

**FRONT STREET**  
Mutual Funds Limited

**FRONT STREET MUTUAL FUNDS LIMITED**

**FRONT STREET GLOBAL OPPORTUNITIES FUND**

**Management Report of Fund Performance**

**and**

**Interim Financial Statements**

**April 30, 2012**

## **Interim Management Report of Fund Performance As at April 30, 2012 Front Street Global Opportunities Fund**

*This Interim Management Report of Fund Performance contains financial highlights but does not contain the complete Interim financial statements for Front Street Global Opportunities Fund, a class of shares of Front Street Mutual Funds Limited fund (the "Fund"). The interim financials of the Fund are attached behind this report and you can also get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-800-513-2832, by writing to us at Front Street Capital 2004, 33 Yonge Street, Suite 600, Toronto, Ontario M5E 1G4 or by visiting our web site at [www.frontstreetcapital.com](http://www.frontstreetcapital.com) or SEDAR at [www.sedar.com](http://www.sedar.com).*

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

### **Forward Looking Information**

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

Although the Fund believes it has a reasonable basis for making the forecasts or projections included in this Interim Management Report of Fund Performance, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the performance of the equity securities market, expectations about interest rates and factors incorporated by reference herein as risk factors.

The above list of important factors affecting forward looking information is not exhaustive, and reference should be made to the other risks discussed in the Fund's filings with Canadian securities regulatory authorities. The forward looking information is given as of the date of this Interim Management Report of Fund Performance, and the Fund undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

### **Management Discussion of Fund Performance**

#### **INVESTMENT OBJECTIVES AND STRATEGIES**

The Fund's investment objective is to provide shareholders with long term capital growth through the selection, management and strategic sector rotation and trading of global positions in equity, debt and derivative securities. The Fund may have exposure to all sectors of the economy, with the ability to focus its assets in specific industry sectors and asset classes based on analysis of business cycles, industry sectors and market outlook. The Fund will be global in nature and invest in small, medium and large cap companies.

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

The Fund's portfolio will consist primarily of investments which generate capital gains, but will also include investments which generate income.

The Fund will examine macro economic events that result in shifts in behaviour and supply and demand in the market in both traditional and new industries. In traditional industries such as oil and gas and mining, the Fund will focus on investing in companies with emerging technologies and new discoveries that improve and enhance operations and productivity but may consider other investment factors such as cash flow and liquidity requirements, hold periods and restrictions, risk factors, stop-loss containment and tax efficient distributions.

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 an associate or affiliate. 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 common shares and other equity securities. The Fund will therefore be subject to stock market risk. The Fund may also invest in foreign securities that may expose the Fund, to a limited extent, to the risk of investments in foreign securities and foreign currency risk. The Fund may invest in relatively illiquid securities that may expose the Fund to liquidity risk. The Fund may also be exposed to sector risk due to its investments being concentrated in a limited number of sectors. The Fund may also be exposed to the risks of selling securities short, the risks of investing in derivatives, and the risk associated with investing in securities of junior industrial, technology and natural resource companies.

Currency risk proved to have an effect on the Fund's returns, as the Canadian dollar traded in a wide range relative to the U.S. dollar, over the year. Currency risk impacted principally the Fund's investments that had revenue in U.S. dollars. Volatility in currency markets continues to be high, suggesting uncertainty going forward on this front.

Equity risk also affected Fund volatility. Market volatility was very high this year, as each recovery seemed to be met by a sell-off. Fears of political and economic events around the world influenced stock market direction.

Interest-rate risk was also a factor, as global central banks and bond and equity markets closely monitored the U.S. Federal Reserve's monetary policy activities and public communications for indications as to interest rate policy. We also saw sharply higher rates being priced into European bond issues, to compensate the risks inherent in their central banks.

Credit risk was another factor this past year. In the aftermath of the credit crisis banks are only now starting to lend, but with much higher fees attached. Many companies which are relying on debt to finance expansions have had to halt plans as the funds are not currently available.

The Fund has multiple risks associated with equity markets. Investors whose primary concern is preservation of capital should not be invested in this Fund. The Fund is suitable for investors seeking long-term growth with a tolerance for risk and volatility and a long-term investment horizon.

The risks of investing in the Fund are further discussed in the Fund's Annual Information Form.

## RESULTS OF OPERATIONS

After initially starting 2012 on a strong note, resource markets corrected sharply in March and April. Fears of an economic slowdown in China caused investors to flee the commodities sector. GDP growth there slowed to 8.1% in the first quarter, but looking at the statistics we see that the Chinese government had engineered this slowdown in an attempt to rein in inflation. Now that they have accomplished this the government have stated that they are open to monetary and fiscal easing, possibly stimulating growth in the second half of the year.

Fears of Greece continuing to implode and the contagion effects on the rest of Europe also spooked investors. After initially agreeing to another bailout the ECB eventually withheld support until the austerity conditions of the deal were met by Greece. Unfortunately in their recent federal elections no party was able to win a mandate, and many parties had campaigned against massive budget cuts. The Greeks will return to the poles later in June, so we may see some market uneasiness until there is a solution there.

All of this uncertainty led investors to seek the safest investments they could find, shifting massive amount of capital to the US dollar. So even though many commodities, like oil, rose throughout the period investors sold the producing companies. In a strange twist even gold, seen as the ultimate store of value, sold off as investors sought liquidity. We also saw a much greater decline in intermediate to small cap companies, as investors sought the perceived safety of larger capitalized entities.

During the period ended April 30, 2012, the Fund earned investment income of \$261 from dividends and interest. There were net realized losses on the sale of investments of \$2,752 and an unrealized appreciation on the value of investments of \$16,491.

Operating expenses totalled \$50,789 and the Manager waived and absorbed \$48,116 of expenses during the period ended April 30, 2012.

## RECENT DEVELOPMENTS

Post period 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.

### 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 \$7,366 were paid to the Manager during the period. Servicing fees of \$2,673 were paid to the Manager during the period. Operating costs of \$Nil were paid to the Manager during the period. Expenses waived and absorbed by the Manager during the period amounted to \$48,116. Included in accrued expenses are \$1,715 in accrued servicing fees payable to the Manager.

5,000 of series A shares outstanding at year end representing 5.43% (October 31, 2011 – 27.81%) of the series A shares of the Fund are held by the Manager.

5,000 of series B shares outstanding at year end representing 20.44% (October 31, 2011 – 51.44%) of the series B shares of the Fund are held by the Manager.

5,000 of series F shares outstanding at year end representing 71.55% (October 31, 2011 – 89.86%) of the series F shares of the Fund are held by the Manager.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution only basis. During the period ended April 30, 2012, Tuscarora Capital Inc, a company under common control to the Manager, received \$3,128 in commissions on portfolio transactions for the Fund.

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

## **FINANCIAL HIGHLIGHTS**

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance since inception. This information is derived from the Fund's audited annual and interim financial statements for the six months ended April 30, 2012.

Series A

The Fund's Net Assets per Share

	April 30, 2012 \$	For the period from commencement of operation on July 08, 2011 to October 31, 2011 <sup>(1)</sup> \$
<b>Net Assets, beginning of the period</b>	9.77	10.00*
<b>Increase (decrease) from operations:</b>		
Total revenue	0.00	0.00
Total expenses	(0.05)	(0.02)
Realized gains (losses) for the period	(0.07)	0.26
Unrealized gains (losses) for the period	0.36	(0.24)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.24</b>	<b>—</b>
<b>Distributions to Shareholders:</b>		
From income (excluding dividends)	—	—
From dividends	—	—
From capital gains	—	—
Return of capital	—	—
<b>Total distributions to Shareholders <sup>(3)</sup></b>	<b>—</b>	<b>—</b>
<b>Net Assets, end of the period</b>	<b>10.14</b>	<b>9.77</b>

- (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) <sup>(1)</sup>	935	178
Number of shares outstanding <sup>(1)</sup>	92,048	17,976
Management expense ratio <sup>(2)</sup>	1.17%	0.98%
Management expense ratio before waivers or absorptions	12.27%	57.95%
Trading expense ratio <sup>(3)</sup>	0.78%	1.32%
Portfolio turnover rate <sup>(4)</sup>	127.18%	48.98%
Net asset value per share	\$ 10.16	\$ 9.88

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

\* Initial price

**Series B**

**The Fund's Net Assets per Share**

	April 30, 2012 \$	For the period from commencement of operation on July 08, 2011 to October 31, 2011 <sup>(1)</sup> \$
<b>Net Assets, beginning of the period</b>	9.78	10.00*
<b>Increase (decrease) from operations:</b>		
Total revenue	0.01	—
Total expenses	(0.05)	(0.01)
Realized gains (losses) for the period	(0.14)	0.24
Unrealized gains (losses) for the period	0.43	(0.25)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.25</b>	<b>(0.02)</b>
<b>Distributions to Shareholders:</b>		
From income (excluding dividends)	—	—
From dividends	—	—
From capital gains	—	—
Return of capital	—	—
<b>Total distributions to Shareholders <sup>(3)</sup></b>	<b>—</b>	<b>—</b>
<b>Net Assets, end of the period</b>	<b>10.15</b>	<b>9.78</b>

- (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) <sup>(1)</sup>	249	95
Number of shares outstanding <sup>(1)</sup>	24,465	9,649
Management expense ratio <sup>(2)</sup>	1.19%	0.73%
Management expense ratio before waivers or absorptions	12.29%	53.72%
Trading expense ratio <sup>(3)</sup>	0.78%	1.32%
Portfolio turnover rate <sup>(4)</sup>	127.18%	48.98%
Net asset value per share	\$ 10.17	\$ 9.89

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

\* Initial price

Series F

The Fund's Net Assets per Share

	April 30, 2012 \$	For the period from commencement of operation on July 08, 2011 to October 31, 2011 <sup>(1)</sup> \$
<b>Net Assets, beginning of the period</b>	9.80	10.00*
<b>Increase (decrease) from operations:</b>		
Total revenue	0.01	—
Total expenses	—	—
Realized gains (losses) for the period	(0.11)	0.18
Unrealized gains (losses) for the period	0.70	(0.38)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.60</b>	<b>(0.20)</b>
<b>Distributions to Shareholders:</b>		
From income (excluding dividends)	—	—
From dividends	—	—
From capital gains	—	—
Return of capital	—	—
<b>Total distributions to Shareholders <sup>(3)</sup></b>	<b>—</b>	<b>—</b>
<b>Net Assets, end of the period</b>	<b>10.22</b>	<b>9.80</b>

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

Ratios and Supplemental Data

Total net asset value (000's) <sup>(1)</sup>	72	55
Number of shares outstanding <sup>(1)</sup>	6,988	5,564
Management expense ratio <sup>(2)</sup>	0.24%	0.29%
Management expense ratio before waivers or absorptions	11.34%	45.59%
Trading expense ratio <sup>(3)</sup>	0.78%	1.32%
Portfolio turnover rate <sup>(4)</sup>	127.18%	48.98%
Net asset value per share	\$ 10.24	\$ 9.91

- (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 X

The Fund's Net Assets per Share

For the period from  
commencement of operation  
on January 19, 2012 to  
April 30, 2012  
\$

<b>Net Assets, beginning of the period</b>	9.13*
<b>Increase (decrease) from operations:</b>	
Total revenue	0.00
Total expenses	(0.01)
Realized gains (losses) for the period	(0.04)
Unrealized gains (losses) for the period	(0.15)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.20)</b>
<b>Distributions to Shareholders:</b>	
From income (excluding dividends)	—
From dividends	—
From capital gains	—
Return of capital	—
<b>Total distributions to Shareholders <sup>(3)</sup></b>	<b>—</b>
<b>Net Assets, end of the period</b>	<b>10.16</b>

- (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) <sup>(1)</sup>	1,151
Number of shares outstanding <sup>(1)</sup>	113,046
Management expense ratio <sup>(2)</sup>	0.57%
Management expense ratio before waivers or absorptions	20.18%
Trading expense ratio <sup>(3)</sup>	0.78%
Portfolio turnover rate <sup>(4)</sup>	127.18%
Net asset value per share	\$ 10.18

- (1) This information is provided as at end of the period shown
- (2) Management expense ratio is based on total expenses (excluding commissions and other 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 1.5% of the net asset value 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 period. The Benchmark for the Fund is the S&P 500 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, operating costs, legal fees, securityholder reporting costs, management fees and independent review committee expenses.

## DEALER COMPENSATION

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

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

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

## PAST PERFORMANCE

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

## Summary of Investment Portfolio as at April 30, 2012

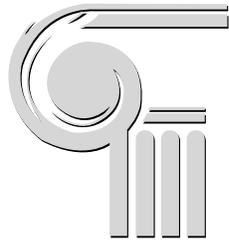
### *Portfolio by Category*

	Percentage of Transactional Net Asset Value
<b>LONG POSITIONS</b>	
Cash	70.2%
Information Technology	19.5%
Industrials	3.9%
Australia	2.1%
Materials	1.7%
Consumer Discretionary	1.4%
Health Care	1.1%
Energy	0.1%
<b>SHORT POSITIONS</b>	
Written Put Option	-0.5%
<b>Others</b>	<b>0.5%</b>
	<hr/> 100.0%

### *Top 25 Holdings*

	Percentage of Transactional Net Asset Value
<b>LONG POSITIONS</b>	
Celestica Inc.	4.0%
CAE Inc.	3.9%
The Descartes Systems Group Inc.	3.1%
Wi-LAN Inc.	2.8%
Avigilon Corporation	2.6%
Talison Lithium Limited	2.1%
Pure Technologies Limited	2.0%
Open Text Corporation	1.8%
EcoSynthetix Inc.	1.7%
Bauer Performance Sports Limited	1.4%
Absolute Software Corporation	1.3%
IMRIS Inc.	1.1%
Redknee Solutions Inc.	1.1%
Open Text Corporation	0.5%
TransGaming Inc.	0.3%
Canyon Services Group Inc.	0.1%
<b>SHORT POSITIONS</b>	
Apple Inc. 575 WPO May 22, 2012	-0.5%
	<hr/> 29.3%
<b>TOTAL TRANSACTIONAL NET ASSET VALUE (000)</b>	<b>\$2,407</b>

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



# **FRONT STREET**

## **Global Opportunities Fund**

### **INTERIM FINANCIAL STATEMENTS**

### **FRONT STREET GLOBAL OPPORTUNITIES FUND**

FOR THE SIX MONTHS ENDED APRIL 30, 2012

#### **NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS**

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

**FRONT STREET GLOBAL OPPORTUNITIES FUND**

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

	<b>2012 (Unaudited)</b>	<b>2011 (Audited)</b>
<b>ASSETS</b>		
Investments, at fair value (cost - \$698,797, 2011- \$201,040)	\$ 712,297	\$ 194,110
Cash and cash equivalents	1,690,164	150,344
Accounts receivable relating to portfolio assets sold	—	53,247
Accounts receivable relating to shares issued	40,963	22,200
Due from Manager, notes 4 and 6	—	3,558
	<u>\$ 2,443,424</u>	<u>\$ 423,459</u>
<b>LIABILITIES</b>		
Liabilities for portfolio assets purchased	\$ 27,610	\$ 98,709
Obligations from portfolio assets sold short, at fair value	11,961	—
Accrued expenses	1,716	188
	<u>41,287</u>	<u>98,897</u>
<b>Net assets representing shareholders' equity</b>	<u>\$ 2,402,137</u>	<u>\$ 324,562</u>
<b>Net assets applicable to outstanding shares allocated as follows:</b>		
Net assets, Series A	\$ 933,731	\$ 175,648
Shares outstanding, Series A, note 3	92,048	17,976
Net assets per share, Series A	<u>\$ 10.14</u>	<u>\$ 9.77</u>
Net assets, Series B	\$ 248,400	\$ 94,398
Shares outstanding, Series B, note 3	24,465	9,649
Net assets per share, Series B	<u>\$ 10.15</u>	<u>\$ 9.78</u>
Net assets, Series F	\$ 71,442	\$ 54,516
Shares outstanding, Series F, note 3	6,988	5,564
Net assets per share, Series F	<u>\$ 10.22</u>	<u>\$ 9.80</u>
Net assets, Series X	\$ 1,148,564	\$ —
Shares outstanding, Series X, note 3	113,046	—
Net assets per share, Series X	<u>\$ 10.16</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 GLOBAL OPPORTUNITIES FUND**

**STATEMENT OF OPERATIONS**

**FOR THE PERIOD ENDED APRIL 30, 2012**

**(UNAUDITED)**

**November 1, 2011 to  
April 30, 2012  
(Unaudited)**

**Investment income**

Dividends	\$ 255
Interest	6
	<u>261</u>

**Expenses**

Administration fees	28,601
Audit fees	12,000
Management fees, notes 4 and 8	7,366
Servicing fees, notes 4 and 8	2,673
Securityholder reporting costs	144
Independent review committee	4
	<u>50,789</u>

Total expenses 50,789

Expenses waived or absorbed by Manager, notes 8 (48,116)

Net expenses 2,673

**Net investment loss for the period** (2,412)

**Net realized and unrealized gains (losses) on investments**

Net realized loss on sale of investments	(2,752)
Transaction costs, notes 6 and 7	(3,400)
Change in the unrealized appreciation of the value of investments	16,491
	<u>10,339</u>

**Net gain on investments for the period** 10,339

**Net increase in net assets from operations for the period** \$ 7,927

Increase (decrease) in net assets from operations applicable to outstanding shares allocated as follows:

Increase in net assets from operations, Series A	\$ 7,826
Increase in net assets from operations per share, Series A	\$ 0.24
	<u>3,170</u>
Increase in net assets from operations, Series B	\$ 0.25
Increase in net assets from operations per share, Series B	\$ 3,926
Increase in net assets from operations per share, Series F	\$ 0.60
	<u>(6,995)</u>
Decrease in net assets from operations, Series X	\$ (6,995)
Decrease in net assets from operations per share, Series X	\$ (0.20)
	<u>(0.20)</u>

See accompanying notes to the financial statements

**FRONT STREET GLOBAL OPPORTUNITIES FUND**

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

	<b>November 1, 2011 to April 30, 2012 (Unaudited)</b>
<b>Series A</b>	
Net assets, beginning of period	<u>\$ 175,648</u>
Net increase in net assets from operations	<u>7,826</u>
<b>Shareholder transactions</b>	
Proceeds from the issuance of shares	764,345
Aggregate amounts paid on redemption of shares	<u>(14,088)</u>
	<u>750,257</u>
Net increase in net assets for the period	<u>758,083</u>
Net assets, end of period	<u><u>\$ 933,731</u></u>
<b>Series B</b>	
Net assets, beginning of period	<u>\$ 94,398</u>
Net increase in net assets from operations	<u>3,170</u>
<b>Shareholder transactions</b>	
Proceeds from the issuance of shares	167,639
Aggregate amounts paid on redemption of shares	<u>(16,807)</u>
	<u>150,832</u>
Net increase in net assets for the period	<u>154,002</u>
Net assets, end of period	<u><u>\$ 248,400</u></u>

**FRONT STREET GLOBAL OPPORTUNITIES FUND**

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

**November 1, 2011  
to April 30, 2012  
(Unaudited)**

**Series F**

<b>Net assets, beginning of period</b>	<u>\$ 54,516</u>
<b>Net increase in net assets from operations</b>	<u>3,926</u>
<b>Shareholder transactions</b>	
Proceeds from the issuance of shares	13,000
Aggregate amounts paid on redemption of shares	<u>—</u>
	<u>13,000</u>
<b>Net increase in net assets for the period</b>	<u>16,926</u>
<b>Net assets, end of period</b>	<u><u>\$ 71,442</u></u>

**Series X**

<b>Net assets, beginning of period</b>	<u>\$ —</u>
<b>Net decrease in net assets from operations</b>	<u>(6,995)</u>
<b>Shareholder transactions</b>	
Proceeds from the issuance of shares	1,155,559
Aggregate amounts paid on redemption of shares	<u>—</u>
	<u>1,155,559</u>
<b>Net increase in net assets for the period</b>	<u>1,148,564</u>
<b>Net assets, end of period</b>	<u><u>\$ 1,148,564</u></u>

**Total**

<b>Net assets, beginning of period</b>	<u>\$ 324,562</u>
<b>Net increase in net assets from operations</b>	<u>7,927</u>
<b>Shareholder transactions</b>	
Proceeds from the issuance of shares	2,100,543
Aggregate amounts paid on redemption of shares	<u>(30,895)</u>
	<u>2,069,648</u>
<b>Net increase in net assets for the period</b>	<u>2,077,575</u>
<b>Net assets, end of period</b>	<u><u>\$ 2,402,137</u></u>

See accompanying notes to the financial statements

**FRONT STREET GLOBAL OPPORTUNITIES FUND**  
**STATEMENT OF INVESTMENT PORTFOLIO**  
**AS AT APRIL 30, 2012 (UNAUDITED)**

	Number of Shares	Cost \$	Fair Value \$
<b>Long Positions (29.6%)</b>			
<b>Energy (0.1%)</b>			
Canyon Services Group Inc.	300	\$ 3,328	\$ 3,330
<b>Materials (1.7%)</b>			
EcoSynthetix Inc.	8,000	\$ 51,080	\$ 39,360
<b>Industrials (3.9%)</b>			
CAE Inc.	8,700	\$ 88,746	\$ 93,699
<b>Consumer Discretionary (1.4%)</b>			
Bauer Performance Sports Limited	4,000	\$ 28,734	\$ 34,600
<b>Health Care (1.1%)</b>			
IMRIS Inc.	8,000	\$ 26,451	\$ 26,320
<b>Information Technology (19.4%)</b>			
Absolute Software Corporation	4,700	21,471	31,161
Avigilon Corporation	15,800	63,481	63,200
Celestica Inc.	11,000	104,051	97,020
Open Text Corporation	800	47,346	44,287
Open Text Corporation	200	11,720	11,050
Pure Technologies Limited	9,500	29,935	46,360
Redknee Solutions Inc.	20,000	22,280	25,600
The Descartes Systems Group Inc.	8,700	69,437	73,950
TransGaming Inc.	20,000	11,980	5,900
Wi-LAN Inc.	12,000	66,590	67,560
		<u>\$ 448,291</u>	<u>\$ 466,088</u>
<b>Global Equities</b>			
<b>Australia (2.0%)</b>			
Talison Lithium Limited	15,000	\$ 52,167	\$ 48,900
<b>Total Long Positions ( 29.6% )</b>		<u>\$ 698,797</u>	<u>\$ 712,297</u>
<b>Short Positions (-0.5%)</b>			
<b>Written Put Option (-0.5%)</b>			
Apple Inc. 575 WPO May 22, 2012	(10)	\$ (5,740)	\$ (11,961)
<b>Total Short Positions (-0.5% )</b>		<u>\$ (5,740)</u>	<u>\$ (11,961)</u>
<b>Transaction costs</b>		<u>(2,283)</u>	
<b>Total Investments (29.1%)</b>		<u>\$ 690,774</u>	\$ 700,336
<b>Cash (70.4%)</b>			1,690,164
<b>Other assets less other liabilities (0.5%)</b>			<u>11,637</u>
<b>Net assets (100.0%)</b>			<u>\$ 2,402,137</u>

See accompanying notes to the financial statements

# FRONT STREET GLOBAL OPPORTUNITIES FUND

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

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### 1. THE FUND

Front Street Global Opportunities 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. Series X commenced operations on January 19, 2012.

The foregoing financial statements and accompanying notes to the financial statements presented herein are for the Fund. Separate financial statements of each of the other classes of shares of the Corporation have also been prepared as at April 30, 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 long term capital growth through the selection, management and strategic sector rotation and trading of global positions in equity, debt and derivative securities. The Fund may have exposure to all sectors of the economy, with the ability to focus its assets in specific industry sectors and asset classes based on analysis of business cycles, industry sectors and market outlook. The Fund will be global in nature and invest in small, medium and large cap companies.

# FRONT STREET GLOBAL OPPORTUNITIES FUND

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

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### 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 are classified as held for trading. Accounts receivable relating to shares issued, accounts receivable relating to portfolio assets sold and due from manager are classified as loans and receivables. Liabilities for portfolio assets purchased 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 9) as well as description of the differences between the valuation principles and practices used by the Manager to calculate the net asset value and those prescribed by Canadian GAAP.

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 GLOBAL OPPORTUNITIES FUND

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

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#### 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.

## FRONT STREET GLOBAL OPPORTUNITIES FUND

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

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

##### c) Financial instruments disclosure and presentation and fair value measurements

The Fund has 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 10 for additional details.

The Fund adopted the amendments to CICA 3862, Financial Instruments - Disclosures. CICA 3862 establishes a three tier hierarchy as a framework for disclosing fair value based on the inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

See note 12 for additional details.

##### 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 GLOBAL OPPORTUNITIES FUND

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

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#### 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 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.

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 11 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 GLOBAL OPPORTUNITIES FUND

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

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

##### m) Future accounting pronouncements

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

##### International financial reporting standards ("IFRS")

Effective for its fiscal year commencing November 1, 2014, the Fund must adopt IFRS. In preparation thereof, the Manager continues to monitor and implement the Fund's changeover plan and will continue to assess the impact on the implementation as new IFRS guidance become available from the International Accounting Standards Board ("IASB").

The Manager has reviewed the current IFRS against the Fund's current accounting policies and financial statement presentation under Canadian generally accepted accounting principles ("Canadian GAAP"), and the following areas of differences have been identified:

- (a) IAS 32, Financial Instruments: Disclosure and Presentation, requires shareholders' equity to be classified as liability unless certain criteria are met.
- (b) IFRS 13, Fair Value Measurements, that was released in May 2011 provides guidance on the fair value measurements and allows for the possible use of closing prices to value investments.

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

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

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

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

# FRONT STREET GLOBAL OPPORTUNITIES FUND

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

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### 3. SHARES ISSUED AND OUTSTANDING

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

#### **Series A shares**

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

#### **Series B shares**

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

#### **Series F shares**

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

#### **Series X shares**

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

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

# FRONT STREET GLOBAL OPPORTUNITIES FUND

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

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

The following share transactions took place during the period:

	November 1, 2011 to April 30, 2012
Shares outstanding, beginning of the period:	
Series A	17,976
Series B	9,649
Series F	5,564
Series X	-
Shares issued during the period:	
Series A	75,679
Series B	16,617
Series F	1,424
Series X	113,046
Shares redeemed during the period:	
Series A	1,607
Series B	1,801
Series F	-
Series X	-
Shares outstanding, end of the period:	
Series A	92,048
Series B	24,465
Series F	6,988
Series X	113,046

# FRONT STREET GLOBAL OPPORTUNITIES FUND

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

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### 4. FEES AND EXPENSES

The Fund pays a monthly management fee equal to 1/12 of 1.5% of the net asset value 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 1% of the net asset value of the Series A and Series B shares calculated at the end of each month. The Fund pays a monthly service fee of 1/12 of 0.50% of the net asset value of Series X shares.

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 the S&P 500 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, operating costs, legal fees, securityholder reporting costs, management fees and independent review committee expenses.

## FRONT STREET GLOBAL OPPORTUNITIES FUND

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

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#### 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 GLOBAL OPPORTUNITIES FUND

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

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#### 6. DUE FROM MANAGER

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

#### 7. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to securities transactions for the period ended April 30, 2012 was \$3,400.

#### 8. RELATED PARTY TRANSACTIONS

Management fees of \$7,366 were paid to the Manager during the period (see note 4). Servicing fees of \$2,673 were paid to the Manager during the period (see note 4). Operating costs of \$Nil were paid to the Manager during the period (see note 4). Expenses waived and absorbed by the Manager during the period amounted to \$48,116 (see note 4). Included in accrued expenses are \$1,715 in accrued servicing fees payable to the Manager.

5,000 of series A shares outstanding at year end representing 5.43% (October 31, 2011 – 27.81%) of the series A shares of the Fund are held by the Manager.

5,000 of series B shares outstanding at year end representing 20.44% (October 31, 2011 – 51.44%) of the series B shares of the Fund are held by the Manager.

5,000 of series F shares outstanding at year end representing 71.55% (October 31, 2011 – 89.86%) of the series F shares of the Fund are held by the Manager.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution only basis. During the period ended April 30, 2012, Tuscarora Capital Inc, a company under common control to the Manager, received \$3,128 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 GLOBAL OPPORTUNITIES FUND

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

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

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the transactional net asset value ("NAV") and net assets calculated using generally accepted accounting principles ("GAAP NA") of an investment fund is required. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) and ask prices (for investments sold) to be used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining transactional NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques (see note 2) rather than the use of valuation techniques in general practice in the investment funds industry.

These changes account for the difference between transactional NAV and GAAP NA. The impact of the adoption of Section 3855 on the net asset value of the Fund is as follows:

As at April 30, 2012

	<u>Net Asset Value</u>			<u>Net Assets per Share</u>	
	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV	GAAP NA
Series A	\$ 935,440	\$ (1,710)	\$ 933,731	\$ 10.16	\$ 10.14
Series B	248,876	(476)	248,400	10.17	10.15
Series F	71,579	(137)	71,442	10.24	10.22
Series X	1,150,762	(2,198)	1,148,564	10.18	10.16
<b>Total Net Asset Value</b>	<b>\$ 2,406,658</b>	<b>\$ (4,521)</b>	<b>\$ 2,402,137</b>		

As at October 31, 2011

	<u>Net Asset Value</u>			<u>Net Assets per Share</u>	
	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV	GAAP NA
Series A	\$ 177,632	\$ (1,984)	\$ 175,648	\$ 9.88	\$ 9.77
Series B	95,407	(1,009)	94,398	9.89	9.78
Series F	55,132	(616)	54,516	9.91	9.80
<b>Total Net Asset Value</b>	<b>\$ 328,171</b>	<b>\$ (3,609)</b>	<b>\$ 324,562</b>		

## FRONT STREET GLOBAL OPPORTUNITIES FUND

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

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#### 10. FINANCIAL INSTRUMENTS

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

	As at April 30, 2012	As at October 31, 2011
<b>Assets</b>		
Held for trading	\$ 712,297	\$ 194,110
Cash and cash equivalents	1,690,164	150,344
Loans and receivables	<u>40,963</u>	<u>79,005</u>
Total Assets	<u>2,443,424</u>	<u>423,459</u>
<b>Liabilities</b>		
Held for trading	11,961	-
Other financial liabilities at amortized cost	<u>29,326</u>	<u>98,897</u>
Total liabilities	<u>41,287</u>	<u>98,897</u>
Net Assets	<u>\$ 2,402,137</u>	<u>\$ 324,562</u>

The Fund's financial instruments consist of investments at fair value, cash and cash equivalents, accounts receivable relating to shares issued, accounts receivable relating to portfolio assets sold, due from manager, liabilities for portfolio assets purchased 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 GLOBAL OPPORTUNITIES FUND

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

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### 10. FINANCIAL INSTRUMENTS (Continued...)

The Fund's investment activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The Statement of Investment Portfolio presents the securities held by the Fund as at April 30, 2012, and groups the securities by asset type, sector and/or market segment. Significant risks that are relevant to the Fund are discussed below.

i) Market price risk

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

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

ii) Currency risk

The Fund may invest in financial instruments denominated in currencies other than its measurement currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of the portion of the Fund's assets or liabilities denominated in currencies other than Canadian dollars, absent any changes in market price or investment specific events.

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

Currency	Investments, at fair value	Cash	Total	Percentage of GAAP NA
United States Dollar	<u>32,325.66</u>	<u>\$ -</u>	<u>32,325.66</u>	<u>1.35%</u>
	<u>\$ 32,325.66</u>	<u>\$ -</u>	<u>\$ 32,325.66</u>	<u>1.35%</u>

# FRONT STREET GLOBAL OPPORTUNITIES FUND

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

### 10. FINANCIAL INSTRUMENTS (Continued...)

#### iii) Interest rate risk

The Fund may invest in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future. Interest payable on bank overdraft or broker margin account positions will be affected by fluctuations in interest rates. As at April 30, 2012, the bulk of the Fund's investments are substantially non-interest bearing equity investments and its exposure to interest rate changes is minimal.

	Floating Rate	Fixed Rate	Non-Interest	
Financial assets	Financial Assets	Financial Assets	Bearing	Total
Held for trading	\$ -	\$ -	\$ 712,297	\$ 712,297
Other receivables	-	-	40,963	40,963
Cash and cash equivalents	<u>1,690,164</u>	<u>-</u>	<u>-</u>	<u>1,690,164</u>
Total	<u>\$ 1,690,164</u>	<u>\$ -</u>	<u>\$ 753,260</u>	<u>\$ 2,443,424</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 11,961	\$ 11,961
Other financial liabilities	<u>-</u>	<u>-</u>	<u>29,326</u>	<u>29,326</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,287</u>	<u>\$ 41,287</u>
GAAP NA				<u>\$ 2,402,137</u>

## FRONT STREET GLOBAL OPPORTUNITIES FUND

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

#### 10. FINANCIAL INSTRUMENTS (Continued...)

##### iv) Liquidity risk

Liquidity risk is the risk the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Shareholder redemption requests are the main liquidity risk for the Fund.

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

	0-12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets						
Held for trading	\$ -	\$ -	\$ -	\$ -	\$ 712,297	\$ 712,297
Other receivables	40,963	-	-	-	-	40,963
Cash and cash equivalents	1,690,164	-	-	-	-	1,690,164
Total	<u>\$1,731,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 712,297</u>	<u>\$2,443,424</u>
Financial liabilities						
Held for trading	\$ -	\$ -	\$ -	\$ -	\$ 11,961	\$ 11,961
Other financial liabilities	29,326	-	-	-	-	29,326
Total	<u>\$ 29,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,961</u>	<u>\$ 41,287</u>
GAAP NA						<u>\$2,402,137</u>

##### 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 GLOBAL OPPORTUNITIES FUND

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

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#### 10. FINANCIAL INSTRUMENTS (Continued...)

##### vi) Credit risk

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

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

As at April 30, 2012, the Fund had no significant investments in long term debt instruments.

#### 11. 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 GLOBAL OPPORTUNITIES FUND

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

#### 12. FAIR VALUE HIERARCHY

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

	Quoted price in active market for identical assets	Significant other observable inputs	Significant unobservable inputs	
Assets at fair value as at April 30, 2012	Level 1	Level 2	Level 3	Total
Investments, at fair value	\$ 712,297	\$ -	\$ -	\$ 712,297
Short-term notes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 712,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 712,297</u>
Liabilities at fair value as at April 30, 2012	Level 1	Level 2	Level 3	Total
Obligations from portfolio assets sold short, at fair value	\$ 11,961	\$ -	\$ -	\$ 11,961



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