

FRONT STREET HEDGE FUND

**INTERIM UNAUDITED CONDENSED
FINANCIAL STATEMENTS**

JUNE 30, 2015

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

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

Front Street Hedge Fund

Statements of financial position

As at June 30, 2015 (unaudited) and December 31, 2014 (audited)

	June 30, 2015	December 31, 2014
	\$	\$
Assets		
Financial assets at fair value through profit or loss*	113,161,064	112,403,555
Cash and cash equivalents	9,040,796	11,370,422
Subscriptions receivable	173,981	668,826
Receivable for investments sold	5,076,908	78,827
Interest and other receivable	11,977	142,050
Dividends receivable	156,686	127,361
Total assets	127,621,412	124,791,041
Liabilities		
Financial liabilities at fair value through profit or loss*	2,750,461	1,563,531
Redemptions payable	397,458	1,041,318
Management fees payable	220,017	236,506
Accrued expenses	146,671	164,251
Payable for investments purchased	2,346,091	18,280
Dividends payable	2,340	4,485
Performance fees payable	2,076,900	-
Total liabilities	7,939,938	3,028,371
Net assets attributable to unitholders of redeemable units	119,681,474	121,762,670
Net assets attributable to unitholders of redeemable units	\$	\$
Class B	113,315,025	111,106,582
Class F	6,366,449	10,656,088
Number of units outstanding (Note 5)		
Class B	5,783,617	6,027,422
Class F	274,473	490,360
Net assets attributable to unitholders of redeemable units per units	\$	\$
Class B	19.59	18.43
Class F	23.20	21.73

Approved on behalf of the Trust,



Gary P. Selke, Chief Executive Officer

* Cost of investments is reflected on the Schedule of Investment Portfolio.

The accompanying notes form an integral part of the financial statements

Front Street Hedge Fund

Statements of comprehensive income

For the periods ended June 30 (unaudited)

	2015	2014
	\$	\$
Investment Income		
Interest for distribution purposes and other	37,202	172,907
Dividends	704,787	1,093,477
Securities lending income	14,122	18,641
Foreign currency gain (loss) on cash and other net assets	1,096,652	(169,042)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss		
Net realized gain (loss) on investments	8,098,560	19,266,558
Net realized gain (loss) on foreign exchange forward contracts	(3,099)	(132,999)
Change in unrealized appreciation (depreciation) on investments and derivatives	2,067,005	1,528,402
	12,015,229	21,777,944
Expenses		
Performance fee (note 4)	2,076,900	234,621
Management fees (note 4)	1,293,479	1,346,548
Transaction Costs	697,857	596,477
Operating costs	392,510	194,577
Withholding tax	26,253	23,294
Audit fees	21,324	31,183
Dividend expense	18,646	141,658
Trustee Fees	6,348	4,959
Legal fees	6,196	21,652
Total Expenses	4,539,513	2,594,969
Increase in net assets attributable to unitholders of redeemable units	7,475,716	19,182,975
Increase in net assets attributable to unitholders of redeemable units		
Class B	6,867,794	17,385,886
Class F	607,922	1,797,089
Increase in net assets attributable to unitholders of redeemable units per unit		
Class B	1.16	2.75
Class F	1.61	2.94

The accompanying notes form an integral part of the financial statements

Front Street Hedge Fund

Statements of changes in net assets attributable to unitholders of redeemable units

For the periods ended June 30 (unaudited)

	2015	2014
	\$	\$
Net assets attributable to unitholders of redeemable units, beginning of period		
Class B	111,106,582	108,036,514
Class F	10,656,088	11,920,835
	<u>121,762,670</u>	<u>119,957,349</u>
Increase in net assets attributable to unitholders of redeemable units		
Class B	6,867,794	17,385,886
Class F	607,922	1,797,089
	<u>7,475,716</u>	<u>19,182,975</u>
Redeemable unit transactions		
Proceeds from units issued		
Class B	-	-
Class F	213,946	-
	<u>213,946</u>	<u>-</u>
Redemption of redeemable units		
Class B	(4,659,351)	(5,050,405)
Class F	(5,111,507)	-
	<u>(9,770,858)</u>	<u>(5,050,405)</u>
Net increase (decrease) from redeemable unit transactions	<u>(9,556,912)</u>	<u>(5,050,045)</u>
Net increase (decrease) in net assets attributable to unitholders of redeemable units	<u>(2,081,196)</u>	14,132,570
Net assets attributable to unitholders of redeemable units, end of period		
Class B	113,315,025	120,371,995
Class F	6,366,449	13,717,924
	<u>119,681,474</u>	<u>134,089,919</u>

The accompanying notes form an integral part of the financial statements

Front Street Hedge Fund

Statements of cash flows

For the periods ended June 30 (unaudited)

	2015	2014
	\$	\$
Cash Flow from Operating Activities		
Increase/(decrease) in net assets attributable to unitholders of redeemable units	7,475,716	19,182,975
Adjustments for:		
Net realized gain on investments	(8,098,560)	(19,266,558)
Net realized loss on foreign exchange forward contracts	3,099	132,999
Change in unrealized appreciation on investments and derivatives	(2,067,005)	(1,528,402)
Foreign currency (gain) loss on cash and other net assets	(1,096,652)	169,042
(Increase) decrease in interest and other receivable	130,073	8,351
(Increase) decrease in dividends receivable	(29,325)	(66,903)
Increase (decrease) in dividends payable	(2,145)	-
Increase (decrease) in other payable and accrued liabilities	2,042,831	224,021
Purchase of Investments	(144,499,238)	(162,688,813)
Proceeds from sales of Investments	152,423,954	170,526,244
Proceeds from(to) settlement of foreign exchange forward contracts and futures	(3,099)	(132,999)
Net Cash Generated (Used) by Operating Activities	6,279,649	6,559,957
Cash Flows from Financing Activities		
Proceeds from redeemable units issued	708,791	-
Amount paid on redemption of redeemable units	(10,414,718)	(4,865,783)
Net Cash Generated (Used) by Financing Activities	(9,705,927)	(4,865,783)
Net increase (decrease) in cash and cash equivalents	(3,426,278)	1,694,174
Foreign currency gain (loss) on cash and other net assets	1,096,652	(169,042)
Cash and cash equivalents beginning of period	11,370,422	2,944,091
Cash and Cash Equivalents End of period	9,040,796	4,469,223
Cash and cash equivalents comprise:		
Cash at bank	9,040,796	4,469,223
Interest received	167,275	199,899
Dividends received, net of withholding tax	649,209	1,003,280
Dividends paid	(20,791)	(141,658)

The accompanying notes form an integral part of the financial statements

Front Street Hedge Fund

Schedule of Investment Portfolio

As at June 30, 2015 (unaudited)

Number of Shares/Units Par Value		Average Cost	Fair Value	% of net assets
		\$	\$	%
Investments - Long Positions				
Equities				
Energy				
137,100	Bankers Petroleum Limited	422,916	425,010	
50,000	Baytex Energy Corporation	1,032,011	971,500	
93,100	Boulder Energy Limited	771,511	772,730	
14	Estrella International Energy Services Limited Warrants January 24, 2016	-	-	
144,000	Kelt Exploration Limited	1,235,344	1,215,360	
48,000	Parex Resources Inc.	440,328	502,560	
65,000	Petrowest Energy Services Corporation	24,765	15,275	
89,700	Raging River Exploration Inc.	756,814	783,081	
100,000	Rock Energy Inc.	235,000	345,000	
145,000	Spartan Energy Corporation	397,612	446,600	
30,100	Tamarack Valley Energy Limited	113,778	106,253	
36,500	Torc Oil & Gas Limited, Subscripton Receipts	383,107	317,550	
	Total Energy	5,813,186	5,900,919	4.93%
Materials				
163,600	Canam Group Inc.	2,060,387	2,275,676	
443,294	GoviEx Uranium Inc. Special Warrants (Private)	869,699	44,330	
46,600	GoviEx Uranium Inc.	108,741	4,660	
102,662	Intertape Polymer Group Inc.	1,221,949	1,921,833	
280,000	Tolima Gold Inc. Warrants December 5, 2016 (private)	-	-	
202,600	Western Forest Products Inc.	420,221	451,798	
	Total Materials	4,680,997	4,698,297	3.93%
Industrials				
1,722	3801110 Canada Inc. (private)	17	17	
228,735	Air Canada	1,821,865	3,021,589	
52,900	Boyd Group Income Fund	1,953,009	2,788,888	
102,650	Carmanah Technologies Corporation	520,559	687,755	
46,800	Dirtt Environmental Solutions Limited	388,054	302,328	
172,200	Enwave Corporation Warrants December 20, 2015 (private)	-	-	
32,238	Kinaxis Inc.	424,586	897,506	
50,000	Patent Properties Inc.	154,139	84,173	
100,000	Patent Properties Inc. (private)	331,712	161,612	
25,000	Patent Properties Inc. Warrant September 18, 2016 (private)	-	4,623	
10,300	People Corporation	28,010	46,247	
110,000	Savaria Corporation Warrant April 15, 2017 (private)	550,000	624,536	
500	WSP Global Inc.	17,731	19,655	
	Total Industrials	6,189,682	8,638,929	7.22%
Information Technology				
16,200	Apple Inc.	2,526,686	2,533,775	
20,500	CGI Group Inc. 'A'	1,044,034	1,001,425	
509,100	COM DEV International Limited	1,901,397	2,937,507	
62,290	Embotics Corporation Preferred Class 'A' (private)	267,558	6,229	
98,018	Embotics Corporation Private Placement (private)	1,049,233	9,802	
81,500	Espial Group Inc.	326,000	246,945	
33,000	Facebook Inc. 'A'	2,921,481	3,529,336	
11,200	Halogen Software Inc.	107,121	120,400	
160,000	iON Acquisition Corporation, Restricted	196,952	199,521	
22,300	Microsoft Corporation	1,294,881	1,227,735	
318,900	Mobidia Technology Inc. 'A' Series 3 Preferred (private)	350,790	82,914	
16,000	NXP Semiconductors NV	1,897,565	1,959,298	
17,100	Oracle Corporation	911,672	859,350	
256,239	Pure Technologies Limited	688,313	1,857,733	
428,489	QHR Corporation	254,467	651,304	
8,000	Qorvo Inc.	834,890	800,778	
26,000	Redknee Solutions Inc.	120,789	123,240	
45,000	Redline Communications Group Inc. Warrants July 30, 2015 (private)	-	-	
550	Salesforce.com Inc.	45,161	47,756	
1,700	Shopify Inc.	56,617	71,865	

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Front Street Hedge Fund

Schedule of Investment Portfolio

As at June 30, 2015 (unaudited)

Number of Shares/Units Par Value		Average Cost	Fair Value	% of net assets
		\$	\$	%
13,300	Skyworks Solutions Inc.	1,483,956	1,726,021	
23,150	Splunk Inc.	1,826,510	2,009,805	
200,000	Stockhouse Media Corporation Private Placement (private)	2,476	-	
63,000	TECSYS Inc.	587,141	567,000	
208,705	The Descartes Systems Group Inc.	1,424,789	4,184,535	
30,000	UrtheCast Corporation	131,978	118,200	
203,746	VersaPay Corporation	246,570	252,645	
110,000	VersaPay Corporation, Restricted September 28, 2015	154,000	128,216	
150,000	VersaPay Corporation Warrants (Private)	-	18,518	
55,000	VersaPay Corporation Warrants May 17, 2017	-	9,958	
	Total Information Technology	22,653,027	27,281,811	22.80%
	Financials			
92,162	Altus Group Limited	1,579,081	1,640,484	
44,900	American International Group Inc.	2,748,345	3,461,340	
77,000	Bank of America Corporation	1,644,433	1,634,253	
17,500	Canadian Imperial Bank of Commerce	1,645,756	1,611,225	
38,000	Citigroup Inc.	2,504,155	2,617,618	
85,800	Committed Capital Acquisition Corporation II	470,122	481,470	
153,389	Delavaco Residential Properties Corporation	193,348	72,685	
145,000	Diversified Royalty Corporation	403,550	427,750	
108,000	Dundee Acquisition Limited Units Class A, Restricted	1,080,000	1,059,480	
54,000	Dundee Acquisition Limited Warrants June 01, 2020	-	14,850	
174,168	Element Financial Corporation	2,485,448	3,439,818	
66,532	Element Financial Corporation, Subscription Receipts	1,131,044	1,304,027	
28,300	JPMorgan Chase & Company	1,901,803	2,391,271	
157,700	Manulife Financial Corporation	3,336,882	3,660,217	
24,406	MetLife Inc.	1,471,758	1,704,025	
40,600	Morgan Stanley	1,527,816	1,963,879	
11,800	Prudential Financial Inc.	1,308,955	1,287,535	
9,900	Royal Bank of Canada	782,856	756,162	
90,000	Sun Life Financial Inc.	3,427,318	3,753,000	
20,000	The One Group Hospital IncCom Corporation, Restricted	103,845	104,499	
14,600	The Toronto-Dominion Bank	799,155	774,384	
	Total Financials	30,545,670	34,159,972	28.53%
	Telecommunication Services			
34,000	Stingray Digital Group Inc.	212,500	246,500	
589,470	XMG Studio Inc. (private)	559,996	11,789	
	Total Telecommunication Services	772,496	258,289	0.22%
	Consumer Discretionary			
11,400	CBS Corporation 'B'	758,507	788,555	
424,907	Gaming Nation Inc.	851,086	892,305	
500,000	GeoMonkey Inc. Private Placement (private)	247,439	-	
20,000	Hudson's Bay Company	515,600	555,000	
44,100	Magna International Inc.	2,846,396	3,089,040	
123,200	Martinrea International Inc.	1,520,420	1,644,720	
30,400	MTY Food Group Inc.	1,014,905	1,006,848	
3,000	Netflix Inc.	1,731,453	2,457,627	
142,155	Performance Sports Group Limited	2,025,490	3,194,664	
142,000	The ONE Group Hospitality Inc.	738,428	740,173	
112,000	The ONE Group Hospitality Inc. Warrants October 13, 2016	-	90,782	
11,000	The Walt Disney Company	1,427,837	1,564,982	
	Total Consumer Discretionary	13,677,561	16,024,696	13.39%

Front Street Hedge Fund

Schedule of Investment Portfolio

As at June 30, 2015 (unaudited)

Number of Shares/Units Par Value		Average Cost	Fair Value	% of net assets
		\$	\$	%
Consumer Staples				
62,330	Alimentation Couche-Tard Inc. 'B'	1,863,502	3,330,292	
300	Crumbs Bake Shop Inc.	99	26	
73,800	Liquor Stores NA Limited	1,106,950	1,052,388	
	Total Consumer Staples	2,970,551	4,382,706	3.66%
Health Care				
5,500	Allergan PLC	2,029,369	2,082,253	
57,650	Bedrocan Cannabis Corporation Warrants November 15, 2015	-	1,427	
15,000	Bristol-Myers Squibb Company	1,072,984	1,243,890	
58,000	HLS Therapeutics Inc., Restricted Subscription Receipts	717,982	723,264	
694,000	KRIM Biopharma Inc., Subscription Receipts	1,110,400	1,110,400	
130,000	Medicure Inc. 'Bought Deal', Restricted	286,000	303,784	
225,200	Nobilis Health Corporation	1,037,096	1,911,948	
1,800	Nobilis Health Corporation Restricted	16,200	14,365	
900	Nobilis Health Corporation Warrants May 13, 2017	-	2,162	
61,000	Savaria Corporation	214,429	368,440	
26,500	Savaria Corporation Warrants April 15, 2017	1	45,053	
2,000	Valeant Pharmaceuticals International Inc.	580,909	554,095	
	Total Health Care	7,065,370	8,361,081	6.98%
Utilities				
136,500	Crius Energy Trust	928,200	1,019,655	
2,191,988	Trilliant Inc. (private)	1,925,881	43,840	
217,640	U.S. Geothermal Inc. Warrants September 16, 2015 (private)	-	-	
	Total Utilities	2,854,081	1,063,495	0.89%
	Total Equities - Long	97,222,621	110,770,195	92.55%
Corporate Bonds				
470,000	Element Financial Corporation Convertible Debentures 5.125% June 30, 2019	470,000	606,300	
1,400,000	Estrella International Energy Services Limited Convertible Debentures 12.000% December 31, 2015	1,400,000	560,000	
1,558,000	Gran Colombia Gold Corporation 5.000% August 11, 2018	1,544,440	252,569	
972,000	KRIM Biopharma Inc. 10.000% June 30, 2020	972,000	972,000	
	Total Corporate Bonds	4,386,440	2,390,869	2.00%
	Transaction costs	(112,068)	-	
	Total Investments - Long	101,496,993	113,161,064	94.55%
Investments - Short Positions				
Energy				
(16,400)	Ensign Energy Services Inc.	(201,840)	(200,736)	(0.17)%
Information Technology				
(5,400)	Sphere 3D Corporation	(36,132)	(34,141)	(0.03)%
Telecommunication Services				
(1,400)	Sierra Wireless Inc.	(71,227)	(43,401)	(0.04)%
	Total Equities - Short	(309,199)	(278,278)	(0.24)%

Front Street Hedge Fund

Schedule of Investment Portfolio

As at June 30, 2015 (unaudited)

Number of Shares/Units Par Value		Average Cost	Fair Value	% of net assets
		\$	\$	%
Written Call Options				
(90)	Air Canada Jul/14 WCO	(7,110)	(1,395)	
(50)	Air Canada Jul/15 WCO	(3,450)	(400)	
(260)	Alimentation Couche Aug/54 WCO	(41,080)	(36,400)	
(53)	Allergan PLC Jul/320 WCO	(10,238)	(5,948)	
(138)	American International Jul/62.5 WCO	(12,405)	(12,218)	
(150)	American International Jul/63 WCO	(12,590)	(10,101)	
(112)	Apple Inc. Jul/130 WCO	(15,511)	(7,542)	
(350)	Bank of America Corporation Jul/18 WCO	(4,753)	(3,055)	
(70)	Bristol-Myers Squib Jul/70 WCO	(15,386)	(1,135)	
(110)	Canadian Imperial Bank of Commerce Jul/96 WCO	(5,390)	(1,760)	
(110)	CBS Corporation Jul/58.5 WCO	(8,214)	(3,772)	
(200)	Citigroup Inc. Jul/57.5 WCO	(14,320)	(8,978)	
(130)	Facebook Inc. 'A' Aug/90 WCO	(37,503)	(35,340)	
(200)	Hudson's Bay Company Jul/30 WCO	(7,800)	(2,600)	
(500)	Intertape Polymer Group Jul/19 WCO	(14,500)	(15,000)	
(339)	JPMorgan Chase & Company Jul/70 WCO	(32,778)	(14,373)	
(45)	Macy's Inc. Jul/72.5 WCO	(5,001)	(1,234)	
(280)	Magna International Jul/60 WCO	(16,634)	(3,492)	
(150)	Magna International Jul/74 WCO	(19,200)	(3,000)	
(550)	Manulife Financial Jul/24 WCO	(17,050)	(6,050)	
(160)	MetLife Inc. Jul/58 WCO	(9,481)	(7,382)	
(80)	Microsoft Corporation Jul/47 WCO	(3,457)	(798)	
(90)	Microsoft Corporatoni Jul/47.5 WCO	(3,871)	(561)	
(355)	Morgan Stanley Jul/40 WCO	(25,128)	(12,838)	
(13)	Netflix Inc. Aug/725 WCO	(52,483)	(28,288)	
(12)	Netflix Inc. Jul/675 WCO	(41,672)	(37,709)	
(80)	NXP Semiconductors Jul/110 WCO	(6,814)	(2,594)	
(70)	Oracle Corporation Jul/42 WCO	(3,871)	(786)	
(60)	Oracle Corporation Jul/46 WCO	(5,066)	(150)	
(385)	Performance Sports Jul/24 WCO	(7,315)	(3,465)	
(118)	Prudential Financial Jul/92.5 WCO	(7,732)	(2,943)	
(80)	Qorvo Inc. Jul/90 WCO	(13,135)	(2,993)	
(131)	Royal Bank of Canada Jul/79 WCO	(7,074)	(2,882)	
(50)	Skyworks Solutions Jul/110 WCO	(27,908)	(9,041)	
(70)	Splunk Inc. Jul/74 WCO	(13,973)	(7,420)	
(80)	Splunk Inc. Jul/75 WCO	(23,264)	(5,587)	
(300)	Sun Life Financial Aug/44 WCO	(17,400)	(9,450)	
(250)	The Descartes Systems Jul/19 WCO	(19,750)	(28,125)	
(650)	The Descartes Systms Jul/20 WCO	(30,225)	(24,375)	
(125)	The Toronto-Dominion Bank Jul/55 WCO	(2,750)	(1,250)	
(93)	The Walt Disney Company Jul/115 WCO	(13,061)	(12,409)	
Total Written Call Options		(636,343)	(374,839)	(0.31)%
Written Put Options				
(120)	Alimentation Couche Jul/52 WPO	(12,060)	(5,400)	
(160)	Apple Inc. Jul/127 WPO	(23,034)	(57,462)	
(335)	ARC Resources Limited Jul/22 WPO	(15,578)	(29,313)	
(450)	Bank of America Corporation Jul/17 WPO	(15,610)	(19,640)	
(200)	Bank of America Corporation Jul/17.5 WPO	(6,411)	(16,461)	
(135)	Barrick Gold Corporation Jul/12 WPO	(14,956)	(23,568)	
(135)	Barrick Gold Corporation Jul/13 WPO	(28,250)	(40,571)	
(448)	Baytex Energy Limited Jul/21 WPO	(46,144)	(75,040)	
(725)	Baytex Energy Limited Jul/22 WPO	(100,050)	(186,688)	
(756)	Cardinal Energy Limited Jul/15 WPO	(52,704)	(58,590)	
(204)	Cenovus Energy Inc. Jul/21 WPO	(25,500)	(24,684)	
(43)	Cenovus Energy Inc. Jul/22 WPO	(8,772)	(8,923)	
(300)	CGI Group Inc. 'A' Jul/52 WPO	(62,400)	(105,000)	
(300)	Detour Gold Corporation Jul/13 WPO	(10,950)	(4,500)	
(162)	Ensign Energy Services Jul/11 WPO	(4,698)	(1,134)	

Front Street Hedge Fund

Schedule of Investment Portfolio

As at June 30, 2015 (unaudited)

Number of Shares/Units Par Value		Average Cost	Fair Value	% of net assets
		\$	\$	%
(140)	Facebook Inc. 'A' Jul/77.5 WPO	(15,549)	(2,444)	
(125)	Facebook Inc. 'A' Jul/82 WPO	(11,981)	(9,509)	
(174)	George Weston Limited Jul/98 WPO	(9,396)	(23,490)	
(216)	Goldcorp Inc. Jul/18 WPO	(37,490)	(50,369)	
(432)	Goldcorp Inc. Jul/19 WPO	(121,244)	(148,144)	
(50)	Google Inc. - Class C Jul/530 WPO	(47,653)	(101,631)	
(200)	Huntsman Corporation Jul/23 WPO	(23,799)	(24,940)	
(300)	Husky Energy Inc. Jul/24 WPO	(19,800)	(16,800)	
(95)	JPMorgan Chase & Company Jul/65 WPO	(6,549)	(6,516)	
(500)	Kelt Exploration Limited Jul/8 WPO	(12,000)	(5,750)	
(525)	Kelt Exploration Limited Jul/9 WPO	(20,475)	(31,500)	
(100)	NXP Semiconductors Jul/97.5 WPO	(10,425)	(29,305)	
(140)	Oracle Corporation Jul/42 WPO	(8,890)	(32,821)	
(500)	Painted Pony Petroleum Jul/8 WPO	(35,750)	(15,000)	
(216)	Paramount Resources Jul/32 WPO	(49,248)	(75,060)	
(270)	Precision Drilling Corporation Jul/8.5 WPO	(10,530)	(8,100)	
(590)	Raging River Exploration Jul/9 WPO	(23,260)	(23,600)	
(500)	RMP Energy Inc. Jul/3 WPO	(15,000)	(33,214)	
(500)	RMP Energy Inc. Jul/4 WPO	(62,000)	(82,949)	
(116)	Royal Bank of Canada Jul/78 WPO	(17,168)	(24,244)	
(100)	Salesforce.com Inc. Jul/70 WPO	(11,011)	(26,187)	
(250)	Secure Energy Services Jul/14 WPO	(11,000)	(31,875)	
(895)	Secure Energy Services Jul/15 WPO	(77,417)	(201,375)	
(250)	Secure Energy Services Jul/16 WPO	(39,500)	(80,625)	
(216)	Sun Life Financial Jul/42 WPO	(12,528)	(17,712)	
(400)	Tahoe Resources Inc. Jul/16 WPO	(19,600)	(41,000)	
(270)	Tahoe Resources Inc. Jul/17 WPO	(19,980)	(54,000)	
(270)	The Toronto-Dominion Bank Jul/54 WPO	(29,025)	(43,740)	
(540)	Torc Oil & Gas Limited Jul/10 WPO	(39,285)	(70,200)	
(966)	Whitecap Resources Jul/14 WPO	(59,779)	(91,770)	
(200)	Whitecap Resources Jul/15 WPO	(31,600)	(36,500)	
Total Written Put Options		(1,336,049)	(2,097,344)	(1.75)%
Total Options		(1,972,392)	(2,472,183)	(2.06)%
Transaction costs		(21,080)		
Total Investments Sold Short		(2,302,671)	(2,750,461)	(2.30)%
Total Investments, net long and short		99,194,322	110,410,603	92.25%
Other assets, less liabilities			9,270,871	7.75%
Total Net Assets		99,194,322	119,681,474	100.00%

Front Street Hedge Fund

Notes to the financial statements

June 30, 2015 (Unaudited)

1. Establishment of the investment fund and nature of operations

Front Street Hedge (the "Fund") is an investment fund created under the laws of the Province of Ontario pursuant to a Trust Agreement dated September 30, 2003 which was amended and restated on January 31, 2005, May 1, 2009, January 29, 2010 and as of December 1, 2013 (the "Trust Agreement"). The Fund was formerly known as Front Street Canadian Hedge. Valiant Trust Company (Canada), a trust company incorporated under the laws of Canada, which is authorized under the laws of the Province of Ontario to carry on the business of a trust company, is the trustee of the Fund (the "Trustee"). Front Street Capital, formed a Trust pursuant to a Trust Agreement dated as of October 1, 2001, is the manager of the Fund (the "Manager") pursuant to the Trust Agreement. The Fund is domiciled in Canada, and the address of its registered office is 33 Yonge Street, Suite 600, Toronto, Ontario, Canada, M5E 1G4.

The Fund's investment objective is to provide holders of units (the "Unitholders") with long term capital growth primarily through the selection and strategic trading of both long and short positions in equity, debt and derivative securities. The Fund's portfolio (the "Portfolio") will consist primarily of investments which generate capital gains, but will also include investments which generate income.

The beneficial interest in the Fund is divided into two series of Units (the "Fund Units"), designated as Series B Units (the "B Units"), formerly Series B2 Units and Series F Units (the "F Units").

The Fund is not a reporting issuer or equivalent for securities law purposes. As a result, the protections provided to investors in mutual funds that are reporting issuers or equivalent under such laws are not available to investors in the Fund.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using IAS 34 Interim Financial Reporting (IAS 34). In preparing the financial statements, management may make estimates and assumptions that affect the reported amounts of investments, derivatives, assets, liabilities, investment income and expenses reported during the periods. Actual results could differ from these estimates.

These financial statements were authorized for issue by the Manager on August 19, 2015.

Financial instruments

The Fund's financial instruments may include cash and cash equivalents, investments, derivative assets, investment income receivable, trade receivables, subscriptions receivable, derivative liabilities, trade payables, redemptions payable, other accrued liabilities and net assets attributable to holders of redeemable units. The Fund's derivative assets and derivative liabilities are classified as Held For Trading and are measured at fair value. The Trust's portfolio of investments are designated as fair value through profit or loss ("FVTPL"). The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial instruments are measured at amortized cost.

Front Street Hedge Fund

Notes to the financial statements

June 30, 2015 (Unaudited)

2. Summary of significant accounting policies (continued)

Recognition, derecognition and measurement

Regular way purchases and sales of investments are recognized on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value. Transaction costs and brokerage commissions are expensed as incurred and presented in the statement of comprehensive income.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

When the Fund purchases an option or warrant, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. When options and warrants are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a realized gain or loss and is presented in the statement of comprehensive income within net realized gains (losses) on financial assets at fair value through profit or loss.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Net changes in unrealized gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the statement of comprehensive income within the net change in unrealized appreciation (depreciation) on investments.

Cash and cash equivalents

Cash and cash equivalents is comprised of deposits with financial institutions and short-term investments.

Valuation of investments and derivatives

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The price used to measure the fair value shall not be adjusted for transaction costs.

The fair value of the Fund's investments (securities and derivatives) as at the financial reporting date is determined as follows:

- a) Investments that are traded in active markets such as public stock exchanges, over-the-counter markets are valued at the quoted closing price as at the reporting date as where the last traded price falls within that day's bid-ask spread. If the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value in the circumstances.
- b) Investments that are not traded in active markets are valued based on valuation techniques approved by the Manager that are appropriate in the circumstances using observable and/or unobservable market inputs. Wherever possible, the use of relevant observable inputs are maximised and unobservable inputs are minimised.

The valuation techniques include using recent arm's length market transactions, if available, or current value of another investment that is substantially the same, discounted cash flow analysis, earnings multiples of comparable companies and broker quotes.

- c) Foreign exchange forward contracts are valued based on the difference between the contract forward rate and the forward bid rate (for currency held long) and the forward ask rate (for currency sold short).

Front Street Hedge Fund

Notes to the financial statements

June 30, 2015 (Unaudited)

2. Summary of significant accounting policies (continued)

Impairment of financial assets

At the end of each reporting year, the Fund reviews its financial assets that are carried at amortized cost for any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured and recognized as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed.

Cost of investments

The cost of investments represents the amount paid for each security, and is determined on an average cost basis excluding transaction costs. On the schedule of investment portfolio, transaction costs have been deducted in aggregate from the total cost of individual investments which include transaction costs. The premium received on a written put option is added to the cost of investments acquired when the written put option is exercised.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Fund currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Payable for investments purchased/Receivable for investments sold

Amounts receivable for investments sold and amounts payable for investments purchased that have been contracted are recorded on the statement of financial position at the amount to be received or delivered.

Other financial assets and liabilities

In accordance with IAS 39, Financial Instruments: Recognition and Measurements ("IAS 39"), all other assets and liabilities are classified as loans and receivables. The carrying value of current assets and liabilities approximates fair value due to their short-term nature.

Transaction costs

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs. Transaction costs are expensed and included in "Transaction costs" in the statement of comprehensive income.

Investment transactions and income

Investment transactions are accounted for on the trade date. Interest for distribution purposes is accrued on a daily basis based on the debt instruments' stated coupon rate of interest. Dividend is recognized on ex-dividend date and withholding tax is disclosed separately. Distributions from other investment funds are recognized on distribution date. Security lending income and expenses are recorded on an accrual basis. Realized gain and loss from investment transactions are calculated on an average cost basis.

Front Street Hedge Fund

Notes to the financial statements

June 30, 2015 (Unaudited)

2. Summary of significant accounting policies (continued)

Foreign currency translation

The Fund's functional and presentation currency is Canadian dollars. This is the currency the Fund uses to transact subscriptions and redemptions of its redeemable units.

The fair value of investments and derivatives, other assets and liabilities denominated in foreign currencies are translated at the exchange rate between the functional currency and the foreign currency at each of the valuation date. Foreign currency transactions, including purchase and sales of investments, investment income and expenses are translated at the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Realized and unrealized exchange gains and losses on foreign currency cash and cash equivalent and other assets and liabilities are presented as "Foreign currency gain (loss) on cash and cash equivalent and other net assets". Realized and unrealized exchange gains and losses on investments and derivatives are presented separately in the statement of comprehensive income.

Redeemable units and net assets attributable to holders of redeemable units

The Fund issues multiple classes of redeemable units, which are redeemable at the holder's option and do not have identical rights. Such units are classified as financial liabilities and can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value ("NAV") attributable to the unit class. The Fund's NAV per unit is calculated by dividing the net assets attributable to the holders of each class of redeemable units with the total number of outstanding redeemable units for each respective class.

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the period.

Future accounting standards

IFRS 9 Financial Instruments is the first of a multi-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. It addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new hedge accounting model. IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications – those measured at amortized cost and those measured at fair value. Classification is made at the time the financial asset is initially recognized when the entity becomes a party to the contractual provisions of the instrument. The new standard requires modified disclosures on transition.

Most of the requirements in IAS 39 for the classification and measurement of financial liabilities have been carried forward unchanged to IFRS 9. Where an entity chooses to measure its own debt at fair value, IFRS 9 now requires the amount of the change in fair value due to changes in the issuing entity's own credit risk to be presented in other comprehensive income. An exception to the new approach is made where the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are to be presented in profit or loss. IFRS 9 is effective January 1, 2018.

The new hedge accounting model enables companies to better reflect their risk management activities in the consolidated financial statements. The model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures.

Front Street Hedge Fund

Notes to the financial statements

June 30, 2015 (Unaudited)

3. Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing these financial statements. Actual results may differ from these estimates.

The fair value of such securities not quoted in an active market may be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. The Fund would exercise judgments and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Judgment was exercised in the decision to present redeemable units as financial liabilities.

4. Expenses

The Manager has the power to incur and make payment out of the Fund property any charges or expenses which, in the opinion of the Manager, are necessary or incidental to, or proper for, carrying out any of the purposes of the Trust Agreement, including without limitation all fees and expenses relating to the management and administration of the Fund. The Fund is responsible for any income or excise taxes and brokerage commissions on portfolio transactions.

Management fees

Management fees equal to one-twelfth of 2.0% of the Series Net Asset Value in respect of the B units and one-twelfth of 1% of the Series Net Asset Value in respect of the F units, based on the weekly net asset value calculations during each month plus applicable taxes and related expenses, are payable within ten business days after the end of each month. Management fees are payable to the Manager.

Performance fee

The performance fee per unit of the B units or F units is paid to the Manager based on the Trust's annual performance. The performance fee is calculated and accrued monthly as 20% of the Fund performance in excess of the minimum performance specifically defined in the Trust Agreement, plus applicable taxes. As of June 30, 2015 the performance fees payable to the Manager is \$2,076,900 (December 31, 2014 - \$nil).

Front Street Hedge Fund

Notes to the financial statements

June 30, 2015 (Unaudited)

5. Units of the trust

Authorized

The Fund is authorized to issue an unlimited number of redeemable units of beneficial interest, each of which represents an equal, undivided interest in the net assets of the Trust. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Trust. The redemption price per unit will be equal to the net asset value per unit calculated on the redemption date.

Units of the Fund surrendered for redemption at least 30 days prior to the last business day of each quarter (a "Valuation Date") will be redeemed at a redemption price equal to the net asset value per unit on such valuation date. Redemption of units prior to the first anniversary of the purchase of such units will be subject to an early redemption fee equal to 1% of the Net Asset value of the units so redeemed.

	June 30, 2015	
	Series B	Series F
Balance, beginning of period	6,027,422	490,360
Subscriptions	-	9,252
Redeemed	(243,805)	(225,139)
Balance, end of period	5,783,617	274,473

	December 31, 2014	
	Series B	Series F
Balance, beginning of period	6,450,687	610,431
Subscriptions	-	30,783
Redeemed	(423,265)	(150,854)
Balance, end of period	6,027,422	490,360

Capital disclosure

The capital of the Fund is represented by issued and redeemable units. The units are entitled to distributions, if any, and to payment of a proportionate share based on the Trust's Net Asset Value per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown on the statement of changes in net assets. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 6, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

6. Financial instruments

Management of financial instrument risks

In the normal course of business, the Fund is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The value of investments within the Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, market and company news related to specific securities within the Fund. The level of risk depends on the Fund's investment objectives and the type of securities it invests in.

The investment objective of the Fund is to provide high long-term total investment returns with relatively moderate risk, through a combination of long-term capital growth and current income. The Fund invests primarily in common shares and Fund units of Canadian and U.S. companies.

Front Street Hedge Fund

Notes to the financial statements

June 30, 2015 (Unaudited)

6. Financial instruments (continued)

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

Where the Fund invests in debt instruments and derivatives, this represents the main concentration of credit risk. The fair value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the Trust.

All transactions executed by the Fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

As at June 30, 2015, the Fund had 2.0% (December 31, 2014 – 1.8%) of investments in debt instruments on which credit ratings are not available.

Liquidity risk

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligation on time or at a reasonable price.

The Fund's exposure to liquidity risk is concentrated in the periodic cash redemptions of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed of. In addition, the Fund generally retains sufficient cash and cash equivalent positions to maintain liquidity.

The Fund may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives. Liabilities are generally settled within 90 days.

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

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Interest rate risk arises when the Fund invests in interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates.

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 June 30, 2015, there were 2.0% (December 31, 2014 – 1.8%) of investments owned which are held in bonds. The remaining portion of the Fund's assets are substantially non-interest bearing equity investments and the exposure to interest rate changes is minimal.

Front Street Hedge Fund

Notes to the financial statements

June 30, 2015 (Unaudited)

6. Financial instruments (continued)

Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

All investments represent a risk of loss of capital. The Manager of the Fund aims to moderate this risk through a careful selection and diversification of securities and other financial instruments in accordance with the Fund's investment objectives and strategy. Except for written options and securities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from written options and securities sold short can be unlimited. The Fund's overall market positions are monitored on a regular basis by the Manager. Financial instruments held by the Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at June 30, 2015, 87.2% (December 31, 2014 – 86.2%) of the Fund's net assets were invested in securities traded on North American stock exchanges. If security prices on the North American stock exchanges had increased or decreased by 10% as at the period end, with all other factors remaining constant, net assets could possibly have increased or decreased by approximately \$10.4 million (December 31, 2014 - \$10.5 million) respectively. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Fund. The Fund may enter into foreign exchange forward contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

The Fund holds assets denominated in currencies other than Canadian Dollars which is the functional currency. The Fund is therefore exposed to currency risk, as the value of the securities denominated in other currencies fluctuates due to change in exchange rates.

The tables below summarize the Fund's exposure to currency risk due to concentration of assets in foreign currencies for the period ended June 30, 2015 and December 31, 2014:

June 30, 2015

Currency	Portfolio Holdings	Cash	Foreign exchange forward contracts	Net exposure	% of Net Assets
	\$	\$	\$	\$	
United States Dollar	42,036,991	288,440	-	42,325,431	35.37%
Total	42,036,991	288,440	-	42,325,431	35.37%

Front Street Hedge Fund

Notes to the financial statements

June 30, 2015 (Unaudited)

6. Financial instruments (continued)

Currency risk (continued)

December 31, 2014

Currency	Portfolio Holdings	Cash	Foreign exchange forward contracts	Net exposure	% of Net Assets
	\$	\$	\$	\$	
United States Dollar	40,795,995	9,296,725	-	50,092,720	41.14%
Total	40,795,995	9,286,725	-	50,092,720	41.14%

The amounts in the above table are based on the fair value of the Fund's financial instruments (including cash and cash equivalents). Other financial assets (including dividends and interest receivable, receivable for equities sold, and subscription receivable) and financial liabilities (including payables for equities purchased) that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at June 30, 2015, if the Canadian dollar had strengthened or weakened by 5 percent in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$2,015,497 (December 31, 2014 - \$2,385,368). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Front Street Hedge Fund

Notes to the financial statements

June 30, 2015 (Unaudited)

7. Classification of financial instruments - fair value measurements

The following tables summarize the levels within the fair value hierarchy in which the fair value measurements of the Fund's investments fall as of June 30, 2015 and December 31, 2014:

June 30, 2015				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Equities – long	107,013,703	1,477,933	2,278,559	110,770,195
Bonds – long	-	858,869	1,532,000	2,390,869
	<u>107,013,703</u>	<u>2,336,802</u>	<u>3,810,559</u>	<u>113,161,064</u>
Liabilities				
Equities - short	(278,278)	-	-	(278,278)
Options - short	(2,356,020)	(116,163)	-	(2,472,183)
	<u>(2,634,298)</u>	<u>(116,163)</u>	<u>-</u>	<u>(2,750,461)</u>
December 2014				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Equities - long	106,488,275	856,225	3,068,980	110,413,480
Bonds – long	-	730,075	1,260,000	1,990,075
	<u>106,488,275</u>	<u>1,586,300</u>	<u>4,328,980</u>	<u>112,403,555</u>
Liabilities				
Equities - short	(166,544)	(32,263)	-	(198,807)
Options - short	(1,364,724)	-	-	(1,364,724)
	<u>(1,531,268)</u>	<u>(32,263)</u>	<u>-</u>	<u>(1,563,531)</u>

Front Street Hedge Fund

Notes to the financial statements

June 30, 2015 (Unaudited)

7. Classification of financial instruments - fair value measurements (continued)

The changes in investments measured at fair value using significant level 3 inputs are reflected below for the period ended June 30, 2015 and December 31, 2014:

June 30, 2015

	Beginning balance January 1, 2015 (FV)	Net purchases and sales	Net transfers in (out)	Realized gains and losses, net	Change in unrealized gains and	Ending balance June 30, 2015 (FV)
	\$			\$	\$	\$
Assets						
Equities	3,068,980	(424,941)	(1,013,076)	708,822	(61,226)	2,278,559
Bonds	1,260,000	972,000	-	-	(700,000)	1,532,000
	<u>4,328,980</u>	<u>547,059</u>	<u>(1,013,076)</u>	<u>708,822</u>	<u>(761,226)</u>	<u>3,810,559</u>

During the period ended June 30, 2015, there were transfers between Level 3 and Level 1, as certain Securities became a listed company. There were no significant transfer between Level 1 and level 2

December 31, 2014

	Beginning balance January 1, 2014 (FV)	Net purchases and sales	Net transfers in (out)	Realized gains and losses, net	Change in unrealized gains and	Ending balance December 31, 2014 (FV)
	\$			\$	\$	\$
Assets						
Equities	2,781,503	1,570,285	(462,763)	(2,944,652)	2,124,607	3,068,980
Bonds	2,901,560	(1,054,082)	-	(617,998)	30,520	1,260,000
	<u>5,683,063</u>	<u>516,203</u>	<u>(462,763)</u>	<u>(3,562,650)</u>	<u>2,155,127</u>	<u>4,328,980</u>

During the period ended December 31, 2014, there were transfers between level 3 and level 1, as certain Securities became a listed company. There were no significant transfer between level 1 and level 2

The significant unobservable inputs and valuation techniques used to determine the fair value measurement categorized in level 3 are indicated below:

	Valuation Technique	Significant Unobservable Inputs	June 30, 2015
Equities			
	Grey Market trades	Trade details	82,914
	Private company book value	Financial statements of private company	2,135,757
	Comparable company multiples	Financial statements of comparable company	59,888
Total			<u>2,278,559</u>
Bonds			
	Discounted cash flow	Discount rate	1,532,000
Total			<u>1,532,000</u>

Front Street Hedge Fund

Notes to the financial statements

June 30, 2015 (Unaudited)

7. Classification of financial instruments - fair value measurements (continued)

	Valuation Technique	Significant Unobservable Inputs	December 31, 2014
Equities			
	Grey Market trades	Trade details	255,120
	Private company book value	Financial statements of private company	484,737
	Comparable company multiples	Financial statements of comparable company	2,329,123
Total			3,068,980
Bonds			
	Discounted cash flow	Discount rate	1,260,000
Total			1,260,000

8. Income taxes

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) (the "Tax Act"), and accordingly, is not subject to tax on its net taxable income for the tax year which ends in December, including net realized capital gains, which is paid or payable to its unitholders as at the end of the tax year. However, such part of the Fund's net income and net realized capital gains as is not so paid or payable, is subject to income tax. It is the intention of the Fund to distribute all of its income and sufficient net realized capital gains so that the Fund will not be subject to income tax. The Fund may be subject to alternative minimum tax, potentially recoverable.

The Fund has \$9,878,659 in non-capital losses available to be applied against taxable income of future years which will expire as follows:

	\$
2028	1,582,276
2030	7,099,485
2032	1,196,898
	<hr/> 9,878,659

The Fund has \$3,077,744 in net capital losses available to be applied against capital gains of future years. These losses do not expire.

9. Filing exemption

The Fund is relying on the exemption pursuant to Section 2.11 of National Instrument 81-106, to not file its financial statements with the Ontario Securities Commission.



FRONT STREET CAPITAL

33 Yonge Street, Suite 600
Toronto, ON M5E 1G4

Tel.: 1 (800) 513-2832

or (416) 364-1990

Fax: (416) 364-8893

www.FrontStreetCapital.com