)</u>	<u>\$ (303,699)</u>
Unrealized gain on forward foreign currency contract, note 11 (0.1%)		<u>\$ -</u>	<u>\$ 5,043</u>
Transaction costs, note 2		<u>\$ (14,140)</u>	-
Total Investments (85.0%)		<u>\$ 4,088,736</u>	4,039,351
Cash and cash equivalents (16.8%)			800,510
Other assets less other liabilities (-1.8%)			<u>(87,917)</u>
Net assets (100.0%)			<u>\$ 4,751,944</u>

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2011

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 October 31, 2011.

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 OCTOBER 31, 2011

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 OCTOBER 31, 2011

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 OCTOBER 31, 2011

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 OCTOBER 31, 2011

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 year. 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

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2011

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

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2011

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 OCTOBER 31, 2011

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

The following share transactions took place during the period:

Shares outstanding, beginning of the period:

Series A	-
Series B	-
Series F	-

Shares issued during the period:

Series A	280,813
Series B	199,861
Series F	57,810

Share distributions reinvested during the period:

Series A	3,388
Series B	2,322
Series F	887

Shares redeemed during the period:

Series A	4,552
Series B	52
Series F	-

Shares outstanding, end of the period:

Series A	279,649
Series B	202,131
Series F	58,697

FRONT STREET GROWTH AND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2011

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 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.

FRONT STREET GROWTH AND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2011

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 year, 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 OCTOBER 31, 2011

6. DUE FROM MANAGER

Due from Manager represents fees and expenses paid to Manager prior to the announcement of the retroactive adjustment to waive certain fees and expenses relating to the Fund (see note 15). 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 October 31, 2011 was \$26,494.

8. RELATED PARTY TRANSACTIONS

Management fees of \$17,028 were paid to the Manager during the period (see note 4). Servicing fees of \$7,438 were paid to the Manager during the period (see note 4). Operating costs of \$4,999 were paid to the Manager during the period (see note 4). Expenses waived and absorbed by the Manager during the period amounted to \$102,216 (see note 4). Included in accrued expenses are \$2,725 in accrued servicing fees payable to the Manager.

5,000 of series A shares outstanding at year end representing 1.79% of the series A shares of the Fund are held by the Manager.

5,000 of series B shares outstanding at year end representing 2.47% of the series B shares of the Fund are held by the Manager.

5,000 of series F shares outstanding at year end representing 8.52% 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 October 31, 2011, 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 OCTOBER 31, 2011

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 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
<hr/>					
Total Net Asset Value	\$ 4,774,827	\$ (22,883)	\$ 4,751,944		

FRONT STREET GROWTH AND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2011

11. FINANCIAL INSTRUMENTS

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

As at October 31, 2011

Assets	
Held for trading	\$ 4,343,050
Cash and cash equivalents	800,510
Loans and receivables	<u>324,956</u>
Total Assets	<u>5,468,516</u>
Liabilities	
Held for trading	303,699
Other financial liabilities at amortized cost	<u>412,873</u>
Total liabilities	<u>716,572</u>
Net Assets	<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 OCTOBER 31, 2011

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 October 31, 2011, and groups the securities by asset type, sector and/or market segment. Significant risks that are relevant to the Fund are discussed below.

i) Market price risk

Market price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument 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	Investments, at fair value	Cash	Total	Percentage of GAAP NA
United States Dollar	\$ 1,197,469	\$ 132,575	\$ 1,330,044	28.0%
Australian Dollar	<u>131,960</u>	<u>-</u>	<u>131,960</u>	<u>2.8%</u>
	<u>\$ 1,329,429</u>	<u>\$ 132,575</u>	<u>\$ 1,462,004</u>	<u>30.8%</u>

FRONT STREET GROWTH AND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2011

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 October 31, 2011, there were 20.3% 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	\$ -	\$ 965,862	\$ 3,377,188	\$ 4,343,050
Other receivables	-	-	324,956	324,956
Cash and cash equivalents	<u>800,510</u>	<u>-</u>	<u>-</u>	<u>800,510</u>
Total	<u>\$ 800,510</u>	<u>\$ 965,862</u>	<u>\$ 3,702,144</u>	<u>\$ 5,468,516</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 303,699	\$ 303,699
Other financial liabilities	<u>-</u>	<u>-</u>	<u>412,873</u>	<u>412,873</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 716,572</u>	<u>\$ 716,572</u>
GAAP NA				<u>\$ 4,751,944</u>

FRONT STREET GROWTH AND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2011

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.

Financial assets	0-12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Held for trading	\$ 155,043	\$ 163,000	\$ 119,292	\$ 533,570	\$ 3,372,145	\$ 4,343,050
Other receivables	324,956	-	-	-	-	324,956
Cash and cash equivalents	<u>800,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>800,510</u>
Total	<u>\$ 1,280,509</u>	<u>\$ 163,000</u>	<u>\$ 119,292</u>	<u>\$ 533,570</u>	<u>\$ 3,372,145</u>	<u>\$ 5,468,516</u>
Financial liabilities						
Held for trading	\$ 27,203	\$ -	\$ -	\$ -	\$ 276,496	\$ 303,699
Financial liabilities	<u>412,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>412,873</u>
Total	<u>\$ 440,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,496</u>	<u>716,572</u>
GAAP NA						<u>\$ 4,751,944</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at October 31, 2011, the fair value of such assets was 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

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2011

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 October 31, 2011, the Fund had 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	4.5%
BB-	1.5%
Not available or not rated	14.3%

12. FORWARD FOREIGN CURRENCY CONTRACTS

The Fund has entered into forward foreign currency contracts to protect against fluctuations in the U.S. dollar exchange rate. As at October 31, 2011, the Fund has contracted to sell U.S. dollar currency in aggregate amounting to CDN \$1,316,051 at a forward rate of 0.998 maturing on November 30, 2011.

The net unrealized gain from the contracts amounted to \$5,043 as at October 31, 2011.

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

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2011

14. FAIR VALUE HIERARCHY

The following is a summary of inputs used as of October 31, 2011 in valuing the Fund's investments and derivatives at fair value as discussed in note 2c):

	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	
Assets at fair value as at October 31, 2011	Level 1	Level 2	Level 3	Total
Investments, at fair value	<u>\$ 3,262,223</u>	<u>\$ 733,648</u>	<u>\$ 347,179</u>	<u>\$ 4,343,050</u>
Liabilities at fair value as at October 31, 2011	Level 1	Level 2	Level 3	
Obligations from portfolio assets sold short at fair value	<u>\$ 276,496</u>	<u>\$ 27,203</u>	<u>\$ -</u>	<u>\$ 303,699</u>

During the period ended October 31, 2011, 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
Balance as at beginning of period	\$ -	\$ -
Purchases	129,374	250,000
Gains (losses)		
Realized gain	-	-
Change in unrealized gain (loss)	<u>(32,195)</u>	<u>-</u>
Balance as at October 31, 2011	<u>\$ 97,179</u>	<u>\$ 250,000</u>

15. SUBSEQUENT EVENT

On November 24, 2011, the Manager announced a cumulative adjustment to waive fees and expenses (excluding servicing fees) for three new corporate class funds, namely Front Street Growth and Income Fund, Front Street Value Fund and Front Street Global Opportunities Fund. All investors who purchased the above mutual funds prior to October 31, 2011 will be positively impacted with an appreciation in assets held. A price adjustment representing the cumulative waived fees and expenses was made on November 24, 2011 for investors of record as at October 31, 2011.