



FRONT STREET HEDGE FUND

**UNAUDITED INTERIM FINANCIAL
STATEMENTS**

JUNE 30, 2016

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 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, 2016 (UNAUDITED) AND DECEMBER 31, 2015 (AUDITED)

	June 30, 2016	December 31, 2015
	\$	\$
Assets		
Financial assets at fair value through profit or loss*	80,109,546	110,783,956
Cash and cash equivalents	49,353,301	6,273,512
Subscriptions receivable	833,499	-
Receivable for investments sold	1,701,221	-
Interest and other receivable	23,124	-
Dividends receivable	115,957	77,956
Total assets	132,136,648	117,135,424
Liabilities		
Financial liabilities at fair value through profit or loss*	10,475,221	3,181,388
Redemptions payable	841,150	118,037
Management fees payable	192,200	181,546
Accrued expenses	111,575	184,164
Payable for investments purchased	13,791,744	-
Dividends payable	39,191	10,176
Unrealized loss on open foreign exchange forward contracts	-	294,318
Total liabilities	25,451,081	3,969,629
Net assets attributable to unitholders of redeemable units	106,685,567	113,165,795
Net assets attributable to unitholders of redeemable units		
	\$	\$
Class B	100,634,717	106,976,323
Class F	6,050,850	6,189,472
Number of units outstanding (Note 5)		
Class B	5,572,469	5,706,746
Class F	280,661	278,427
Net assets attributable to unitholders of redeemable units per units		
	\$	\$
Class B	18.06	18.75
Class F	21.56	22.23

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

Approved on behalf of the Trust,



Nevin Markwart, Chief Executive Officer

The accompanying notes form an integral part of the financial statements

FRONT STREET HEDGE FUND

STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIODS ENDED JUNE 30, 2016 and 2015

	2016	2015
	\$	\$
Investment Income		
Interest for distribution purposes and other	163,669	37,202
Dividends	595,647	704,787
Securities lending income	-	14,122
Foreign currency gain (loss) on cash and other net assets	(405,260)	1,096,652
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	4,856,379	8,098,560
Net realized gain (loss) on foreign exchange forward contracts	(1,022,411)	(3,099)
Change in unrealized appreciation (depreciation) on investments and derivatives	(5,843,854)	2,067,005
	(1,655,830)	12,015,229
Expenses		
Management fees (note 4)	1,155,217	1,293,479
Transaction costs	1,134,636	697,857
Operating costs	83,889	392,510
Dividend expense	78,845	18,646
Audit fees	24,932	21,324
Withholding tax	10,925	26,253
Trustee fees	3,989	6,348
Legal fees	2,494	6,196
Performance fees (note 4)	-	2,076,900
Total expenses	2,494,927	4,539,513
Increase in net assets attributable to unitholders of redeemable units	(4,150,757)	7,475,716
Increase in net assets attributable to unitholders of redeemable units		
Class B	(3,961,386)	6,867,794
Class F	(189,371)	607,922
Increase in net assets attributable to unitholders of redeemable units per unit		
Class B	(0.70)	1.16
Class F	(0.69)	1.61

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FRONT STREET HEDGE FUND

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF REDEEMABLE UNITS (UNAUDITED) FOR THE PERIODS ENDED JUNE 30, 2016 and 2015

	2016	2015
	\$	\$
Net assets attributable to unitholders of redeemable units beginning of period		
Class B	106,976,323	111,106,582
Class F	6,189,472	10,656,088
	113,165,795	121,762,670
Increase in net assets attributable to unitholders of redeemable units		
Class B	(3,961,386)	6,867,794
Class F	(189,371)	607,922
	(4,150,757)	7,475,716
Redeemable unit transactions		
Proceeds from units issued		
Class B	612,206	-
Class F	221,293	213,946
	833,499	213,946
Redemption of redeemable units		
Class B	(2,992,426)	(4,659,351)
Class F	(170,544)	(5,111,507)
	(3,162,970)	(9,770,858)
Net increase (decrease) from redeemable unit transactions	(2,329,471)	(9,556,912)
Net increase (decrease) in net assets attributable to unitholders of redeemable units	(6,480,228)	(2,081,196)
Net assets attributable to unitholders of redeemable units end of period		
Class B	100,634,717	113,315,025
Class F	6,050,850	6,366,449
	106,685,567	119,681,474

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FRONT STREET HEDGE FUND

STATEMENTS OF CASH FLOWS (UNAUDITED) FOR THE PERIODS ENDED JUNE 30, 2016 and 2015

	2016	2015
	\$	\$
Cash flows from operating activities		
Increase/(decrease) in net assets attributable to unitholders of redeemable units	(4,150,757)	7,475,716
Adjustments for:		
Net realized (gain) loss on investments	(4,856,379)	(8,098,560)
Net realized loss on foreign exchange forward contracts	1,022,411	3,099
Change in unrealized (appreciation) depreciation on investments and derivatives	5,843,854	(2,067,005)
Foreign currency (gain) loss on cash and other net assets	405,260	(1,096,652)
(Increase) decrease in interest and other receivable	(23,124)	130,073
(Increase) decrease in dividends receivable	(38,001)	(29,325)
Increase (decrease) in dividends payable	29,015	(2,145)
Increase (decrease) in other payable and accrued liabilities	(61,935)	2,042,831
Purchase of Investments	(151,561,432)	(144,499,238)
Proceeds from sales of Investments	200,338,405	152,423,954
Proceeds from/(to) settlement of foreign exchange forward contracts and futures	(1,022,411)	(3,099)
Net cash generated (used) by operating activities	45,924,906	6,279,649
Cash flows from financing activities		
Proceeds from redeemable units issued	-	708,791
Amount paid on redemption of redeemable units	(2,439,857)	(10,414,718)
Net cash generated (used) by financing activities	(2,439,857)	(9,705,927)
Foreign currency gain (loss) on cash and other net assets	(405,260)	1,096,652
Net increase (decrease) in cash and cash equivalents	43,485,049	(3,426,278)
Cash and cash equivalents beginning of period	6,273,512	11,370,422
Cash and cash equivalents end of period	49,353,301	9,040,796
Cash and cash equivalents comprise:		
Cash at bank	49,353,301	9,040,796
	49,353,301	9,040,796
Interest received, net of withholding tax	140,545	167,275
Dividends received, net of withholding tax	546,721	649,209
Dividends paid	49,830	(20,791)

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FRONT STREET HEDGE FUND
SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)
AS AT JUNE 30, 2016

	Number of Shares/Units/ Par Value	Average Cost \$	Fair Value \$
Long Positions (75.1%)			
Equities			
Consumer Discretionary (2.3%)			
DHX Media Ltd., 'B'	17,000	\$ 127,500	\$ 112,200
GeoMonkey Inc., Private Placement	500,000	247,439	-
Kew Media Group Inc.	50,000	500,000	501,250
MTI LP	318,900	32	-
Netflix Inc.	4,500	531,623	531,844
Qyou Media Inc. (Restricted)	324,000	162,000	162,000
Qyou Media Inc., Warrants January 09, 2018	324,000	-	-
Qyou Media Inc., Warrants January 15, 2018	162,000	-	-
Sleep Country Canada Holdings Inc.	23,000	477,902	547,860
The ONE Group Hospitality	162,000	871,338	546,263
The ONE Group Hospitality Inc., Warrants March 10, 2016	112,000	-	651
		<u>\$ 2,917,834</u>	<u>\$ 2,402,068</u>
Consumer Staples (3.6%)			
Alimentation Couche-Tard Inc., 'B'	45,000	\$ 2,059,297	\$ 2,496,600
Premium Brands Holdings Corporation	24,400	1,317,243	1,327,360
		<u>\$ 3,376,540</u>	<u>\$ 3,823,960</u>
Energy (19.2%)			
Advantage Oil and Gas Limited	206,700	\$ 1,404,298	\$ 1,492,374
ARC Resources Limited	11,800	242,605	260,898
Canadian Natural Resources Limited	62,500	2,282,065	2,491,250
Canyon Services Group Inc.	123,300	687,975	696,645
Cardinal Energy Ltd.	8,200	79,828	81,754
Crescent Point Energy Corporation	51,100	1,037,581	1,042,951
Crew Energy Inc.	252,000	1,090,236	1,464,120
Enbridge Income Fund Holdings Inc.	28,200	800,673	904,092
Husky Energy Inc.	26,500	401,289	417,905
Kelt Exploration Limited	30,000	135,587	141,900
Paramount Resources Limited	40,400	376,976	433,088
Parex Resources Inc.	19,500	245,406	243,945
Petrowest Corporation, 'A'	418,900	160,378	201,072
Peyto Exploration & Development Corporation	2,500	85,040	86,700
PHX Energy Services Corporation	41,000	110,700	110,290
Raging River Exploration Inc.	150,000	1,397,805	1,542,000
Secure Energy Services Inc.	126,200	982,753	1,114,346
Suncor Energy Inc.	58,900	2,046,420	2,110,976
Suncor Energy Inc.	1,000	35,514	35,826
Tamarack Valley Energy Limited	169,200	545,576	620,964
TORC Oil & Gas Limited	115,000	951,407	943,000
TransCanada Corporation	3,300	185,035	192,918
TransCanada Corporation Subscription Receipts	40,800	1,866,600	2,385,168
Whitecap Resources Inc.	152,700	1,352,257	1,508,676
		<u>\$ 18,504,004</u>	<u>\$ 20,522,858</u>

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FRONT STREET HEDGE FUND
SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)
AS AT JUNE 30, 2016

	Number of Shares/Units/ Par Value	Average Cost \$	Fair Value \$
Financials (11.6%)			
Altus Group Limited	80,300	\$ 1,513,655	\$ 1,788,281
The Bank of Nova Scotia	33,000	2,127,789	2,089,230
Canadian Western Bank	27,000	661,500	665,550
Committed Capital Acquisition Corp II	40,800	258,774	213,482
Committed Capital Acquisition Corp II, Warrants April 19, 2019	85,800	-	1,219
Dundee Acquisition Limited	107,600	1,075,305	1,092,140
Dundee Acquisition Limited, Warrants April 14, 2020	54,000	-	13,500
National Bank of Canada	22,500	998,939	994,275
Royal Bank of Canada	24,000	1,854,122	1,832,160
Sun Life Financial Inc.	47,500	1,904,243	2,015,900
Toronto-Dominion Bank	30,000	1,675,896	1,664,400
		<u>\$ 12,070,223</u>	<u>\$ 12,370,137</u>
Health Care (2.1%)			
Aphria Inc.	80,400	\$ 104,872	\$ 127,836
Aphria Inc., Warrants December 2, 2019	84,450	-	63,338
Concordia International Corp.	2,800	85,471	77,924
HLS Therapeutics Inc.	63,800	717,982	659,411
HLS Therapeutics Inc., Warrants August 11, 2020	3,146	-	-
Nobilis Health Corporation	7,500	29,536	21,375
Nobilis Health Corporation, Warrants May 13, 2017	900	-	117
Savaria Corporation	144,756	651,578	1,200,027
Savaria Corporation, Warrants April 15, 2017	26,500	1	107,060
Theratechnologies Inc., Warrants August 6, 2017	10,250	-	7,739
		<u>\$ 1,589,440</u>	<u>\$ 2,264,827</u>
Industrials (2.1%)			
Carmanah Technologies Corporation	100,000	\$ 515,796	\$ 399,000
Hardwoods Distribution Inc - Sub Receipts	100,000	1,450,000	1,450,000
SNC-Lavalin Group Inc.	4,800	248,836	260,448
Trilliant Energy Services Inc.	2,191,988	1,925,881	21,920
Walker Innovation Inc.	36,600	94,548	24,931
Walker Innovation Inc., Private Placement	100,000	331,711	68,118
Walker Innovation Inc., Warrants September 18, 2016	25,000	-	-
		<u>\$ 4,566,772</u>	<u>\$ 2,224,417</u>
Information Technology (10.1%)			
CGI Group Inc., 'A'	55,000	\$ 3,037,561	\$ 3,035,450
CounterPath Corporation	91,000	229,320	282,100
DealNet Capital Corporation, Warrants February 18, 2017	150,000	-	16,500
Embotics Corporation	76,718	821,227	767
Embotics Corporation, 'A' Preferred	92,740	267,558	928
eStation Network Services Inc.	1,180,531	-	5,903
iON Worldwide LLC	160,000	196,952	206,712
Kinaxis Inc.	20,000	263,407	1,037,600
NXP Semiconductors NV	12,500	1,269,607	1,265,142

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FRONT STREET HEDGE FUND
SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)
AS AT JUNE 30, 2016

	Number of Shares/Units/ Par Value	Average Cost \$	Fair Value \$
Pure Technologies Limited	164,100	489,528	966,549
QHR Corporation	380,989	230,243	739,119
Shopify Inc., 'A'	4,000	135,148	158,961
Sphere 3D Corporation	5,400	9,515	5,491
The Descartes Systems Group Inc.	104,505	713,435	2,582,319
TIO Networks Corporation	100,000	116,330	226,000
VersaPay Corporation	170,746	218,015	179,283
VersaPay Corporation., Warrants May 7, 2017	55,000	-	11,550
		\$ 7,997,846	\$ 10,720,374
Materials (17.1%)			
Barrick Gold Corporation	140,700	\$ 3,350,771	\$ 3,880,615
Canam Group Inc.	65,000	821,215	846,950
Detour Gold Corporation	20,000	548,577	646,400
Eldorado Gold Corporation	100,000	590,988	581,000
Endeavour Mining Corporation	33,300	666,000	730,269
Goldcorp Inc.	95,700	2,273,602	2,365,367
GoviEx Uranium Inc., Special Warrants	443,294	869,699	42,113
Interfor Corporation	90,000	1,074,640	996,300
Intertape Polymer Group Inc.	42,600	541,836	898,008
Kirkland Lake Gold Inc.	20,000	148,575	212,800
Lundin Mining Corporation	56,400	244,212	245,904
Methanex Corporation	80,000	3,293,575	3,007,200
New Gold Inc.	19,900	109,811	112,435
Primero Mining Corporation	216,000	486,000	581,040
Primero Mining Corporation, Warrants June 24, 2018	108,000	21,600	64,800
SEMAFO Inc.	100,000	575,398	620,000
Tahoe Resources Inc.	115,000	1,774,018	2,225,250
Teck Resources Limited, 'B'	7,500	84,936	127,575
Tolima Gold Inc., Warrants December 5, 2016	280,000	-	-
Yamana Gold Inc.	9,100	34,147	61,135
		\$ 17,509,600	\$ 18,245,161
Utilities (1.8%)			
Brookfield Infrastructure Partners L.P.	12,900	\$ 711,246	\$ 754,005
Crius Energy Trust	139,300	953,000	1,167,334
		\$ 1,664,246	\$ 1,921,339
Total Equities - Long			
		\$ 70,196,505	\$ 74,495,141
Corporate Bonds (5.2%)			
Cooltech Corporation due May 19, 2017	120,000	\$ 156,330	\$ 155,033
Element Financial Corporation Convertible Debentures 5.125% June 30, 2019	470,000	470,000	506,424
Estrella International Energy Services Limited December 31, 2017	1,067,464	1,067,464	426,986
Gran Colombia Gold Corporation Conv. August 11, 2018	1,638,491	2,193,196	1,185,435
Gran Tierra Energy Inc. 5.000% April 1, 2021 Convertible	1,000,000	1,315,950	1,616,552
HLS Therapeutics Term Loan August 11, 2021	500,000	652,878	645,975
Kelt Exploration Ltd. 5.000% May 31, 2021	1,000,000	1,000,000	1,055,000
		\$ 6,855,818	\$ 5,591,405

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FRONT STREET HEDGE FUND
SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)
AS AT JUNE 30, 2016

	Number of Shares/Units/ Par Value	Average Cost \$	Fair Value \$
Purchased Call Options (0.0%)			
Paramount Resources Limited Jul/9	100	\$ 5,200	\$ 18,000
Potash Corp of Saskatchewan Inc. Jul/24	500	42,000	5,000
Total Options (0.0%)		<u>\$ 47,200</u>	<u>\$ 23,000</u>
Total Long Positions (75.1%)		<u>\$ 77,099,523</u>	<u>\$ 80,109,546</u>
Short Positions (-9.8%)			
Equities			
Energy (-2.2%)			
ARC Resources Limited	(11,800)	\$ (239,259)	\$ (260,898)
Gran Tierra Energy Inc.	(70,000)	(293,832)	(303,800)
Paramount Resources Limited	(17,700)	(158,629)	(189,744)
Peyto Exploration & Development Corporation	(2,500)	(82,475)	(86,700)
Raging River Exploration Inc.	(10,000)	(94,510)	(102,800)
TransCanada Corporation	(23,300)	(1,187,207)	(1,362,118)
		<u>\$ (2,055,912)</u>	<u>\$ (2,306,060)</u>
Financials (-2.5%)			
Canadian Western Bank	(27,000)	\$ (672,664)	\$ (665,550)
National Bank of Canada	(42,500)	(1,770,361)	(1,878,075)
The Bank of Nova Scotia	(2,400)	(149,147)	(151,944)
		<u>\$ (2,592,172)</u>	<u>\$ (2,695,569)</u>
Health Care (-0.2%)			
Concordia International Corp.	(8,000)	\$ (240,117)	\$ (222,640)
Industrials (-0.2%)			
Lumenpulse Inc.	(11,000)	\$ (177,857)	\$ (177,980)
Information Technology (-1.2%)			
NXP Semiconductors NV	(12,500)	\$ (1,267,787)	\$ (1,265,142)
Sierra Wireless Inc.	(1,400)	(71,227)	(30,676)
Sphere 3D Corporation	(5,400)	(36,132)	(5,491)
		<u>\$ (1,375,146)</u>	<u>\$ (1,301,309)</u>
Materials (-2.4%)			
Barrick Gold Corporation	(24,700)	\$ (562,224)	\$ (681,304)
Endeavour Mining Corporation	(33,300)	(690,675)	(730,269)
Goldcorp Inc.	(18,200)	(407,561)	(449,854)
GoviEx Uranium Inc.	(156,842)	(12,351)	(14,900)
Kirkland Lake Gold Inc.	(20,000)	(157,536)	(212,800)
New Gold Inc.	(55,000)	(279,897)	(310,750)
Teck Resources Limited	(7,500)	(76,720)	(127,612)
Yamana Gold Inc.	(9,100)	(34,831)	(61,135)
		<u>\$ (2,221,795)</u>	<u>\$ (2,588,624)</u>
Total Equities - Short		<u>\$ (8,662,999)</u>	<u>\$ (9,292,182)</u>

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FRONT STREET HEDGE FUND
SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)
AS AT JUNE 30, 2016

	Number of Shares/Units/ Par Value	Average Cost \$	Fair Value \$
Written Call Options (-0.5%)			
Alimentation Couche-Tard Inc. Aug/56	(150)	\$ (19,800)	\$ (24,000)
Alimentation Couche-Tard Inc. Jul/54	(150)	(9,825)	(28,500)
Alimentation Couche-Tard Inc. Jul/58	(300)	(16,650)	(6,750)
Barrick Gold Corporation Aug/27	(220)	(29,260)	(52,800)
Barrick Gold Corporation Jul/22	(150)	(18,468)	(10,659)
Barrick Gold Corporation Jul/27	(125)	(13,375)	(17,750)
Barrick Gold Corporation Jul/28	(320)	(47,040)	(29,760)
The Bank of Nova Scotia Jul/65	(165)	(6,600)	(5,775)
Canadian Natural Resources Ltd. Jul/40	(285)	(16,530)	(21,660)
Cenovus Energy Inc. Jul/21	(150)	(9,300)	(675)
CGI Group Inc. Jul/56	(128)	(6,528)	(8,576)
CGI Group Inc. Jul/60	(128)	(3,584)	(1,152)
Crescent Point Energy Corporation Jul/23	(160)	(12,480)	(880)
Detour Gold Corporation Jul/32	(200)	(36,200)	(30,200)
Goldcorp Inc. Aug/20	(250)	(18,607)	(31,976)
Goldcorp Inc. Jul/19	(240)	(26,162)	(22,015)
Husky Energy Inc. Jul/15	(150)	(9,000)	(14,250)
Intertape Polymer Group Inc. Jul/20	(210)	(9,030)	(22,575)
Methanex Corporation Jul/42	(90)	(8,370)	(1,350)
Methanex Corporation Jul/44	(125)	(20,875)	(1,063)
Premium Brands Holdings Corporation Jul/56	(250)	(31,750)	(7,500)
Royal Bank of Canada Jul/80	(190)	(13,705)	(3,040)
SEMAFO Inc. Aug/6	(500)	(24,500)	(25,000)
Suncor Energy Inc. Aug/38	(125)	(2,875)	(4,125)
Tahoe Resources Inc. Aug/19	(300)	(18,000)	(42,150)
Tahoe Resources Inc. Aug/21	(250)	(13,500)	(15,625)
Tahoe Resources Inc. Jul/18	(350)	(19,600)	(54,075)
The Descartes Systems Group Inc. Jul/26	(195)	(20,865)	(2,242)
Toronto-Dominion Bank Jul/57.5	(250)	(6,000)	(1,875)
TransCanada Corporation Aug/58	(250)	(19,500)	(44,250)
		<u>\$ (507,979)</u>	<u>\$ (532,248)</u>
Written Put Options (-0.6%)			
Agnico Eagle Mines Ltd. Jul/60	(175)	\$ (19,600)	\$ (3,150)
Alamos Gold Inc. Jul/10	(200)	(4,600)	(3,000)
Barrick Gold Corporation Jul/23	(300)	(19,200)	(3,000)
The Bank of Nova Scotia Jul/63	(500)	(53,500)	(48,000)
Canadian National Railway Company Jul/72	(175)	(12,250)	(3,325)
Canfor Corporation Jul/13	(250)	(12,000)	(10,000)
Concordia Healthcare Corporation Jul/27	(60)	(13,620)	(7,500)
Concordia Healthcare Corporation Jul/30	(45)	(12,240)	(15,412)
Concordia Healthcare Corporation Jul/32	(95)	(29,973)	(51,537)
Concordia Healthcare Corporation Jul/34	(75)	(24,150)	(51,562)
Crescent Point Energy Corporation Aug/19	(152)	(8,664)	(8,056)
Crescent Point Energy Corporation Aug/20	(250)	(31,250)	(23,000)
Crescent Point Energy Corporation Aug/21	(150)	(23,850)	(21,150)

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FRONT STREET HEDGE FUND
SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)
AS AT JUNE 30, 2016

	Number of Shares/Units/ Par Value	Average Cost \$	Fair Value \$
Crew Energy Inc. Jul/6	(500)	(21,500)	(17,500)
Eldorado Gold Corporation Jul/5.5	(1,200)	(47,800)	(16,200)
Eldorado Gold Corporation Jul/6	(240)	(8,880)	(8,160)
Enerflex Ltd. Jul/11	(500)	(14,000)	(22,500)
Goldcorp Inc. Jul/17	(80)	(6,008)	(1,034)
Husky Energy Inc. Jul/14	(150)	(3,750)	(825)
Interfor Corporation Jul/12	(675)	(56,975)	(70,875)
Methanex Corporation Aug/38	(100)	(34,700)	(27,250)
Methanex Corporation Aug/40	(70)	(18,690)	(27,475)
National Bank of Canada Jul/44	(200)	(23,800)	(12,900)
New Gold Inc. Jul/5	(250)	(5,750)	(1,500)
Paramount Resources Ltd. Jul/8	(500)	(24,000)	(2,250)
Paramount Resources Ltd. Jul/9	(660)	(35,625)	(5,940)
Parex Resources Inc. Jul/12	(300)	(7,200)	(3,900)
Peyto Exploration & Development Corporation Jul/32	(300)	(9,900)	(3,300)
Potash Corp of Saskatchewan Inc. Jul/21	(250)	(20,000)	(20,750)
Precision Drilling Corporation Jul/7	(650)	(21,600)	(22,100)
Premium Brands Holdings Corporation Aug/50	(250)	(23,250)	(11,250)
Premium Brands Holdings Corporation Jul/52	(200)	(13,933)	(3,200)
Royal Bank of CA Aug/74	(300)	(73,500)	(43,500)
Royal Bank of CA Jul/76	(210)	(25,410)	(22,050)
Suncor Energy Inc. Aug/33	(200)	(9,600)	(7,600)
Tahoe Resources Inc. Jul/16	(250)	(9,000)	(1,750)
Toronto-Dominion Bank Aug/55	(200)	(26,400)	(27,300)
Toronto-Dominion Bank Jul/54	(420)	(29,190)	(15,540)
TransCanada Corporation Jul/54	(200)	(17,400)	(1,700)
TransCanada Corporation Jul/56	(300)	(16,200)	(3,750)
		<u>\$ (868,958)</u>	<u>\$ (650,791)</u>
Total Options (-1.1%)		<u>\$ (1,376,937)</u>	<u>\$ (1,183,039)</u>
Total Short Positions (-9.8%)		<u>\$ (10,039,936)</u>	<u>\$ (10,475,221)</u>
Transaction costs		<u>(193,221)</u>	-
Total Investments, net long and short (65.3%)		<u>\$ 66,866,366</u>	<u>\$ 69,634,325</u>
Other assets, less liabilities (34.7%)			<u>37,051,242</u>
Total Net assets (100.0%)			<u>\$ 106,685,567</u>

Front Street Hedge Fund

Notes to the financial statements

June 30, 2016 (Unaudited)

1. Establishment of the investment fund and nature of operations

Front Street Hedge Fund (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. Computershare is the trustee of the Fund (the “Trustee”). CIBC Mellon is the custodian and provides unitholder recordkeeping services and fund accounting services. Front Street Capital 2004, formed as 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”) consists primarily of investments which generate capital gains, but may 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 interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). In preparing the interim 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 interim financial statements were authorized for issue by the Manager on August 19, 2016.

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 Fund’s portfolio of investments are designated as fair value thorough 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.

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.

Front Street Hedge Fund

Notes to the financial statements

June 30, 2016 (Unaudited)

2. Summary of significant accounting policies (Continued)

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, Fair Value Measurement, 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 maximized and unobservable inputs are minimized.

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, 2016 (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. Dividends are 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, 2016 (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 ("IFRS 9"), 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 on January 1, 2018. The Manager is currently assessing the impact to the Fund.

The new hedge accounting model enables entities 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 entities when hedging their financial and non-financial risk exposures.

In December 2014, Disclosure Initiative was issued, which amends IAS 1, Presentation of Financial Statements. The amendments are designed to encourage entities to use professional judgment to determine what information to disclose in the financial statements and accompanying notes by clarifying the guidance on materiality, presentation and note disclosure. The amendments are effective for annual periods beginning on or after January 1, 2016. The Manager is assessing the impact of the amendments of IAS 1 on the Fund's financial statements.

Front Street Hedge Fund

Notes to the financial statements

June 30, 2016 (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 evaluates 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, 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.

Front Street Hedge Fund

Notes to the financial statements

June 30, 2016 (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, 2016	
	Series B	Series F
Balance, beginning of period	5,706,746	278,427
Subscriptions	33,928	10,272
Redeemed	<u>(168,205)</u>	<u>(8,038)</u>
Balance, end of period	<u>5,572,469</u>	<u>280,661</u>
	December 31, 2015	
	Series B	Series F
Balance, beginning of period	6,027,422	490,360
Subscriptions	-	20,704
Redeemed	<u>(320,676)</u>	<u>(232,637)</u>
Balance, end of period	<u>5,706,746</u>	<u>278,427</u>

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 attributable to unitholders of redeemable units. 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 of Canadian and U.S. issuers.

Front Street Hedge Fund

Notes to the financial statements

June 30, 2016 (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 Fund.

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, 2016, the Fund had 5.20% (December 31, 2015 – 2.13%) 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, 2016, there were 5.20% (December 31, 2015 – 2.13%) 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, 2016 (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, 2016, 56.6% (December 31, 2015 – 90.0%) 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 \$6.0 million (December 31, 2015 - \$10.2 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 as at June 30, 2016 and December 31, 2015:

June 30, 2016

Currency	Portfolio Holdings	Cash	Foreign exchange forward contracts	Net exposure	% of Net Assets
	\$	\$	\$	\$	
United States Dollar	7,589,071	839,558	-	8,428,629	7.90%
Total	7,589,071	839,558	-	8,428,629	7.90%

Front Street Hedge Fund

Notes to the financial statements

June 30, 2016 (Unaudited)

6. Financial instruments (continued)

Currency risk (continued)

December 31, 2015

Currency	Portfolio Holdings	Cash	Foreign exchange forward contracts	Net exposure	% of Net Assets
	\$	\$	\$	\$	
United States Dollar	50,327,223	4,749,784	(24,905,844)	30,171,163	26.66%
Total	50,327,223	4,749,784	(24,905,844)	30,171,163	26.66%

The amounts in the above tables 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, 2016, 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 \$421,431 (December 31, 2015 - \$1,436,722). 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, 2016 (Unaudited)

7. Classification of financial instruments - fair value measurements

IFRS requires the Fund to use a three-tier hierarchy as a framework for disclosing fair values, based on inputs used to value the Fund's investments in financial assets and financial liabilities. This hierarchy is summarized as follows:

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

The following tables summarize the inputs used as of as of June 30, 2016 and December 31, 2015 in valuing the Fund's financial assets and liabilities at FVTPL.

June 30, 2016

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Equities – long	70,853,833	2,606,665	1,057,641	74,518,139
Bonds – long	-	4,363,412	1,227,995	5,591,407
	70,853,833	6,970,077	2,285,636	80,109,546
Liabilities				
Equities – short	(9,277,282)	(14,900)	-	(9,292,182)
Options – short	(1,183,039)	-	-	(1,183,039)
Currency forward contracts	-	-	-	-
	(10,460,321)	(14,900)	-	(10,475,221)

December 31, 2015

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Equities – long	105,071,540	2,165,582	1,257,615	108,494,737
Bonds – long	-	1,170,383	1,118,836	2,289,219
	105,071,540	3,335,965	2,376,451	110,783,956
Liabilities				
Equities – short	(2,211,582)	-	-	(2,211,582)
Options – short	(969,806)	-	-	(969,806)
Currency forward contracts	-	(294,318)	-	(294,318)
	(3,181,388)	(294,318)	-	(3,475,706)

Front Street Hedge Fund

Notes to the financial statements

June 30, 2016 (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 periods ended June 30, 2016 and December 31, 2015:

June 30, 2016

	Beginning balance January 1, 2016 (FV)	Net purchases and sales	Transfers out	Realized gains and losses, net	Change in unrealized gains and losses, net	Ending balance June 30, 2016 (FV)
	\$			\$	\$	\$
Assets						
Equities	1,257,615	75,266	-	(790,495)	515,255	1,057,641
Bonds	1,118,836	156,330	-	-	(47,171)	1,227,995
	<u>2,376,451</u>	<u>231,596</u>	<u>-</u>	<u>(790,495)</u>	<u>468,084</u>	<u>2,285,636</u>

During the period ended June 30, 2016, there were no transfers from Level 3 to Level 1. There were no significant transfers between Level 1 and 2.

December 31, 2015

	Beginning balance January 1, 2015 (FV)	Net purchases and sales	Transfers in (out)	Realized gains and losses, net	Change in unrealized gains and losses, net	Ending balance December 31, 2015 (FV)
	\$			\$	\$	\$
Assets						
Equities	3,068,980	(1,366,100)	(561,990)	(100,262)	216,987	1,257,615
Bonds	1,260,000	453,356	-	(133,014)	(461,506)	1,118,836
	<u>4,328,980</u>	<u>(912,744)</u>	<u>(561,990)</u>	<u>(233,276)</u>	<u>(244,519)</u>	<u>2,376,451</u>

During the year ended December 31, 2015, there were transfers from Level 3 to Level 1, as certain securities became listed. There were no significant transfers between Level 1 and 2.

Front Street Hedge Fund

Notes to the financial statements

June 30, 2016 (Unaudited)

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

The significant unobservable inputs and valuation techniques used to determine the fair value measurement categorized in level 3 for periods ended June 30, 2016 and December 31, 2015 are indicated below:

	Valuation Technique	Significant Unobservable Inputs	June 30, 2016 (\$)
Equities	Grey Market trades	Trade details	-
	Private company book value	Financial statements of private company	1,034,026
	Comparable company multiples	Financial statements of comparable company	23,615
<hr/>			<hr/>
Total			1,057,641
Bonds	Discounted cash flow	Discount rate	1,227,995
<hr/>			<hr/>
Total			1,227,995

	Valuation Technique	Significant Unobservable Inputs	December 31, 2015 (\$)
Equities	Grey Market trades	Trade details	-
	Private company book value	Financial statements of private company	1,185,938
	Comparable company multiples	Financial statements of comparable company	71,677
<hr/>			<hr/>
Total			1,257,615
Bonds	Discounted cash flow	Discount rate	1,118,836
<hr/>			<hr/>
Total			1,118,836

Front Street Hedge Fund

Notes to the financial statements

June 30, 2016 (Unaudited)

8. Income taxes

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 \$2,848,043 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.



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