

Interim Management Report of Fund Performance As at April 30, 2007 Front Street Diversified Income Fund Class

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

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

Forward Looking Information

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

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

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

Management Discussion of Fund Performance

INVESTMENT OBJECTIVES AND STRATEGIES

The Fund will seek to provide shareholders with the opportunity to receive monthly distributions targeted to yield of 5.5% per year on the original issue price of the Units and generate capital appreciation on the portfolio with a reduced measure of risk.

The Fund's portfolio consists primarily of securities of income trusts, although the Fund also invests in preferred shares, corporate and government debt securities and common shares.

The Fund's ability to manage risk and volatility through the strategic use of long and short positions is a key element in achieving its investment objective.

The Fund will retain a net long bias to assist its investment strategy.

RISK

The Most of the Fund's assets will be invested in income producing securities, some of which will have equity characteristics. The Fund will therefore be subject to stock market risk. The Fund may also invest in foreign securities that may expose the Fund, to a limited extent, to the risk of investments in foreign securities and foreign currency risk. The Fund may invest in relatively illiquid securities that may expose the Fund to liquidity risk. The Fund may also be exposed to sector risk due to its investments being concentrated in a limited number of sectors. The Fund may also be exposed to the risks of selling securities short, the risks of investing in derivatives, and the risk associated with investing in securities of junior industrial, technology and natural resource companies.

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

Equity risk also affected Fund volatility. Specifically, the threat of oil-supply disruptions kept the price of oil high. While market volatility was high overall, the high price of oil and gas was a positive factor that contributed to Canadian equity market performance, particularly in the energy sector.

Interest-rate risk was also a factor, as global central banks and bond and equity markets closely monitored the U.S. Federal Reserve's monetary policy activities and public communications for indications as to when the current cycle of monetary policy tightening may be ending. As higher borrowing costs tend to slow the economy, rising interest rates tend to have a negative impact on the outlook for corporate-profit growth and therefore equity market performance.

Political risk was also in evidence this year as the government announced changes in tax policy on income trusts on October 31, 2006. This will increase volatility and risk.

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

The risks of investing in the Fund are further discussed in the Fund's Annual Information Form dated June 13, 2007.

RESULTS OF OPERATIONS

The Fund met its distribution objectives of 5.5% per annum and was able to maintain its net asset value per unit through the year.

Positive contributions from the portfolio came from REITS, oil and gas royalty trusts and business trusts. Marginal contributions came from the interest sensitive sector.

The outlook for 2007 is for tax policy clarification, moderate interest rate increases and weakness in the royalty sector coupled with natural production declines. Business trusts should perform in line with the economy as it continues to deliver strong results.

RECENT DEVELOPMENTS

The Fund anticipates that volatility will continue in the equity markets for the foreseeable future. The perception exists that inventory levels are tight in most commodity groups leading to an inability to cushion any shocks to the system. This reality, coupled with a benign interest rate environment, has led to steady economic growth.

ADOPTION OF NEW ACCOUNTING STANDARDS

On April 1, 2005, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 3855, “Financial Instruments – Recognition and Measurement” of the CICA Handbook – Accounting, which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. Section 3855 applies to fiscal years beginning on or after October 1, 2006. Additionally, Section 14.2 of National Instrument 81-106 (“NI 81-106”) issued by the Canadian Securities Administrators in 2005 requires the daily net asset value of an investment fund to be calculated in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). The adoption of Section 3855 would result in the use of different valuation techniques for certain investments.

Canadian securities regulatory authorities granted relief to investment funds complying with Section 3855 for the purposes of calculating of net asset value used for the investor transactions (“Transactional NAV”) for a one year period ending September 30, 2007. The Canadian Securities Administrators are currently reviewing the suitability of applying Section 3855 for the purposes other than the preparation of financial statements. Depending on the outcome of such review, the method by which net asset value is calculated may change on October 1, 2007.

RELATED PARTY-TRANSACTIONS

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of Front Street Mutual Funds Limited, the manager of the Fund, and the Investment Advisor, provided it determines that these affiliates’ trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution-only basis. For the six months ended April 30, 2007, Tuscarora Capital Inc. received \$6,528 in commission on portfolio transactions for the Fund.



FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance since inception. This information is derived from the Fund's audited annual financial statements and interim financial statements for the year-to-date.

FRONT STREET DIVERSIFIED INCOME FUND CLASS SERIES A

FOR THE PERIODS ENDED	April 30, 2007 \$	October 31, 2006 \$	October 31, 2005 \$	October 31, 2004 \$	October 31, 2003 \$
The Fund's Net Asset Value (NAV) per Share					
Net asset value, beginning of period ⁽⁷⁾	9.92	10.00	-	-	-
Increase (decrease) from operations:					
Total revenue	0.22	0.15	-	-	-
Total expenses	(0.22)	(0.32)	-	-	-
Realized gains (losses)	0.05	0.04	-	-	-
Unrealized gains (losses)	0.21	0.69	-	-	-
Total increase (decrease) from operations ⁽¹⁾	0.26	0.56	-	-	-
Distributions:					
From income (excluding dividends)	(0.28)	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	(0.15)	-	-	-
Total distributions ⁽²⁾	(0.28)	(0.15)	-	-	-
Net asset value, end of period ⁽⁷⁾	9.76	9.94	-	-	-
Ratios and Supplemental Data Series A					
Net assets (000's) ⁽³⁾	10,484	5,777	-	-	-
Number of shares outstanding	1,073,820	581,171	-	-	-
Management expense ratio ⁽⁴⁾	4.55%	9.23%	-	-	-
Management expense ratio before waivers or absorptions	4.55%	9.23%	-	-	-
Portfolio turnover rate ⁽⁵⁾	162.95%	38.23%	-	-	-
Trading expense ratio ⁽⁶⁾	0.21%	0.61%	-	-	-



FRONT STREET DIVERSIFIED INCOME FUND CLASS SERIES B

FOR THE PERIODS ENDED	April 30, 2007	October 31, 2006	October 31, 2005	October 31, 2004	October 31, 2003
	\$	\$	\$	\$	\$
The Fund's Net Asset Value (NAV) per Share					
Net asset value, beginning of period⁽⁷⁾	9.91	10.00	-	-	-
Increase (decrease) from operations:					
Total revenue	0.21	0.17	-	-	-
Total expenses	(0.21)	(0.38)	-	-	-
Realized gains (losses)	0.05	0.04	-	-	-
Unrealized gains (losses)	0.09	0.85	-	-	-
Total increase (decrease) from operations⁽¹⁾	0.14	0.68	-	-	-
Distributions:					
From income (excluding dividends)	(0.28)	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	(0.15)	-	-	-
Total distributions⁽²⁾	(0.28)	(0.15)	-	-	-
Net asset value, end of period⁽⁷⁾	9.76	9.93	-	-	-
Ratios and Supplemental Data Class B					
Net assets (000's) ⁽³⁾	10,627	10,512	-	-	-
Number of shares outstanding	1,088,820	1,058,552	-	-	-
Management expense ratio ⁽⁴⁾	4.31%	10.54%	-	-	-
Management expense ratio before waivers or absorptions	4.31%	10.54%	-	-	-
Portfolio turnover rate ⁽⁵⁾	162.95%	38.23%	-	-	-
Trading expense ratio ⁽⁶⁾	0.21%	0.61%	-	-	-

FRONT STREET DIVERSIFIED INCOME FUND CLASS SERIES F

FOR THE PERIODS ENDED	April 30, 2007	October 31, 2006	October 31, 2005	October 31, 2004	October 31, 2003
	\$	\$	\$	\$	\$
The Fund's Net Asset Value (NAV) per Share					
Net asset value, beginning of period⁽⁷⁾	9.96	10.00	-	-	-
Increase (decrease) from operations:					
Total revenue	0.13	0.08	-	-	-
Total expenses	(0.16)	(0.17)	-	-	-
Realized gains (losses)	0.03	0.04	-	-	-
Unrealized gains (losses)	(0.36)	0.18	-	-	-
Total increase (decrease) from operations⁽¹⁾	(0.36)	0.13	-	-	-
Distributions:					
From income (excluding dividends)	(0.28)	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	(0.15)	-	-	-
Total distributions⁽²⁾	(0.28)	(0.15)	-	-	-
Net asset value, end of period⁽⁷⁾	9.78	9.98	-	-	-
Ratios and Supplemental Data Class F					
Net assets (000's) ⁽³⁾	255	260	-	-	-
Number of shares outstanding	26,106	26,080	-	-	-
Management expense ratio ⁽⁴⁾	5.21%	7.72%	-	-	-
Management expense ratio before waivers or absorptions	5.21%	7.72%	-	-	-
Portfolio turnover rate ⁽⁵⁾	162.95%	38.23%	-	-	-
Trading expense ratio ⁽⁶⁾	0.21%	0.61%	-	-	-

(1) Net asset value and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

(2) Distributions were paid in cash and/or reinvested in additional shares of the Fund.

(3) This information is provided as at period end of the year shown.

(4) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. In the period a series is established, the management expense ratio is annualized from the date of inception to October 31. During the current period, additional fees were charged related to the start-up costs for the Fund, which affected the management expense ratios. The effects of the start-up costs on management expense ratios were increases of 2.42%, 2.21%, and 3.42% for Series A, Series B, and Series F, respectively.

(5) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

(6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

(7) The relief granted by the Canadian securities regulatory authorities from complying with Section 3855 results in a difference between GAAP NAV and Transactional NAV due to the use of different valuation techniques for certain investments. We have adopted the provisions of Section 3855 retroactively without restatement or prior periods. Accordingly, the beginning of period net asset value for the current period is adjusted.

MANAGEMENT AND PERFORMANCE FEES

The Fund pays Investment Advisor a monthly fee equal to one-twelfth of 2% of net asset value of the applicable series of the Fund, payable monthly in arrears, calculated without regard to any accrual of performance bonuses (as described below) and before payment of such fee.

The Investment Advisor may earn an annual performance bonus (a “Performance Bonus”) in each fiscal quarter if the percentage gain in the new asset value of a series of the Fund (as adjusted for any prior return deficiencies) over the preceding calendar quarter or quarters since a performance fee was last payable exceeds the percentage gain or loss of the benchmark (the ‘Benchmark’) over the same period. The Benchmark for the Fund is calculated as follows:

- 50% of the percentage gain or loss in the S&P/TSX Income Trust Index
- + 50% of the percentage gain or loss in the ScotiaMcleod Bond Index.

The fee will be equal to this excess return per security multiplied by the number of securities outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per security of the Fund (including distributions) is greater than all previous values at the end of each previous calendar quarter. The starting reference point for the next calendar quarter’s calculation will be based on the higher of either the Benchmark performance adjusted net asset value per security or the adjusted actual net asset value per security, both with respect to the previous quarter in which a performance fee was payable.

DEALER COMPENSATION

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

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

Series	Trailer Annual Rate	Annual Payment per \$1,000 of Fund securities held
A	0.75%	\$10.00
B	1.00%	\$10.00
F	0.00%	Nil

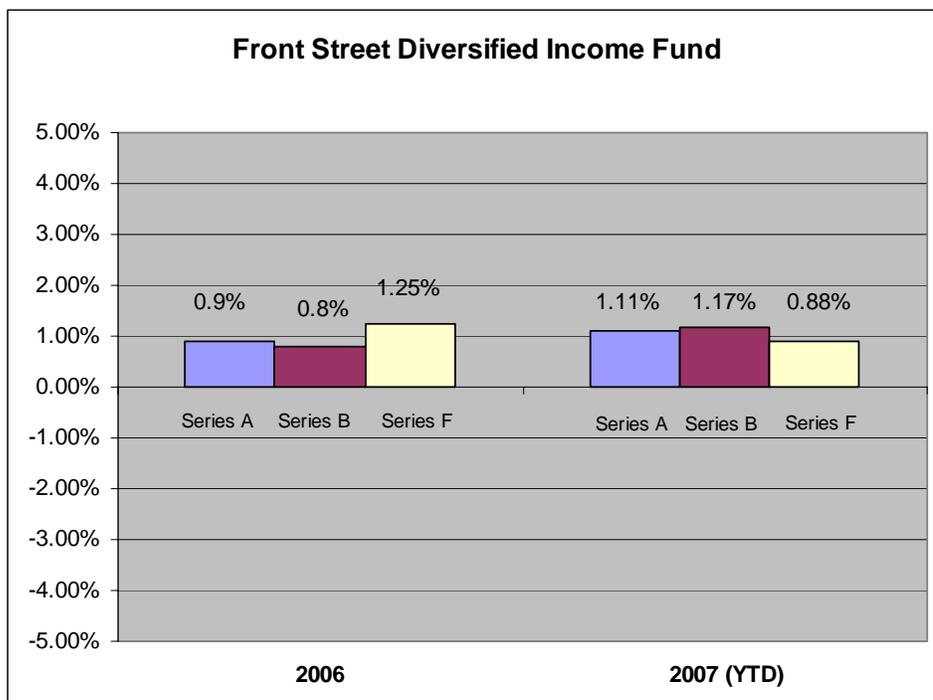
PAST PERFORMANCE

The past performance of the Fund is set out below and includes year-to-date returns.

With respect to the charts displayed below, please note the following:

- (a) the returns or performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional shares of the Fund;

- (b) the return or performance information does not take into account sales, redemption, distribution or other optional charges or income taxes payable that would have reduced returns or performance; and
- (c) how the Fund has performed in the past does not necessarily indicate how it will perform in the future.



- (1) Based on the initial period from inception date (commencement of operations) to October 31, 2006 and six-month period ended April 30, 2007.

ANNUAL COMPOUND RETURNS

The following table shows the Fund’s historical annual compound total return since inception as compared to the performance of the S&P/TSX Income Trust Index.

	Since Inception June 22, 2006
Front Street Diversified Income Fund Series A	2.00%
Front Street Diversified Income Fund Series B	1.97%
S&P/TSX Income Trust Index	-5.31%
	Since Inception August 11, 2006
Front Street Diversified Income Fund Series F	2.13%
S&P/TSX Income Trust Index	-13.25%

Summary of Investment Portfolio as at April 30, 2007

	% of Total
Cash and Short-Term Notes	49.8
LONG POSITIONS	
Financials	12.7
Energy	10.7
Government Bonds	5.1
Corporate Bonds	4.5
Consumer Discretionary	4.5
Consumer Staples	3.6
Industrials	3.2
Utilities	2.6
Materials	1.7
Health Care	1.0
Index Fund	0.8
Telecommunication Services	0.3
SHORT POSITIONS	
Energy	(0.1)
Index Fund	(0.9)
Financials	(1.8)
Total Investments Portfolio	47.9
Total Investments Portfolio Including Cash and Short-Term	97.7
Other Assets	2.3
Total Net assets	100.0

Top 25 Investments

LONG POSITIONS

The Carlyle Group	2.3%
British Columbia Municipal Financial Authority 5.50% March 24, 2008	2.1%
Province of Manitoba 5.25% March 2, 2009	2.1%
UE Waterheater Income Fund	1.9%
Duke Funding Limited 2003-5A 4A Floating Rate August 7, 2033	1.9%
Royal Host Real Estate Investment Trust Debentures 6.00% October 31, 2015	1.7%
Cathedral Energy Services Income Trust	1.3%
MacQuarie Power & Infrastructure Income Fund	1.2%
Artis Real Estate Investment Trust	1.1%
Noranda Income Fund	1.0%
GMP Capital Trust	1.0%
Energy Savings Income Fund	1.0%
CI Financial Income Fund	1.0%
Baytex Energy Trust	1.0%
Taylor NGL Limited Partnership	1.0%
Allied Properties Real Estate Investment Trust	1.0%
Province of New Brunswick 4.25% December 2, 2008	1.0%
Rogers Communications Inc. 'B'	1.0%
Zargon Energy Trust	1.0%
Biovail Corporation	1.0%
Trilogy Energy Trust	1.0%
Rothmans Inc.	1.0%
ATCO Limited	1.0%
Dundee Real Estate Investment Trust	0.9%

SHORT POSITIONS

Citigroup Inc.	-1.0%
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The information contained in the foregoing list may change due to the ongoing portfolio transactions of the Fund. A quarterly update may be obtained by contacting the Investment Advisor.