

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of Front Street Growth and Income Class (formerly 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 Class. 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 18, 2013
Toronto, Ontario

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
Front Street Growth and Income Class
(Formerly 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 Class which comprise the statements of net assets as at October 31, 2012 and 2011, the statements of operations and the statements of changes in net assets for the year ended October 31, 2012 and for the period from June 29, 2011 to October 31, 2011, the statement of investment portfolio as at October 31, 2012 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.



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Independent Auditor's Report
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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.

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 Class as at October 31, 2012 and 2011 and its operations and changes in net assets for the year ended October 31, 2012 and for the period from June 29, 2011 to October 31, 2011 in accordance with Canadian generally accepted accounting principles.

Segal LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
January 18, 2013

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

STATEMENT OF NET ASSETS
AS AT OCTOBER 31, 2012 AND 2011

| | 2012 | 2011 |
|--|----------------------|---------------------|
| ASSETS | | |
| Investments, at fair value (cost - \$13,526,793; 2011 - \$4,466,665) | \$ 13,410,400 | \$ 4,338,007 |
| Cash and cash equivalents | 2,173,916 | 800,510 |
| Amounts receivable relating to accrued income | 107,319 | 22,893 |
| Accounts receivable relating to portfolio assets sold | 44,041 | 176,539 |
| Accounts receivable relating to shares issued | 27,500 | 79,272 |
| Due from Manager, notes 4 and 6 | - | 46,252 |
| Forward contracts, at fair value, note 12 | - | 5,043 |
| | <u>\$ 15,763,176</u> | <u>\$ 5,468,516</u> |
| LIABILITIES | | |
| Obligations from portfolio assets sold short, at fair value | \$ 970,292 | \$ 303,699 |
| Liabilities for portfolio assets purchased | 576,413 | 392,082 |
| Accounts payable relating to shares redeemed | 104,110 | - |
| Accrued expenses, note 9 | 84,636 | 3,097 |
| Distributions payable | 69,314 | 17,694 |
| Forward contracts, at fair value, note 12 | 938 | - |
| | <u>1,805,703</u> | <u>716,572</u> |
| Net assets representing shareholders' equity | <u>\$ 13,957,473</u> | <u>\$ 4,751,944</u> |
| Net assets applicable to outstanding shares allocated as follows: | | |
| Net assets, Series A | \$ 10,492,065 | \$ 2,458,591 |
| Shares outstanding, Series A, note 3 | 1,371,067 | 279,649 |
| Net assets per share, Series A | <u>\$ 7.65</u> | <u>\$ 8.79</u> |
| Net assets, Series B | \$ 2,354,595 | \$ 1,776,133 |
| Shares outstanding, Series B, note 3 | 307,861 | 202,131 |
| Net assets per share, Series B | <u>\$ 7.65</u> | <u>\$ 8.79</u> |
| Net assets, Series F | \$ 1,090,939 | \$ 517,220 |
| Shares outstanding, Series F, note 3 | 140,975 | 58,697 |
| Net assets per share, Series F | <u>\$ 7.74</u> | <u>\$ 8.81</u> |
| Net assets, Series X | \$ 19,874 | \$ - |
| Shares outstanding, Series X, note 3 | 2,589 | - |
| Net assets per share, Series X | <u>\$ 7.68</u> | <u>\$ -</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

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED OCTOBER 31, 2012 AND
FOR THE PERIOD FROM JUNE 29, 2011 TO OCTOBER 31, 2011

| | 2012 (12 Months) | 2011 (4 Months) |
|---|---------------------|---------------------|
| Investment income | | |
| Interest | \$ 173,373 | \$ 14,362 |
| Dividends | 84,863 | 6,668 |
| Security lending revenue, note 8 | <u>1,397</u> | <u>-</u> |
| | <u>259,633</u> | <u>21,030</u> |
| Expenses | | |
| Management fees, notes 4 and 9 | 127,905 | 17,028 |
| Servicing fees, notes 4 and 9 | 67,200 | 7,438 |
| Administration fees | 76,472 | 32,433 |
| Audit fees | 25,000 | 25,000 |
| Legal fees | 21,656 | 17,716 |
| Compensatory dividends | 13,833 | 381 |
| Custodial fees | 11,237 | - |
| Operating costs, notes 4 and 9 | 9,628 | 4,999 |
| Securityholder reporting costs | 8,113 | 5,000 |
| Independent review committee | <u>465</u> | <u>140</u> |
| | 361,509 | 110,135 |
| Expenses waived or absorbed by Manager, notes 4 and 9 | <u>(58,791)</u> | <u>(102,216)</u> |
| | <u>302,718</u> | <u>7,919</u> |
| Net investment income (loss) for the period | <u>(43,085)</u> | <u>13,111</u> |
| Net realized and unrealized gains (losses) on investments | | |
| Net realized loss on the sale of investments | (450,861) | (341,504) |
| Gain (loss) from derivatives | (20,099) | 2,956 |
| Transaction costs, note 7 | (116,048) | (26,494) |
| Change in the unrealized depreciation of the value of investments | <u>(11,174)</u> | <u>(49,384)</u> |
| Net loss on investments for the period | <u>(598,182)</u> | <u>(414,426)</u> |
| Net decrease in net assets from operations for the period | <u>\$ (641,267)</u> | <u>\$ (401,315)</u> |

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED OCTOBER 31, 2012 AND
FOR THE PERIOD FROM JUNE 29, 2011 TO OCTOBER 31, 2011

| | 2012 (12 Months) | 2011 (4 Months) |
|--|---------------------|--------------------|
| <hr/> | | |
| Increase (decrease) in net assets from operations applicable to outstanding shares allocated as follows: | | |
| Decrease in net assets from operations, Series A | \$ (381,057) | \$ (204,522) |
| Decrease in net assets from operations per share, Series A | <u>\$ (0.51)</u> | <u>\$ (1.11)</u> |
| Decrease in net assets from operations, Series B | \$ (197,143) | \$ (154,480) |
| Decrease in net assets from operations per share, Series B | <u>\$ (0.70)</u> | <u>\$ (1.18)</u> |
| Decrease in net assets from operations, Series F | \$ (63,903) | \$ (42,313) |
| Decrease in net assets from operations per share, Series F | <u>\$ (0.58)</u> | <u>\$ (1.05)</u> |
| Increase in net assets from operations, Series X | \$ 836 | \$ - |
| Increase in net assets from operations per share, Series X | <u>\$ 0.36</u> | <u>\$ -</u> |

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED OCTOBER 31, 2012 AND
FOR THE PERIOD FROM JUNE 29, 2011 TO OCTOBER 31, 2011

| | 2012 (12 Months) | 2011 (4 Months) |
|--|----------------------|---------------------|
| Series A | | |
| Net assets, beginning of period | \$ 2,458,591 | \$ - |
| Net decrease in net assets from operations | <u>(381,057)</u> | <u>(204,522)</u> |
| Distributions to shareholders | | |
| Return of Capital | <u>(431,585)</u> | <u>(40,982)</u> |
| Shareholder transactions | | |
| Proceeds from the issuance of shares | 8,968,817 | 2,713,737 |
| Aggregate amounts paid on the redemption of shares | (415,833) | (39,918) |
| Shares issued on the reinvestment of distributions | <u>293,132</u> | <u>30,276</u> |
| | <u>8,846,116</u> | <u>2,704,095</u> |
| Net increase in net assets for the period | <u>8,033,474</u> | <u>2,458,591</u> |
| Net assets, end of period | <u>\$ 10,492,065</u> | <u>\$ 2,458,591</u> |
| Series B | | |
| Net assets, beginning of period | \$ 1,776,133 | \$ - |
| Net decrease in net assets from operations | <u>(197,143)</u> | <u>(154,480)</u> |
| Distributions to shareholders | | |
| Return of Capital | <u>(143,997)</u> | <u>(29,091)</u> |
| Shareholder transactions | | |
| Proceeds from the issuance of shares | 1,203,962 | 1,939,312 |
| Aggregate amounts paid on the redemption of shares | (392,592) | (426) |
| Shares issued on the reinvestment of distributions | <u>108,232</u> | <u>20,818</u> |
| | <u>919,602</u> | <u>1,959,704</u> |
| Net increase in net assets for the period | <u>578,462</u> | <u>1,776,133</u> |
| Net assets, end of period | <u>\$ 2,354,595</u> | <u>\$ 1,776,133</u> |

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED OCTOBER 31, 2012 AND
FOR THE PERIOD FROM JUNE 29, 2011 TO OCTOBER 31, 2011

| | 2012 (12 Months) | 2011 (4 Months) |
|--|---------------------|--------------------|
| Series F | | |
| Net assets, beginning of period | \$ 517,220 | \$ - |
| Net decrease in net assets from operations | <u>(63,903)</u> | <u>(42,313)</u> |
| Distributions to shareholders | | |
| Return of Capital | <u>(58,024)</u> | <u>(8,629)</u> |
| Shareholder transactions | | |
| Proceeds from the issuance of shares | 678,763 | 560,250 |
| Aggregate amounts paid on the redemption of shares | (32,473) | - |
| Shares issued on the reinvestment of distributions | <u>49,356</u> | <u>7,912</u> |
| | <u>695,646</u> | <u>568,162</u> |
| Net increase in net assets for the period | <u>573,719</u> | <u>517,220</u> |
| Net assets, end of period | <u>\$ 1,090,939</u> | <u>\$ 517,220</u> |
| Series X | | |
| Net assets, beginning of period | \$ - | \$ - |
| Net increase in net assets from operations | <u>836</u> | <u>-</u> |
| Distributions to shareholders | | |
| Return of Capital | <u>(632)</u> | <u>-</u> |
| Shareholder transactions | | |
| Proceeds from the issuance of shares | 19,038 | - |
| Aggregate amounts paid on the redemption of shares | - | - |
| Shares issued on the reinvestment of distributions | <u>632</u> | <u>-</u> |
| | <u>19,670</u> | <u>-</u> |
| Net increase in net assets for the period | <u>19,874</u> | <u>-</u> |
| Net assets, end of period | <u>\$ 19,874</u> | <u>\$ -</u> |

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED OCTOBER 31, 2012 AND THE
PERIOD FROM JUNE 29, 2011 TO OCTOBER 31, 2011

| | 2012 (12 Months) | 2011 (4 Months) |
|--|----------------------|---------------------|
| Total | | |
| Net assets, beginning of period | \$ 4,751,944 | \$ - |
| Net decrease in net assets from operations | <u>(641,267)</u> | <u>(401,315)</u> |
| Distributions to shareholders | | |
| Return of Capital | <u>(634,238)</u> | <u>(78,702)</u> |
| Shareholder transactions | | |
| Proceeds from the issuance of shares | 10,870,580 | 5,213,299 |
| Aggregate amounts paid on the redemption of shares | (840,898) | (40,344) |
| Shares issued on the reinvestment of distributions | <u>451,352</u> | <u>59,006</u> |
| | <u>10,481,034</u> | <u>5,231,961</u> |
| Net increase in net assets for the period | <u>9,205,529</u> | <u>4,751,944</u> |
| Net assets, end of period | <u>\$ 13,957,473</u> | <u>\$ 4,751,944</u> |

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2012

| | Number of Shares / Units | Cost \$ | Fair Value \$ |
|---|--------------------------------|---------------------|---------------------|
| Long Positions (96.1%) | | | |
| Energy (16.2%) | | | |
| AltaGas Limited | 6,000 | \$ 190,935 | \$ 201,899 |
| Americas Petrogas Inc. | 70,000 | 151,396 | 145,600 |
| Athabasca Oil Corporation | 12,000 | 146,620 | 145,080 |
| Bankers Petroleum Limited | 70,000 | 177,984 | 198,100 |
| Bellatrix Exploration Limited | 30,000 | 124,900 | 124,500 |
| Brasil Ecoetanol Limited Restricted | 500,000 | 150,000 | 150,000 |
| C & C Energia Limited | 16,600 | 117,853 | 96,446 |
| Canyon Services Group Inc. | 6,680 | 76,066 | 71,342 |
| Crew Energy Inc. | 16,050 | 150,330 | 123,425 |
| Fission Energy Corporation | 50,000 | 40,750 | 17,750 |
| Keyera Corporation | 3,500 | 171,449 | 169,155 |
| Longford Energy Inc. | 200,000 | 25,250 | 24,000 |
| Parex Resources Inc. | 30,000 | 130,976 | 133,800 |
| Pembina Pipeline Corporation | 6,988 | 190,896 | 195,035 |
| Progress Energy Resources Corporation | 8,000 | 154,211 | 160,960 |
| Strad Energy Services Limited | 22,000 | 94,193 | 91,960 |
| Suroco Energy Inc. | 66,600 | 24,334 | 23,976 |
| Trican Well Service Limited | 5,000 | 68,015 | 59,050 |
| Xtreme Drilling and Coil Services Corporation | 100,000 | <u>131,042</u> | <u>134,000</u> |
| | | <u>\$ 2,317,200</u> | <u>\$ 2,266,078</u> |
| Materials (16.6%) | | | |
| Agrium Inc. | 1,200 | \$ 103,696 | \$ 126,144 |
| Argex Titanium Inc. | 81,500 | 70,498 | 82,315 |
| Banro Corporation Warrants March 1, 2017 | 9,600 | 17,202 | 13,891 |
| Barrick Gold Corporation | 4,000 | 136,040 | 161,520 |
| Capstone Mining Corporation | 90,000 | 220,392 | 222,300 |
| Compass Gold Corporation Restricted | 833,333 | 49,167 | 40,000 |
| Compass Gold Corporation Warrants | 416,666 | 833 | 5,705 |
| Conifex Timber Inc. | 17,848 | 138,012 | 140,107 |
| EcoSynthetix Inc. | 30,000 | 134,400 | 88,800 |
| Enpar Technologies Inc. | 440,000 | 35,200 | 46,200 |
| Enpar Technologies Inc. Warrants | 1,250,000 | - | 52,996 |
| Entree Gold Inc. | 34,875 | 43,594 | 16,043 |
| First Quantum Minerals Limited | 6,000 | 115,966 | 134,580 |
| Formation Metals Inc. | 60,000 | 24,750 | 14,700 |
| IC Potash Corporation | 103,157 | 99,002 | 78,399 |

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2012

| | Number of Shares / Units | Cost \$ | Fair Value \$ |
|---|--------------------------------|---------------------|---------------------|
| Materials (16.6%) (Continued...) | | | |
| Karnalyte Resources Inc. | 16,200 | 131,309 | 132,840 |
| Lundin Mining Corporation | 20,000 | 86,520 | 103,800 |
| MBAC Fertilizer Corporation | 20,000 | 58,412 | 64,000 |
| Mega Graphite Inc. | 58,536 | 119,999 | 87,804 |
| Nemaska Lithium Inc. | 200,000 | 80,500 | 78,000 |
| Osisko Mining Corporation | 17,500 | 149,450 | 170,800 |
| Potash Ridge Corporation Restricted | 333,300 | 149,975 | 149,985 |
| Sherritt International Corporation | 23,000 | 107,873 | 99,360 |
| Silver Wheaton Corporation | 5,000 | <u>173,302</u> | <u>201,100</u> |
| | | <u>\$ 2,246,092</u> | <u>\$ 2,311,389</u> |
| Consumer Discretionary (5.6%) | | | |
| Amaya Gaming Group Inc. Warrants | 5,000 | \$ - | \$ 6,250 |
| Boston Pizza Royalties Income Fund | 4,000 | 53,548 | 76,400 |
| DHX Media Limited | 106,700 | 177,488 | 186,725 |
| Indigo Books & Music Inc. | 5,435 | 44,947 | 51,904 |
| Magna International Inc. | 2,000 | 78,520 | 88,540 |
| Martinrea International Inc. | 30,000 | 233,808 | 215,400 |
| Transat A.T. Inc. 'B' | 30,000 | <u>167,640</u> | <u>159,000</u> |
| | | <u>\$ 755,951</u> | <u>\$ 784,219</u> |
| Financials (5.4%) | | | |
| Bank of Montreal | 2,500 | \$ 144,250 | \$ 147,525 |
| Huntingdon Capital Corporation Warrants | 2,800 | - | 12,068 |
| Manulife Financial Corporation | 13,000 | 149,860 | 160,290 |
| Mint Technology Corporation | 2,000,000 | 102,500 | 120,000 |
| REDF V Limited Partnership 'B' Units | 150 | 150,000 | 150,000 |
| The Toronto-Dominion Bank | 2,000 | <u>160,251</u> | <u>162,400</u> |
| | | <u>\$ 706,861</u> | <u>\$ 752,283</u> |
| Industrials (2.2%) | | | |
| CAE Inc. | 10,000 | \$ 102,384 | \$ 109,800 |
| Canexus Corporation | 22,800 | <u>185,678</u> | <u>194,940</u> |
| | | <u>\$ 288,062</u> | <u>\$ 304,740</u> |

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2012

| | Number of Shares / Units | Cost \$ | Fair Value \$ |
|---|--------------------------------|---------------------|---------------------|
| Health Care (0.2%) | | | |
| ISEE3D Inc. | 920,000 | \$ 92,000 | \$ 27,600 |
| ISEE3D Inc. Warrants September 16, 2014 | 266,666 | - | - |
| ISEE3D Inc. Warrants December 19, 2013 | 460,000 | - | - |
| | | <u>\$ 92,000</u> | <u>\$ 27,600</u> |
| Information Technology (9.5%) | | | |
| Diagnos Inc. | 50,000 | \$ 5,063 | \$ 5,250 |
| Epals Corporation | 610,000 | 250,100 | 204,350 |
| Pure Technologies Limited | 15,084 | 47,316 | 68,029 |
| Redknee Solutions Inc. | 185,000 | 235,570 | 268,250 |
| Research In Motion Limited | 20,000 | 158,800 | 157,400 |
| Sierra Wireless Inc. | 20,000 | 148,439 | 160,000 |
| Symbility Solutions Inc. | 125,000 | 55,313 | 58,750 |
| The Descartes Systems Group Inc. | 10,000 | 75,100 | 85,600 |
| TIO Networks Corporation | 140,500 | 84,974 | 50,580 |
| VIQ Solutions Inc. | 110,000 | 43,005 | 9,900 |
| WI-LAN Inc. | 48,800 | 273,214 | 259,616 |
| | | <u>\$ 1,376,894</u> | <u>\$ 1,327,725</u> |
| Corporate Bonds (20.8%) | | | |
| AG Growth International Inc. Convertible Debenture, 7.00%, December 31, 2014 | 245,000 | \$ 255,119 | \$ 256,025 |
| Amaya Gaming Group Inc. Convertible Debenture, 10.50%, April 30, 2014 | 100,000 | 100,000 | 130,000 |
| Armtec Holdings Limited, 8.88%, September 22, 2017 | 75,000 | 62,813 | 51,750 |
| Banro Corporation, 10.00%, March 1, 2017 | 200,000 | 182,588 | 176,447 |
| First Global Data Corporation Convertible Debenture, 12.00%, April 30, 2015 | 200,000 | 200,000 | 200,000 |
| Flint Energy Services, 7.50%, June 15, 2019 | 75,000 | 75,000 | 82,658 |
| Ford Credit Canada Limited, 4.20%, November 14, 2013 | 100,000 | 99,949 | 102,455 |
| Ford Credit Canada Limited, 7.50%, August 18, 2015 | 250,000 | 277,175 | 280,750 |
| Fortress Paper Limited Convertible Debenture, 7.00%, December 31, 2019 | 300,000 | 299,998 | 271,500 |
| Gasfrac Energy Services Convertible Debenture, 7.00%, February 28, 2017 | 105,000 | 105,000 | 79,013 |
| Huntingdon Capital Corporation, 7.50%, December 31, 2016 | 100,000 | 100,000 | 103,750 |
| Immy Inc. Convertible Note, 6.00%, May 8, 2015 | 42,000 | 41,983 | 41,987 |

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2012

| | Number of Shares / Units | Cost \$ | Fair Value \$ |
|--|--------------------------------|---------------------|---------------------|
| Corporate Bonds (20.8%) (Continued...) | | | |
| ISEE3D Inc. Promissory Notes, 6.00%, September 16, 2014 | 100,000 | 100,000 | 70,000 |
| Molycorp Inc. Convertible Bond, 6.00%, September 1, 2017 | 150,000 | 148,928 | 166,750 |
| Sherritt International Corporation, 8.00%, November 15, 2018 | 100,000 | 100,000 | 106,351 |
| Sprott Power Corporation Convertible Bond, 6.75%, December 31, 2017 | 150,000 | 150,000 | 155,400 |
| Valeant Pharmaceuticals International Inc. 6.75%, October 1, 2017 | 150,000 | 138,995 | 160,452 |
| VoodooVox Inc. Non-Convertible Debentures, 15.00%, March 1, 2013 | 99,000 | 99,000 | 99,000 |
| Xinergy Corporation, 9.25%, May 15, 2019 | 150,000 | 138,263 | 86,524 |
| Windtronics Promissory Note, 15.00%, September 8, 2012 | 150,000 | 150,000 | 150,000 |
| Windtronics Promissory Note, 15.00%, September 30, 2012 | 75,000 | 74,978 | 74,978 |
| Yellow Media Inc., 6.50%, July 10, 2013 | 100,000 | <u>78,250</u> | <u>59,000</u> |
| | | <u>\$ 2,978,039</u> | <u>\$ 2,904,790</u> |
| Options (0.0%) | | | |
| Bankers Petroleum Limited Nov/3 PO | 150 | <u>\$ 6,150</u> | <u>\$ 3,000</u> |
| Global Equities | | | |
| Australia (1.3%) | | | |
| Incitec Pivot Limited | 15,000 | \$ 60,608 | \$ 48,979 |
| Perseus Mining Limited | 48,000 | <u>136,783</u> | <u>127,680</u> |
| | | <u>\$ 197,391</u> | <u>\$ 176,659</u> |
| British Virgin Island (0.1%) | | | |
| Frontier Rare Earths Limited | 33,500 | <u>\$ 33,410</u> | <u>\$ 19,095</u> |
| Cayman Islands (1.1%) | | | |
| Coastal Energy Company | 7,950 | <u>\$ 132,490</u> | <u>\$ 148,427</u> |
| United Kingdom (1.0%) | | | |
| Verde Potash PLC | 37,000 | <u>\$ 199,222</u> | <u>\$ 131,720</u> |

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2012

| | Number of Shares / Units | Cost \$ | Fair Value \$ |
|--|--------------------------------|----------------------|----------------------|
| United States (16.1%) | | | |
| AGCO Corporation | 2,000 | \$ 88,768 | \$ 90,973 |
| Cliffs Natural Resources Inc. | 9,000 | 366,182 | 326,422 |
| Fluor Corporation | 3,000 | 173,657 | 167,560 |
| FMC Corporation | 2,200 | 119,944 | 117,665 |
| Ford Motor Company | 35,000 | 382,090 | 390,483 |
| Immy Inc. Warrants | 2 | - | - |
| IntelGenx Technologies Corporation | 100,000 | 55,700 | 64,000 |
| JPMorgan Chase & Company | 6,500 | 238,936 | 270,709 |
| Monsanto Company | 2,000 | 164,930 | 172,008 |
| Neulion Inc. Restricted | 875,000 | 175,000 | 185,063 |
| Neulion Inc. Warrants | 437,500 | - | 52,723 |
| ProShares Short 20+ Year Treasury ETF | 1,500 | 50,920 | 43,622 |
| Terra Nitrogen Company Limited Partnership | 400 | 87,273 | 85,858 |
| The Dow Chemical Company | 9,750 | 293,632 | 285,589 |
| Windtronics LLC Warrants June 27, 2017 | 6,000 | - | - |
| Windtronics LLC Warrants January 1, 2014 | 375 | - | - |
| | | <u>\$ 2,197,032</u> | <u>\$ 2,252,675</u> |
| Total Long Positions (96.1%) | | <u>\$ 13,526,794</u> | <u>\$ 13,410,400</u> |
| Short Positions (-7.0%) | | | |
| Energy (-1.2%) | | | |
| Enbridge Inc. | (4,040) | <u>\$ (158,734)</u> | <u>\$ (160,550)</u> |
| Financials (-0.8%) | | | |
| Royal Bank of Canada | (2,030) | <u>\$ (115,182)</u> | <u>\$ (115,730)</u> |
| Materials (-1.4%) | | | |
| Agnico-Eagle Mines Limited | (2,410) | \$ (111,582) | \$ (136,020) |
| Fortress Paper Limited | (4,440) | <u>(88,232)</u> | <u>(58,386)</u> |
| | | <u>\$ (199,814)</u> | <u>\$ (194,406)</u> |

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2012

| | Number of Shares / Units | Cost \$ | Fair Value \$ |
|--|--------------------------------|---------------------|---------------------|
| United States (-2.8%) | | | |
| Deere & Company | (480) | \$ (37,632) | \$ (41,018) |
| Financial Select Sector SPDR Fund | (5,860) | (91,249) | (92,912) |
| Freeport-McMoRan Copper & Gold Inc. | (2,760) | (102,918) | (107,304) |
| iShares Silver Trust | (1,060) | (31,040) | (33,115) |
| Molycorp Inc. | (3,230) | (35,913) | (33,550) |
| SPDR Metals & Mining ETF | (1,840) | <u>(74,832)</u> | <u>(81,653)</u> |
| | | <u>\$ (373,584)</u> | <u>\$ (389,552)</u> |
| Written Options (-0.8%) | | | |
| Agnico-Eagle Mines Nov/52 WPO | (30) | \$ (1,320) | \$ (720) |
| Agrium Inc. Dec/110 WCO | (8) | (1,864) | (1,352) |
| Agrium Inc. Nov/95 WPO | (50) | (6,766) | (1,749) |
| Altagas Services Inc. Nov/34 WCO | (30) | (1,020) | (900) |
| Apple Inc. Nov/550 WPO | (50) | (10,538) | (14,796) |
| Astral Media Inc. Nov/38 WPO | (50) | (2,450) | (1,500) |
| Bank of Montreal Nov/59 WCO | (25) | (1,800) | (1,450) |
| Barrick Gold Corporation Nov/43 WCO | (40) | (4,600) | (840) |
| Celanese Corporation Nov/35 WPO | (50) | (3,626) | (1,500) |
| Cliffs Natural Resources Nov/40 WCO | (40) | (2,201) | (1,719) |
| Enbridge Inc. Nov/38 WPO | (50) | (3,075) | (750) |
| First Quantum Minerals Nov/24 WCO | (30) | (1,770) | (900) |
| Fluor Corporation Nov/63 WCO | (20) | (2,117) | (400) |
| FMC Corporation Nov/60 WCO | (30) | (1,578) | (600) |
| Ford Motor Company Dec/11 WCO | (250) | (8,997) | (13,496) |
| Freeport-McMoRan Copper & Gold Inc. Dec/37 WPO | (50) | (4,158) | (5,948) |
| JPMorgan Chase & Company Dec/40 WPO | (75) | (6,773) | (6,673) |
| JPMorgan Chase & Company Dec/43 WCO | (50) | (5,119) | (4,499) |
| Lululemon Athletica Dec/65 WPO | (30) | (10,527) | (8,907) |
| Manulife Financial Corporation Nov/13 WCO | (125) | (3,500) | (1,125) |
| Molycorp Inc. Nov/10 WPO | (40) | (2,970) | (2,279) |
| Monsanto Company Nov/92.5 WCO | (20) | (3,615) | (180) |
| Osisko Mining Corporation Nov/10 WCO | (250) | (11,625) | (6,250) |
| Research in Motion Limited Nov/9 WCO | (100) | (4,618) | (700) |
| Royal Bank of Canada Dec/54 WPO | (25) | (1,425) | (1,225) |
| Silver Wheaton Corporation Dec/39 WCO | (50) | (11,300) | (15,000) |
| The Dow Chemical Company Nov/28 WPO | (50) | (1,469) | (1,450) |
| W. W. Grainger Inc. Dec/185 WPO | (50) | (12,731) | (12,746) |
| Wi-LAN Inc. Nov/6 WCO | (100) | <u>(900)</u> | <u>(400)</u> |
| | | <u>\$ (134,452)</u> | <u>\$ (110,054)</u> |

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2012

| | Number of Shares / Units | Cost \$ | Fair Value \$ |
|--|--------------------------------|----------------------|----------------------|
| Total Short Positions (-7.0%) | | <u>\$ (981,766)</u> | <u>\$ (970,292)</u> |
| Unrealized loss on forward foreign currency contract, note 12 (-0.0%) | | <u>\$ -</u> | <u>\$ (938)</u> |
| Transaction costs, note 2 | | <u>\$ (45,298)</u> | |
| Total Investments (89.1%) | | <u>\$ 12,499,730</u> | 12,439,170 |
| Cash and cash equivalents (15.6%) | | | 2,173,916 |
| Other assets less other liabilities (-4.7%) | | | <u>(655,613)</u> |
| Net assets (100.0%) | | | <u>\$ 13,957,473</u> |

See accompanying notes to the financial statements

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

1. THE FUND

Front Street Growth and Income Class (formerly 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. Pursuant to the notice of change in legal structure, the name of the Fund was changed to Front Street Growth and Income Class on June 27, 2012. Reference is made to the Fund's Simplified Prospectus for additional information on the Fund's structure. The Fund was established on June 29, 2011. Series A commenced operations on July 8, 2011. Series B commenced operations on July 8, 2011. Series F commenced operations on July 8, 2011. Series X commenced operations on July 9, 2012.

The foregoing financial statements and accompanying notes to the financial statements presented herein are for the Fund. Separate financial statements of each of the other classes of shares of the Corporation have also been prepared as at October 31, 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.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Financial instruments

Investments, at fair value, obligations from portfolio assets sold short at fair value and forward contracts, at fair value are classified as held for trading. Amounts receivable relating to accrued income, accounts receivable relating to portfolio assets sold, accounts receivable relating to shares issued, and due from manager are classified as loans and receivables. Liabilities for portfolio assets purchased, accounts payable relating to shares redeemed, accrued expenses and distributions payable have been classified as other financial liabilities.

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

a) Financial instruments (Continued...)

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.
- 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.

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

b) Valuation of investments (Continued...)

- 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.

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.

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

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.

g) Securities lending, repurchase and reverse repurchase transactions

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

h) Foreign currency translation

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

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

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

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

j) Net assets per share

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

k) Capital disclosures

The Fund has adopted CICA Handbook Section 1535, Capital Disclosures, which requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. See note 13 for additional details.

l) General standards on financial statement presentation

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

m) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting 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 CLASS
(Formerly Front Street Growth and Income Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

n) 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.

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 CLASS
(Formerly Front Street Growth and Income Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 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 CLASS
(Formerly Front Street Growth and Income Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

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

The following share transactions took place during the periods:

| | 2012 (12 Months) | 2011 (4 Months) |
|---|---------------------|--------------------|
| Shares outstanding, beginning of the period: | | |
| Series A | 279,649 | - |
| Series B | 202,131 | - |
| Series F | 58,697 | - |
| Series X | - | - |
| Shares issued during the period: | | |
| Series A | 1,106,025 | 280,813 |
| Series B | 141,669 | 199,861 |
| Series F | 80,247 | 57,810 |
| Series X | 2,506 | - |
| Share distributions reinvested during the period: | | |
| Series A | 37,247 | 3,388 |
| Series B | 13,588 | 2,322 |
| Series F | 6,184 | 887 |
| Series X | 83 | - |
| Shares redeemed during the period: | | |
| Series A | 51,854 | 4,552 |
| Series B | 49,527 | 52 |
| Series F | 4,153 | - |
| Series X | - | - |
| Shares outstanding, end of the period: | | |
| Series A | 1,371,067 | 279,649 |
| Series B | 307,861 | 202,131 |
| Series F | 140,975 | 58,697 |
| Series X | 2,589 | - |

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 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 period. The Benchmark for the Fund is 50% of the percentage gain or loss of the S&P/TSX Composite Index plus 50% of the percentage gain or loss of the DEX Universe All Corporate Bond Index. The fee is equal to this excess return per share multiplied by the number of shares outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per share of the Fund (including distributions) is greater than all previous values at the end of each previous fiscal quarter, in which a performance fee was paid. The starting reference point for the next fiscal quarter's calculation is based on the higher of either the Benchmark performance adjusted net asset value per share or the adjusted actual net asset value per share, both with respect to the previous quarter in which a performance fee was payable.

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

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

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 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 CLASS
(Formerly Front Street Growth and Income Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 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 in 2011. These balances are non-interest bearing and were repaid in 2012.

7. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to securities transactions for the period ended October 31, 2012 was \$116,048 (2011 - \$26,494).

8. SECURITIES LENDING

The Fund lends portfolio securities from time to time in order to earn additional income. The Fund has entered into a securities lending program with its custodian, NBCN Inc. The aggregate fair value of all securities loaned will not exceed 50% of the net assets of the Fund. The Fund receives collateral (in the form of obligations of, or guaranteed by, the Government of Canada, or a province thereof, or by the United States government or its agencies and/or cash) against the loaned securities. Collateral is maintained in an amount representing at least 102% of the fair value of the loaned securities during the period the loan is outstanding. The fair value of the loaned securities is determined daily at the close of business of the Fund and any additional collateral required is delivered to the Fund on the next business day. As at October 31, 2012 and 2011, the aggregate fair values of the Fund's securities loaned and the collateral received were as follows.

| | 2012 | 2011 |
|------------------------------|------------|------|
| Value of securities loaned | \$ 207,190 | \$ - |
| Value of collateral received | \$ 230,015 | \$ - |

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

9. **RELATED PARTY TRANSACTIONS**

During the periods ended October 31, 2012 and 2011, fees paid to (waived or absorbed by) the Manager were as follows:

| | 2012 (12 Months) | 2011 (4 Months) |
|--|---------------------|--------------------|
| Management fees, note 4 | \$ 127,905 | \$ 17,028 |
| Servicing fees, note 4 | 67,200 | 7,438 |
| Operating costs, note 4 | 9,628 | 4,999 |
| Expenses waived or absorbed by Manager, note 4 | <u>(58,791)</u> | <u>(102,216)</u> |
| | <u>\$ 145,942</u> | <u>\$ (72,751)</u> |

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

| | 2012 | 2011 |
|-------------------------|------------------|-----------------|
| Management fees payable | \$ 14,408 | \$ - |
| Servicing fees payable | 8,923 | 2,725 |
| Operating costs payable | <u>592</u> | <u>-</u> |
| | <u>\$ 23,923</u> | <u>\$ 2,725</u> |

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

| | 2012 | 2011 |
|--|-------|-------|
| Series A held by the Manager | 5,000 | 5,000 |
| Percentage of Series A held by the Manager | 0.36% | 1.79% |
| Series B held by the Manager | 5,000 | 5,000 |
| Percentage of Series B held by the Manager | 1.62% | 2.47% |
| Series F held by the Manager | 5,000 | 5,000 |
| Percentage of Series F held by the Manager | 3.55% | 8.52% |

FRONT STREET GROWTH AND INCOME CLASS
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9. **RELATED PARTY TRANSACTIONS** (Continued..)

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, 2012, Tuscarora Capital Inc, a company under common control to the Manager, received \$Nil (2011 - \$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.

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.

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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

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

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, 2012

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

As at October 31, 2011

| | Transactional NAV | Section 3855 Adjustment | GAAP NA | Transactional NAV per share | GAAP NA per share |
|--------------|----------------------|----------------------------|---------------------|-----------------------------------|-------------------------|
| 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 |
| Series X | - | - | - | - | - |
| Total | \$ 4,774,827 | \$ (22,883) | \$ 4,751,944 | | |

FRONT STREET GROWTH AND INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
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11. FINANCIAL INSTRUMENTS

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

As at October 31,

| | 2012 | 2011 |
|---|----------------------|---------------------|
| Assets | | |
| Held for trading | \$ 13,410,400 | \$ 4,343,050 |
| Cash and cash equivalents | 2,173,916 | 800,510 |
| Loans and receivables | <u>178,860</u> | <u>324,956</u> |
| Total Assets | <u>\$ 15,763,176</u> | <u>\$ 5,468,516</u> |
| Liabilities | | |
| Held for trading | \$ 971,230 | \$ 303,699 |
| Other financial liabilities at amortized cost | <u>834,473</u> | <u>412,873</u> |
| Total liabilities | <u>\$ 1,805,703</u> | <u>\$ 716,572</u> |
| Net Assets | <u>\$ 13,957,473</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 accrued income, accounts receivable relating to portfolio assets sold, accounts receivable relating to shares issued, due from manager, forward contracts, at fair value, obligations from portfolio assets sold short, at fair value, liabilities for portfolio assets purchased, accounts payable relating to shares redeemed, accrued expenses and distributions payable. It is the Manager's opinion that due to the short term nature of these financial instruments, the Fund is not exposed to significant market price, currency, interest rate, liquidity, cash flow and credit risks arising from these financial instruments except as described below. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Risk Management

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

FRONT STREET GROWTH AND INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 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, 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 | Marketable securities, at fair value | Cash | Forward currency contracts (note 12) | Net Exposure | Percentage of GAAP NA |
|----------------------|--------------------------------------|-------------------|--------------------------------------|-------------------|-----------------------|
| United States Dollar | \$ 2,204,724 | \$ 254,100 | \$ (1,768,531) | \$ 690,293 | 4.95% |
| Australian Dollar | <u>176,659</u> | <u>-</u> | <u>-</u> | <u>176,659</u> | <u>1.27%</u> |
| | <u>\$ 2,381,383</u> | <u>\$ 254,100</u> | <u>\$ (1,768,531)</u> | <u>\$ 866,952</u> | <u>6.22%</u> |

FRONT STREET GROWTH AND INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
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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, 2012, there were 20.8% (2011 - 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.

| | Floating Rate Financial Assets | Fixed Rate Financial Assets | Non-interest Bearing | Total |
|-----------------------------|-----------------------------------|--------------------------------|-------------------------|----------------------|
| Financial assets | | | | |
| Held for trading | \$ - | \$ 2,904,790 | \$ 10,505,610 | \$ 13,410,400 |
| Other receivables | - | - | 178,860 | 178,860 |
| Cash and cash equivalents | <u>2,173,916</u> | <u>-</u> | <u>-</u> | <u>2,173,916</u> |
| Total | <u>\$ 2,173,916</u> | <u>\$ 2,904,790</u> | <u>\$ 10,684,470</u> | <u>\$ 15,763,176</u> |
| Financial liabilities | | | | |
| Held for trading | \$ - | \$ - | \$ 971,230 | \$ 971,230 |
| Other financial liabilities | <u>-</u> | <u>-</u> | <u>834,473</u> | <u>834,473</u> |
| Total | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,805,703</u> | <u>\$ 1,805,703</u> |
| GAAP NA | | | | <u>\$ 13,957,473</u> |

FRONT STREET GROWTH AND INCOME CLASS
(Formerly Front Street Growth and Income Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 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.

| | 0-12 months | 1 - 3 years | 3 - 5 years | Beyond 5 years | Indefinite maturity | Total |
|---------------------------|---------------------|---------------------|-------------------|-------------------|------------------------|----------------------|
| Financial assets | | | | | | |
| Held for trading | \$ 385,978 | \$ 1,198,893 | \$ 764,120 | \$ 702,433 | \$ 10,358,976 | \$ 13,410,400 |
| Other receivables | 178,860 | - | - | - | - | 178,860 |
| Cash and cash equivalents | <u>2,173,916</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,173,916</u> |
| Total | <u>\$ 2,738,754</u> | <u>\$ 1,198,893</u> | <u>\$ 764,120</u> | <u>\$ 702,433</u> | <u>\$ 10,358,976</u> | <u>\$ 15,763,176</u> |
| Financial liabilities | | | | | | |
| Held for trading | \$ 110,992 | \$ - | \$ - | \$ - | \$ 860,238 | \$ 971,230 |
| Financial liabilities | <u>834,473</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>834,473</u> |
| Total | <u>\$ 945,465</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 860,238</u> | <u>\$ 1,805,703</u> |
| GAAP NA | | | | | | <u>\$ 13,957,473</u> |

Certain of the Fund's investments are in private securities which are thinly traded. As at October 31, 2012, the fair value of such assets was 8.8% (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.

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

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

To partially mitigate credit risk with respect to its securities lending the Fund receives collateral against the securities loaned (note 8). As at October 31, 2012, the Fund loaned securities with an aggregate fair value of \$207,190 and received collateral with an aggregate fair value of \$230,015.

As at October 31, 2012, the Fund had 20.8% (2011 - 20.3%) of holdings in long term debt instruments for which the following credit ratings have been obtained from Standard and Poor's, Moody's or DBRS:

| Debt Instruments by Credit Rating | Percentage of GAAP NA |
|-----------------------------------|-----------------------|
| BBB- | 2.7% |
| BB+ | 0.8% |
| BB | 1.1% |
| B | 0.4% |
| CCC+ | 1.2% |
| CC | 0.4% |
| Not available or not rated | 14.2% |

As at October 31, 2012, the Fund's investment portfolio included \$593,978 (2011 - \$Nil) (face value of \$623,978) in investments in debt obligations where repayments of interest or principal were contractually in arrears. The fair values have been discounted to reflect the extended period to ultimate collection.

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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, 2012, the Fund has contracted to sell U.S. dollar currency amounting to CDN \$1,769,646 at a forward rate of 0.9998 maturing on November 30, 2012.

The net unrealized loss from the contracts amounted to \$938 as at October 31, 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's overall strategy for managing capital remains unchanged from 2011.

The Fund does not have any externally imposed capital requirements.

14. FAIR VALUE HIERARCHY

The following is a summary of inputs used as of October 31, 2012 in valuing the Fund's investments and derivatives at fair value as discussed in note 2(c):

| Assets at fair value as at October 31, 2012 | Quoted prices in active markets for identical assets Level 1 | Significant other observable inputs Level 2 | Significant unobservable inputs Level 3 | Total |
|--|---|--|--|-------------------|
| Investments, at fair value | \$ 9,589,843 | \$ 2,587,803 | \$ 1,232,754 | \$ 13,410,400 |
| Liabilities at fair value as at October 31, 2012 | Level 1 | Level 2 | Level 3 | |
| Obligations from portfolio assets sold short at fair value | \$ 970,292 | \$ - | \$ - | \$ 970,292 |
| Forward contracts, at fair value | <u>-</u> | <u>938</u> | <u>-</u> | <u>938</u> |
| | <u>\$ 970,292</u> | <u>\$ 938</u> | <u>\$ -</u> | <u>\$ 971,230</u> |

FRONT STREET GROWTH AND INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
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14. **FAIR VALUE HIERARCHY** (Continued...)

During the period ended October 31, 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 |
|-----------------------------------|---|--|
| Balance as at beginning of period | \$ 97,179 | \$ 250,000 |
| Purchases | 440,600 | 415,961 |
| Transfers in | - | 78,250 |
| Gains (losses) Unrealized | <u>10</u> | <u>(49,246)</u> |
| Balance as at October 31, 2012 | <u>\$ 537,789</u> | <u>\$ 694,965</u> |

The transfers in represents a bond that has moved from level two to level three as a result of no longer having observable market data.