

**FRONT STREET**  
Mutual Funds Limited

**FRONT STREET MUTUAL FUNDS LIMITED**

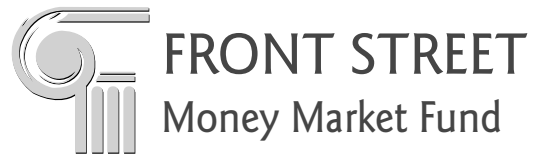
**FRONT STREET MONEY MARKET FUND**

**Management Report of Fund Performance**

**and**

**Interim Financial Statements**

**April 30, 2012**



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

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

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

### **Forward Looking Information**

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

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

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

## Management Discussion of Fund Performance

### INVESTMENT OBJECTIVES AND STRATEGIES

The Fund's investment objective is primarily to achieve limited income earnings with reasonable safety of capital and liquidity and secondarily for some capital appreciation. The Fund invests mainly in money market securities and bonds issued by Canadian governments and corporations, with maturities of up to one year, and in floating rate notes.

The Fund's investment strategy entails investing in "money market securities" which are eligible for the Fund's portfolio which include treasury bills, commercial paper, bankers' acceptances and other evidences of indebtedness with remaining terms to maturity of 365 days or less. The Fund intends to maintain a portfolio with a high credit quality. The weighted average term to maturity of the Fund's assets will not exceed 90 days.

### RISK

Most of the Fund's assets will be invested in money market securities and bonds issued by Canadian governments and corporations and, as such, the Fund is particularly susceptible to the following risks:

#### *Interest Rate Risk*

Fixed income securities are subject to risks resulting from changes in interest rates and from credit risk. When interest rates fall, bond prices rise. That is because existing bonds pay higher rates than newly issued ones, and so are worth more. When interest rates rise, bond prices fall, and so will the unit value of mutual funds that hold them. The income earned by a mutual fund and the income paid by mutual funds to Securityholders is also affected by changes in interest rates. Credit risk is the possibility that an issuer of a bond or other fixed income investment may not be able to pay interest or to repay the principal at maturity. The risk of this occurring is greater with some issuers than with others. For example, the risk of default is generally low for government and high quality corporate securities. Where the risk is considered greater, the interest rate paid by the issuer is generally higher than for an issuer where the risk is considered to be lower.

#### *Large Redemption Risk*

A mutual fund may have particular investors who hold a significant amount of the mutual fund. If one of those investors decides to redeem its investment in the mutual fund, the mutual fund may have to sell portfolio investments so that it can pay the redemption proceeds. These investments may have to be sold quickly and at a lower price than if they were sold over a more extended time period. In addition, the portfolio composition of the mutual fund could be altered before the Investment Advisor believes the time is right to do so. This can reduce the returns of the mutual fund.

#### *Securities Lending, Repurchase and Reverse Purchase Risk*

Mutual funds may enter into securities lending, repurchase transactions and reverse repurchase transactions in order to earn additional income. Securities lending involves lending securities held by a mutual fund to qualified borrowers who have posted collateral. In lending its securities, a mutual fund is subject to the risk that the borrower may not fulfill its obligations, leaving the mutual fund holding collateral worth less than the securities it has lent, resulting in a loss to the mutual fund. A repurchase transaction involves a mutual fund selling a security at one price and agreeing to buy it back from the same party at a lower price. A reverse repurchase transaction involves a mutual fund buying a security at one price and agreeing to sell it back to the same party at a higher price. Over time, the value of the securities sold under a repurchase transaction might exceed the value of the collateral held by the

mutual fund. If the other party defaults on its obligation to resell the securities to the mutual fund the collateral may be insufficient to enable the mutual fund to purchase replacement securities and the mutual fund may suffer a loss for the difference. Similarly, over time, the value of the securities purchased by a mutual fund under reverse repurchase transactions may decline below the amount of cash paid by the mutual fund to the other party. If the other party defaults on its obligation to repurchase the securities from the mutual fund, the mutual fund may need to sell the securities for a lower price and suffer a loss for the difference. If the Fund engages in securities lending, repurchase transactions and reverse repurchase transactions, the Investment Advisor of the Fund reduces the risk to the Fund by requiring the other party to put up collateral the value of which must be at least 102% of the market value of the security sold (for a repurchase transaction), cash loaned (for a reverse repurchase transaction) or security loaned (for a securities lending agreement). The value of the collateral is checked and reset daily. The Funds cannot lend more than 50% of the total value of its assets through securities lending or repurchase transactions.

#### *Asset-Backed and Mortgage-Backed Securities Risk*

If a Fund invests in asset-backed or mortgage-backed securities and there are changes in the market's perception of the creditworthiness of the parties involved, or in the value of, or interest rate applicable to, the underlying assets or property, then the value of such securities (and the Net Asset Value of the Fund which is invested in such securities) may be affected. The Fund is not currently invested in asset backed securities.

## **RESULTS OF OPERATIONS/ RECENT DEVELOPMENTS**

Another round of treasury market manipulation by the U.S. Federal Reserve had its predictable results of inflating risk assets late in 2011 and into early 2012. By the spring, yields across the curve were generally falling as recession fears spread as the result of weaker economic reports globally and the repercussions of the ongoing European sovereign debt problems. In Canada, administered rates appear on hold well into 2012 as the Bank of Canada monitors global economic conditions that appear to be deteriorating in the developing world—the same part of the world that has led global growth the past few years. Monetary authorities in Canada have also started watching more closely housing prices and lending practices in Canada given slowing economic growth in this country at a time when personal debt is at an all-time high.

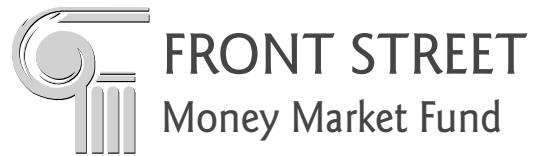
#### International Financial Reporting Standards (“IFRS”)

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

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

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

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



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

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

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

## **RELATED-PARTY TRANSACTIONS**

Management fees of \$86,626 (April 30, 2011 – \$31,676) were incurred with the Manager during the period. Servicing fees of \$18,754 (April 30, 2011 - \$6,790) were paid to the Manager during the period. There were no performance fees paid to the Manager during the period. Expenses waived and absorbed by the Manager during the period amounted to \$147,090 (April 30, 2011 – \$92,454). Included in accrued expenses are \$2,573 (October 31, 2011 - \$3,246) of accrued servicing fees payable to the Manager.

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

## **FINANCIAL HIGHLIGHTS**

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



# FRONT STREET

## Money Market Fund

### Series A The Fund's Net Assets per Share

	April 30, 2012	October 31, 2011 <sup>(1)</sup>	October 31, 2010 <sup>(1)</sup>	October 31, 2009 <sup>(1)</sup>	October 31, 2008 <sup>(1)</sup>	October 31, 2007 <sup>(1)</sup>
	\$	\$	\$	\$	\$	\$
<b>Net Assets, beginning of the period</b>	10.32	10.25	10.23	10.24	10.12	10.00
<b>Increase (decrease) from operations:</b>						
Total revenue	0.05	0.11	0.04	0.08	0.44	0.32
Total expenses	(0.01)	(0.03)	(0.02)	(0.09)	(0.28)	(0.18)
Realized gains (losses) for the period	—	—	—	—	—	—
Unrealized gains (losses) for the period	—	—	—	—	(0.08)	(0.01)
<b>Total increase (decrease) from operations</b> <sup>(2)</sup>	0.04	0.08	0.02	(0.01)	0.08	0.13
<b>Distributions to Shareholders:</b>						
From income (excluding dividends)	—	—	—	—	—	—
From dividends	—	—	—	—	—	—
From capital gains	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
<b>Total distributions to Shareholders</b> <sup>(3)</sup>	—	—	—	—	—	—
<b>Net Assets, end of the period</b>	10.36	10.32	10.25	10.23	10.24	10.12

- (1) This information is derived from the Fund's audited annual financial statements and interim unaudited financial statements. The net assets per share presented in the financial statements differ from the net asset value calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements]
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

### Ratios and Supplemental Data

Total net asset value (000's) <sup>(1)</sup>	5,461	6,259	1,842	2,270	1,486	201
Number of shares outstanding <sup>(1)</sup>	526,894	606,215	179,782	221,900	145,182	19,833
Management expense ratio <sup>(2)</sup>	0.25%	0.27%	0.26%	1.00%	2.71%	2.70%
Management expense ratio before waivers or absorptions	2.18%	2.96%	2.91%	1.00%	2.71%	2.70%
Trading expense ratio <sup>(3)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per share	\$ 10.36	\$ 10.32	\$ 10.25	\$ 10.23	\$ 10.24	\$ 10.12

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



# FRONT STREET

## Money Market Fund

### Series B The Fund's Net Assets per Share

	April 30, 2012 \$	October 31, 2011 <sup>(1)</sup> \$	October 31, 2010 <sup>(1)</sup> \$	October 31, 2009 <sup>(1)</sup> \$	October 31, 2008 <sup>(1)</sup> \$	October 31, 2007 <sup>(1)</sup> \$
<b>Net Assets, beginning of the period</b>	10.33	10.25	10.24	10.24	10.12	10.00
<b>Increase (decrease) from operations:</b>						
Total revenue	0.05	0.11	0.05	0.08	0.25	0.31
Total expenses	(0.01)	(0.03)	(0.03)	(0.09)	(0.20)	(0.17)
Realized gains (losses) for the period	—	—	—	—	—	—
Unrealized gains (losses) for the period	—	—	—	—	0.09	(0.01)
<b>Total increase (decrease) from operations</b> <sup>(2)</sup>	0.04	0.08	0.02	(0.01)	0.14	0.13
<b>Distributions to Shareholders:</b>						
From income (excluding dividends)	—	—	—	—	—	—
From dividends	—	—	—	—	—	—
From capital gains	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
<b>Total distributions to Shareholders</b> <sup>(3)</sup>	—	—	—	—	—	—
<b>Net Assets, end of the period</b>	10.37	10.33	10.25	10.24	10.24	10.12

- (1) This information is derived from the Fund's audited annual financial statements and interim unaudited financial statements. The net assets per share presented in the financial statements differ from the net asset value calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements]
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

### Ratios and Supplemental Data

Total net asset value (000's) <sup>(1)</sup>	5,138	4,859	3,477	2,374	461	722
Number of shares outstanding <sup>(1)</sup>	495,602	470,512	339,243	231,865	44,982	71,345
Management expense ratio <sup>(2)</sup>	0.25%	0.26%	0.26%	0.82%	1.99%	2.58%
Management expense ratio before waivers or absorptions	2.18%	2.95%	2.91%	0.82%	1.99%	2.58%
Trading expense ratio <sup>(3)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per share	\$ 10.37	\$ 10.33	\$ 10.25	\$ 10.24	\$ 10.24	\$ 10.12

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



# FRONT STREET

## Money Market Fund

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

	April 30, 2012	October 31, 2011 <sup>(1)</sup>	October 31, 2010 <sup>(1)</sup>	October 31, 2009 <sup>(1)</sup>	October 31, 2008 <sup>(1)</sup>	October 31, 2007 <sup>(1)</sup>
	\$	\$	\$	\$	\$	\$
<b>Net Assets, beginning of the period</b>	10.36	10.26	10.24	—	10.14	10.00
<b>Increase (decrease) from operations:</b>						
Total revenue	0.05	0.10	0.04	0.10	0.31	0.28
Total expenses	—	—	—	(0.06)	(0.20)	(0.14)
Realized gains (losses) for the period	—	—	—	—	—	—
Unrealized gains (losses) for the period	—	—	—	—	0.02	—
<b>Total increase (decrease) from operations</b> <sup>(2)</sup>	0.05	0.10	0.04	0.04	0.13	0.14
<b>Distributions to Shareholders:</b>						
From income (excluding dividends)	—	—	—	—	—	—
From dividends	—	—	—	—	—	—
From capital gains	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
<b>Total distributions to Shareholders</b> <sup>(3)</sup>	—	—	—	—	—	—
<b>Net Assets, end of the period</b>	10.41	10.36	10.26	10.24	—	10.14

- (1) This information is derived from the Fund's audited annual financial statements and interim unaudited financial statements. The net assets per share presented in the financial statements differ from the net asset value calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements]
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

**Ratios and Supplemental Data**

Total net asset value (000's) <sup>(1)</sup>	1,897	224	231	39	0	51
Number of shares outstanding <sup>(1)</sup>	182,148	21,588	22,477	3,837	0	5,000
Management expense ratio <sup>(2)</sup>	0.00%	0.00%	0.00%	1.25%	2.21%	2.03%
Management expense ratio before waivers or absorptions	1.62%	2.69%	2.65%	1.25%	2.21%	2.03%
Trading expense ratio <sup>(3)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per share	\$ 10.41	\$ 10.36	\$ 10.26	\$ 10.24	\$ -	\$ 10.14

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





# FRONT STREET

## Money Market Fund

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

	April 30, 2012 \$	October 31, 2011 <sup>(1)</sup> \$	For the period from commencement of operations on December 7, 2009 to October 31, 2010 <sup>(1)</sup> \$
<b>Net Assets, beginning of the period</b>	10.32	10.24	10.23*
<b>Increase (decrease) from operations:</b>			
Total revenue	0.05	0.11	0.06
Total expenses	(0.01)	(0.03)	(0.04)
Realized gains (losses) for the period	—	—	—
Unrealized gains (losses) for the period	—	—	—
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.04</b>	<b>0.08</b>	<b>0.02</b>
<b>Distributions to Shareholders:</b>			
From income (excluding dividends)	—	—	—
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	—	—	—
<b>Total distributions to Shareholders<sup>(3)</sup></b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net Assets, end of the period</b>	<b>10.36</b>	<b>10.32</b>	<b>10.24</b>

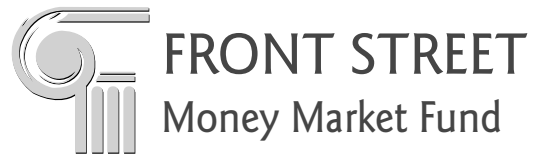
- (1) This information is derived from the Fund's audited annual financial statements. The net assets per share presented in the financial statements differ from the net asset value calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements].
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

**Ratios and Supplemental Data**

Total net asset value (000's) <sup>(1)</sup>	1,475	3,594	841
Number of shares outstanding <sup>(1)</sup>	142,391	348,129	82,113
Management expense ratio <sup>(2)</sup>	0.25%	0.25%	0.44%
Management expense ratio before waivers or absorptions	2.20%	2.94%	3.40%
Trading expense ratio <sup>(3)</sup>	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	0.00%	0.00%	0.00%
Net asset value per share	\$ 10.36	\$ 10.32	\$ 10.24

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

\* Initial price



## **MANAGEMENT & PERFORMANCE FEES**

The Fund pays a monthly management fee equal to 1/12 of 1.0% of the net asset value of Series A, Series B, and Series X shares calculated and paid at the end of each month in arrears from each Fund series.

The Fund pays a monthly management fee equal to 1/12 of 0.75% of the net asset value of series F shares, calculated and paid at the end of each month in arrears.

Effective May 1, 2009, the Manager of the Fund waived the monthly management fee for Series A, Series B and Series F shares of the Fund. In addition, the monthly management fees have been waived on Series X.

There are no performance fees payable by this Fund.

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

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

## **DEALER COMPENSATION**

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

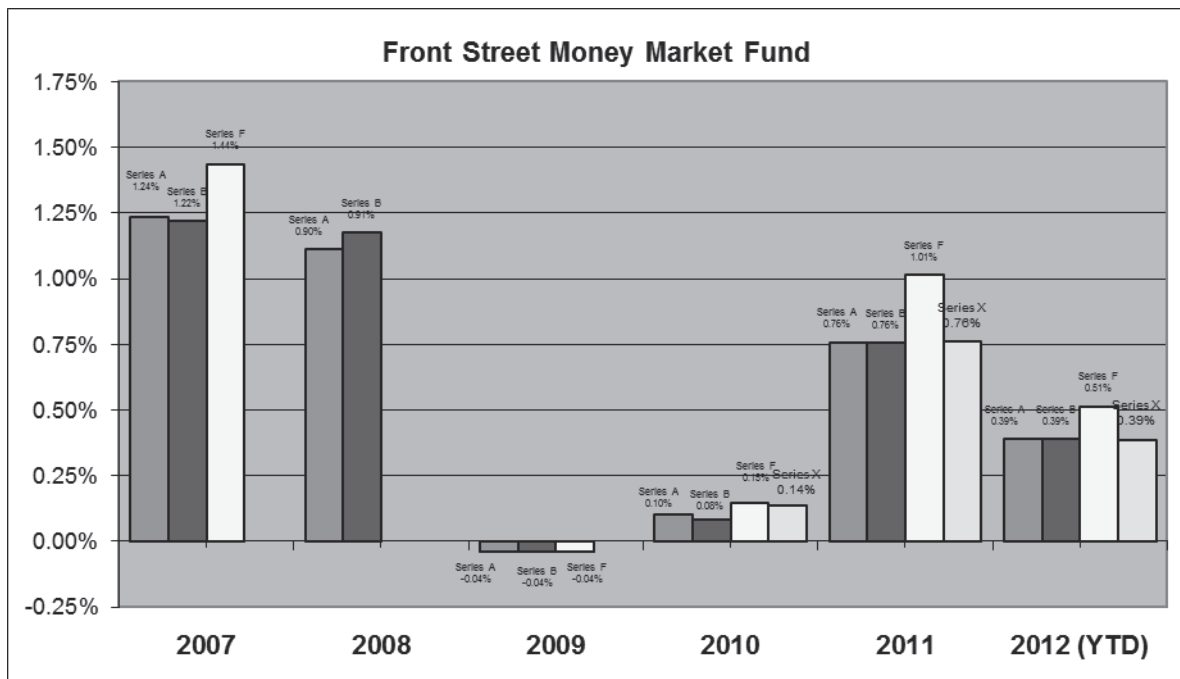
The trailer commission is calculated as a percentage of assets each broker, dealer or advisor has placed in the Fund series. The trailer commission is calculated based on the closing balance of client accounts for each calendar month. The trailer commission will not be paid if the assets are removed from the Funds. Annual trailer commissions for the Fund are 0.25%, paid monthly.

**PAST PERFORMANCE**

The past performance of the Fund is set out below and includes year-by-year 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.



The above year-by-year return chart is for Front Street Money Market Fund, a class of Front Street Mutual Funds Ltd. The Fund was merged with the discontinuing Fund being Front Street Cash Fund on November 1, 2008 and fund performance for the discontinued fund has not been included in the chart above in the 2008 period.

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

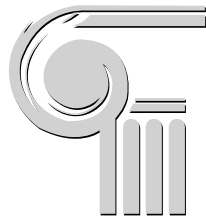
*Portfolio by Category*

	<b>% of Total</b>
Commercial Papers	79.0%
Treasury Bills	6.1%
Cash	15.4%
<b>Others</b>	<b>-0.5%</b>
	<hr/> 100.0%

*Top 25 Investments*

Enbridge Inc 1.121% May 10, 2012	7.9%
Shoppers Drug Mart 1.168% May 11, 2012	7.2%
Canadian National Railway 1.052% May 11, 2012	7.2%
Nova Scotia Power 1.120% May 24, 2012	7.2%
Cenovus Energy Inc. 1.1068% May 3, 2012	7.2%
Inter Pipeline Fund 1.230% May 17, 2012	7.1%
Province of Newfoundland 0.982% June 14, 2012	6.1%
Canadian Tire 1.550% May 14, 2012	5.0%
Telus Corporation 1.140% May 4, 2012	4.3%
Bell Canada 1.142% May 29, 2012	3.6%
Bell Canada 1.131% June 14, 2012	3.6%
General Electric Capital 1.102% May 31, 2012	3.6%
Telus Corporation 1.114% June 1, 2012	2.9%
Vancity Shared Growth 1.241% June 21, 2012	2.9%
Vancity Shared Growth 1.169% May 17, 2012	2.6%
Cenovus Energy Inc. 1.095% May 3, 2012	2.2%
Canadian Tire 1.546% May 14, 2012	2.2%
Vancity Shared Growth 1.137% May 17, 2012	1.4%
Inter Pipeline Fund 1.230% May 22, 2012	1.3%
	<hr/> 85.1%
<b>TOTAL TRANSACTIONAL NET ASSET VALUE (000)</b>	<b>\$13,971</b>

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



# FRONT STREET

## Money Market Fund

### **INTERIM FINANCIAL STATEMENTS**

### **FRONT STREET MONEY MARKET FUND**

FOR THE SIX MONTHS ENDED April 30, 2012

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

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

**FRONT STREET MONEY MARKET FUND**

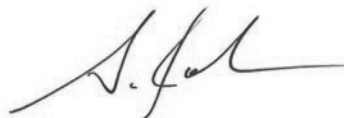
**STATEMENTS OF NET ASSETS  
AS AT APRIL 30, 2012 (UNAUDITED) AND OCTOBER 31, 2011 (AUDITED)**

	<b>2012 (Unaudited)</b>	<b>2011 (Audited)</b>
<b>ASSETS</b>		
Investments, at fair value (cost - \$11,892,183; 2011-\$13,701,257)	\$ 11,892,183	\$ 13,701,257
Cash	2,151,037	1,435,834
Accounts receivable relating to shares issued	125	16,488
Amounts receivable relating to accrued income	11,287	11,515
	<u>\$ 14,054,632</u>	<u>\$ 15,165,094</u>
<b>LIABILITIES</b>		
Accounts payable relating to shares redeemed	66,645	212,796
Accrued expenses	\$ 16,958	\$ 17,632
	<u>83,603</u>	<u>230,428</u>
<b>Net assets representing shareholders' equity</b>	<u>\$ 13,971,029</u>	<u>\$ 14,934,666</u>
<b>Net assets applicable to outstanding shares allocated as follows:</b>		
Net assets, Series A	\$ 5,460,803	\$ 6,258,556
Shares outstanding, Series A, note 3	526,894	606,215
Net assets per share, Series A	<u>\$ 10.36</u>	<u>\$ 10.32</u>
Net assets, Series B	\$ 5,137,962	\$ 4,858,956
Shares outstanding, Series B, note 3	495,602	470,512
Net assets per share, Series B	<u>\$ 10.37</u>	<u>\$ 10.33</u>
Net assets, Series F	\$ 1,896,770	\$ 223,653
Shares outstanding, Series F, note 3	182,148	21,588
Net assets per share, Series F	<u>\$ 10.41</u>	<u>\$ 10.36</u>
Net assets, Series X	\$ 1,475,494	\$ 3,593,501
Shares outstanding, Series X, note 3	142,391	348,129
Net assets per share, Series X	<u>\$ 10.36</u>	<u>\$ 10.32</u>

**On behalf of the Board of Front Street Mutual Funds Limited:**



Gary P. Selke  
Chief Executive Officer and Director



Susan Johnson  
Chief Financial Officer

**FRONT STREET MONEY MARKET FUND**

**STATEMENTS OF OPERATIONS  
FOR THE PERIODS ENDED APRIL 30, 2012 and 2011  
(UNAUDITED)**

	November 1, 2011 to April 30, 2012	November 1, 2010 to April 30, 2011
	(Unaudited)	(Unaudited)
<b>Investment income</b>		
Interest	\$ 79,250	\$ 28,347
<b>Expenses</b>		
Management fees, notes 4 and 7	86,626	31,676
Administration fees	44,386	37,178
Audit fees	13,000	14,734
Legal fees	489	5,795
Servicing fees, notes 4 and 7	18,754	6,790
Securityholder reporting costs	2,267	2,904
Operating costs, note 4	—	—
Independent review committee	322	117
	<u>165,844</u>	<u>99,194</u>
Expenses waived or absorbed by Manager, notes 4 and 7	<u>(147,090)</u>	<u>(92,454)</u>
	<u>18,754</u>	<u>6,740</u>
<b>Net increase in net assets from operations for the period</b>	<u>\$ 60,496</u>	<u>\$ 21,607</u>
Increase in net assets from operations applicable to outstanding shares allocated as follows:		
Increase in net assets from operations, Series A	\$ 25,396	\$ 5,931
Increase in net assets from operations per share, Series A	<u>\$ 0.04</u>	<u>\$ 0.04</u>
Increase in net assets from operations, Series B	\$ 21,309	\$ 11,195
Increase in net assets from operations per share, Series B	<u>\$ 0.04</u>	<u>\$ 0.04</u>
Increase in net assets from operations, Series F	\$ 2,277	\$ 1,162
Increase in net assets from operations per share, Series F	<u>\$ 0.05</u>	<u>\$ 0.05</u>
Increase in net assets from operations, Series X	\$ 11,514	\$ 3,319
Increase in net assets from operations per share, Series X	<u>\$ 0.04</u>	<u>\$ 0.04</u>

**FRONT STREET MONEY MARKET FUND**

**STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE PERIODS ENDED APRIL 30, 2012 and 2011  
(UNAUDITED)**

	November 1, 2011 to April 30, 2012	November 1, 2010 to April 30, 2011
	(Unaudited)	(Unaudited)
<b>Series A</b>		
Net assets, beginning of period	\$ 6,258,556	\$ 1,842,157
Net increase in net assets from operations	25,396	5,931
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	2,080,530	737,934
Aggregate amounts paid on redemption of shares	(2,903,679)	(1,012,578)
	(823,149)	(274,644)
Net (decrease) in net assets for the period	(797,753)	(268,713)
Net assets, end of period	\$ 5,460,803	\$ 1,573,444
<b>Series B</b>		
Net assets, beginning of period	\$ 4,858,956	\$ 3,477,030
Net increase in net assets from operations	21,309	11,195
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	3,564,303	3,293,145
Aggregate amounts paid on redemption of shares	(3,306,606)	(3,709,059)
	257,697	(415,914)
Net increase (decrease) in net assets for the period	279,006	(404,719)
Net assets, end of period	\$ 5,137,962	\$ 3,072,311



**FRONT STREET MONEY MARKET FUND**

**STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE PERIODS ENDED APRIL 30, 2012 and 2011  
(UNAUDITED)**

	November 1, 2011 to April 30, 2012	November 1, 2010 to April 30, 2011
	(Unaudited)	(Unaudited)
<b>Series F</b>		
Net assets, beginning of period	\$ 223,653	\$ 230,523
Net increase in net assets from operations	2,277	1,162
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	2,092,411	180,118
Aggregate amounts paid on redemption of shares	(421,571)	(85,714)
	1,670,840	94,404
Net increase in net assets for the period	1,673,117	95,566
Net assets, end of period	\$ 1,896,770	\$ 326,089
<b>Series X</b>		
Net assets, beginning of period	\$ 3,593,501	\$ 841,197
Net increase in net assets from operations	11,514	3,319
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	566,806	1,010,540
Aggregate amounts paid on redemption of shares	(2,696,327)	(1,044,190)
	(2,129,521)	(33,650)
Net (decrease) in net assets for the period	(2,118,007)	(30,331)
Net assets, end of period	\$ 1,475,494	\$ 810,866
<b>Total</b>		
Net assets, beginning of period	\$ 14,934,666	\$ 6,390,907
Net increase in net assets from operations	60,496	21,607
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	8,304,050	5,221,737
Aggregate amounts paid on redemption of shares	(9,328,183)	(5,851,541)
	(1,024,133)	(629,804)
Net (decrease) in net assets for the period	(963,637)	(608,197)
Net assets, end of period	\$ 13,971,029	\$ 5,782,710

**FRONT STREET MONEY MARKET FUND**

**STATEMENT OF INVESTMENT PORTFOLIO**

**AS AT APRIL 30, 2012**

**(UNAUDITED)**

	Face Value	Average Cost \$	Fair Value \$
<b>Treasury Bills (6.1%)</b>			
Province of Newfoundland 0.982%, June 14, 2012	850,000	848,402	848,402
		<u>\$ 848,402</u>	<u>\$ 848,402</u>
<b>Commercial Papers (79.0%)</b>			
Bell Canada 1.131% June 14, 2012	500,000	499,025	499,025
Bell Canada 1.142% May 29, 2012	500,000	499,250	499,250
Canadian National Railway 1.052% May 11, 2012	1,000,000	999,510	999,510
Canadian Tire 1.546% May 14, 2012	310,000	309,489	309,489
Canadian Tire 1.550% May 14, 2012	700,000	698,635	698,635
Cenovus Energy Inc. 1.095% May 3, 2012	310,000	309,740	309,740
Cenovus Energy Inc. 1.106% May 3, 2012	1,000,000	998,970	998,970
Enbridge Inc. 1.121% May 10, 2012	1,100,000	1,099,021	1,099,021
General Electric Capital 1.102% May 31, 2012	500,000	498,705	498,705
Inter Pipeline Fund 1.230% May 22, 2012	180,000	179,582	179,582
Inter Pipeline Fund 1.230% May 17, 2012	1,000,000	997,110	997,110
Nova Scotia Power 1.120% May 24, 2012	1,000,000	999,080	999,080
Shoppers Drug Mart 1.168% May 11, 2012	1,000,000	999,520	999,520
Telus Corporation 1.114% June 1, 2012	400,000	398,952	398,952
Telus Corporation 1.140% May 4, 2012	600,000	598,896	598,896
Vancity Shared Growth 1.137% May 17, 2012	200,000	199,782	199,782
Vancity Shared Growth 1.169% May 17, 2012	360,000	359,654	359,654
Vancity Shared Growth 1.241% June 21, 2012	400,000	398,860	398,860
		<u>\$ 11,043,781</u>	<u>\$ 11,043,781</u>
<b>Total Investments (85.1%)</b>		<u>\$ 11,892,183</u>	<u>\$ 11,892,183</u>
<b>Cash (15.4%)</b>			2,151,037
<b>Other assets less other liabilities (-0.5%)</b>			(72,191)
<b>Net assets (100.0%)</b>			<u>\$ 13,971,029</u>

# FRONT STREET MONEY MARKET FUND

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

---

### 1. THE FUND

Front Street Money Market Fund Class (the "Fund") is a class of shares of Front Street Mutual Funds Limited (the "Corporation"), a mutual fund corporation incorporated under the Canada Business Corporations Act on April 11, 2006, and is authorized to issue an unlimited number of classes of shares in multiple series. Reference is made to the Fund's Simplified Prospectus for additional information on the Fund's structure. Series A commenced operations on March 2, 2007. Series B commenced operations on March 2, 2007. Series F commenced operations on March 2, 2007. Series X commenced operations on December 7, 2009.

The foregoing financial statements and accompanying notes to the financial statements presented herein are for the Fund. Separate financial statements of each of the other classes of shares of the Corporation have also been prepared as at April 30, 2012.

Front Street Capital 2004 is the manager of the Fund (the "Manager"). Front Street Investment Management Inc. (the "Investment Advisor") has been retained by the Manager, on behalf of the Fund, to provide investment advisory and portfolio management services to the Fund. NBCN Inc. is the custodian. Citigroup Fund Services Canada, Inc. provides fund accounting services and shareholder recordkeeping services.

The Fund's investment objective is primarily to provide Fund securityholders income earnings with reasonable safety of capital and liquidity and secondarily for some capital appreciation. The Fund invests mainly in money market securities and bonds issued by Canadian governments and corporations with maturities of up to one year, and in floating rate notes and asset backed securities.

## FRONT STREET MONEY MARKET FUND

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

---

#### 2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Financial instruments

Investments, at fair value have been classified as held for trading. Amounts receivable relating to shares issued and accounts receivable relating to accrued income have been classified as loans and receivable. Accounts payable relating to shares redeemed and accrued expenses have been classified as other financial liabilities.

The Canadian Securities Administrators adopted changes to National Instrument 81-106 on Investment Fund Continuous Disclosure. The changes are essentially aimed at modifying the requirements pertaining to the calculation of the unit value due to the inclusion of Section 3855, Financial Instruments - Recognition and Measurement of the CICA Handbook. These changes allow the Fund to report two distinct net asset values: one for the financial statements, which is calculated in accordance with Canadian GAAP (called "net assets") and another for all other purposes, such as unit pricing (called "net asset value"). A reconciliation between the net assets per unit and the net asset value per unit is required (see note 8) as well as description of the differences between the valuation principles and practices used by the Manager to calculate the net asset value and those prescribed by Canadian GAAP.

b) Valuation of investments

Investments listed on an exchange are valued at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The difference between this amount and cost is shown as the change in the unrealized appreciation (depreciation) of the value of investments. For investments that are not traded in active markets, Section 3855 requires the use of specific valuation techniques to be used in the determination of fair value. The investments in this Fund include highly liquid short-term investments with original terms to maturity of less than three months.

## FRONT STREET MONEY MARKET FUND

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

---

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

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

The Fund has adopted CICA Handbook Sections 3862, Financial Instruments - Disclosures and 3863, Financial Instruments - Presentation. These standards place increased emphasis on disclosures with respect to the nature and extent of risks arising from financial instruments and how the Fund has managed those risks. See note 9 for additional details.

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

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

See note 11 for additional details.

##### d) Transaction costs

Portfolio transaction costs are expensed and are included in "Transaction costs" in the Statement of Operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges. The individual security's cost shown on the Statement of Investment Portfolio includes only those transaction costs incurred on the acquisition of portfolio investments.

##### e) Investment transactions and income recognition

Investment transactions are accounted for on a trade date basis. Gains and losses from such transactions are calculated using the weighted average cost of the securities on disposition.

Interest income is recorded on an accrual basis. Dividend income is recorded on the ex dividend date.

##### f) Foreign currency translation

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

## FRONT STREET MONEY MARKET FUND

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

---

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

g) Increase (decrease) in net assets from operations per share

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

h) Net assets per share

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

i) Capital disclosures

The Fund has adopted CICA Handbook Section 1535, Capital Disclosures, which requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. See note 10 for additional details.

j) General standards on financial statement presentation

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

k) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results may differ from those estimates.

## FRONT STREET MONEY MARKET FUND

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

---

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

##### l) Future accounting pronouncements

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

International financial reporting standards ("IFRS")

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

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

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

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

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

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

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

## FRONT STREET MONEY MARKET FUND

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

---

#### 3. SHARES ISSUED AND OUTSTANDING

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

##### **Series A shares**

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

##### **Series B shares**

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

##### **Series F shares**

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

##### **Series X shares**

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



## FRONT STREET MONEY MARKET FUND

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

---

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

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

The following share transactions took place during the period:

	November 1, 2011 to April 30, 2012	November 1, 2010 to April 30, 2011
Shares outstanding, beginning of the year:		
Series A	606,215	179,782
Series B	470,512	339,243
Series F	21,588	22,477
Series X	348,129	82,113
Shares issued during the year:		
Series A	201,387	71,825
Series B	344,683	320,537
Series F	201,170	17,492
Series X	54,869	98,430
Shares redeemed during the year:		
Series A	280,708	98,626
Series B	319,593	361,149
Series F	40,610	8,333
Series X	260,607	101,687
Shares outstanding, end of the year:		
Series A	526,894	152,981
Series B	495,602	298,631
Series F	182,148	31,636
Series X	142,391	78,856

## FRONT STREET MONEY MARKET FUND

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

---

#### 4. FEES AND EXPENSES

The Fund pays a monthly management fee equal to 1/12 of 1.0% of the net asset value of Series A, Series B, and Series X shares calculated and paid at the end of each month in arrears from each Fund series.

The Fund pays a monthly management fee equal to 1/12 of 0.75% of the net asset value of series F shares, calculated and paid at the end of each month in arrears.

Effective May 1, 2009, the Manager of the Fund waived the monthly management fee for Series A, Series B, Series F shares and Series X shares of the Fund.

The Fund pays a monthly service fee of 1/12 of 0.25% of the net asset value of the Series A, Series B, and Series X shares calculated and paid at the end of each month.

There are no performance fees payable by this Fund.

The Fund is responsible for payment of all operating and administrative expenses of the Fund. The main components of these expenses are legal and accounting fees, printing expenses, reporting issuer filing and sustaining fees, custodial fees, fees payable to, and expenses incurred by, the Fund's Independent Review Committee and expenses of making distributions to shareholders. As the Fund has more than one series of shares, the shareholders of each series bear their pro rata share of those expenses which are common to the operation of all series, as well as those expenses which are attributable solely to that series.

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

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

## FRONT STREET MONEY MARKET FUND

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

---

#### 5. INCOME TAX AND DISTRIBUTION

The Fund qualifies as a mutual fund corporation under the Income Tax Act (Canada). The Corporation will earn three types of income, Canadian dividends, taxable capital gains and other net taxable income. The income of the Fund, including taxable capital gains, will be subject to income tax at applicable corporate tax rates, after claiming allowable deductions for expenses and applicable credits for foreign taxes paid on foreign source income. Income tax on capital gains is refundable to the Fund to the extent that such gains are distributed to shareholders as capital gains dividends or the Fund's shares are redeemed. Gains and losses realized by the Fund in relation to certain derivative transactions and short sale transactions may be taxed on account of income as opposed to on account of capital. Other income is subject to tax at normal corporate rates and is not subject to refundable tax treatment.

The Fund may elect in the prescribed manner and form in order to have the dividends it distributes treated as capital gains dividends to the extent that the dividends do not exceed the Fund's capital gains dividend account. The capital gains dividend account will be represented by the amount by which capital gains realized by the Fund while it was a mutual fund corporation exceed the aggregate of:

- (a) capital losses realized by the Fund while it was a mutual fund corporation;
- (b) certain capital gains dividends previously paid by it; and
- (c) amounts in respect of which the Fund received capital gains tax refunds.

The Fund anticipates that gains and losses realized on the disposition of investments will normally give rise to capital gains not ordinary income. The Fund intends to declare sufficient capital gains dividends so that it is entitled to a refund of the full amount of tax paid or payable on their capital gains. The suspended loss rules in the Income Tax Act (Canada) may prevent the Fund from recognizing capital losses on the disposition of securities in certain circumstances, which may increase the amount of capital gains dividends that the Fund must pay to Fund shareholders.

If allowable capital losses exceed taxable capital gains of the Fund in any taxation year, the excess cannot be allocated to shareholders, but may be carried back three years and carried forward indefinitely and be applied against taxable capital gains in such previous or subsequent years.

The Fund will allocate taxes payable and recoverable of the Fund to each of the classes. The Fund can pay ordinary taxable dividends or capital gains dividends to shareholders of any class in order to receive a refund of taxes on Canadian dividends or capital gains taxes. The Fund intends to pay out such dividends so as to maximize tax refunds and minimize taxes payable at the corporate level.

The Fund may be subject to provincial capital taxes.

The corporation's shares are qualified investments for registered plans.

## FRONT STREET MONEY MARKET FUND

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

---

#### 6. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to security transactions for the period ended April 30, 2012 was \$Nil (April 30, 2011 - \$Nil).

#### 7. RELATED PARTY TRANSACTIONS

Management fees of \$86,626 (April 30, 2011 – \$31,676) were incurred with the Manager during the period (see note 4). Servicing fees of \$18,754 (April 30, 2011 - \$6,790) were paid to the Manager during the period. There were no performance fees paid to the Manager during the period (see note 4). Expenses waived and absorbed by the Manager during the period amounted to \$147,090 (April 30, 2011 – \$92,454) (see note 4). Included in accrued expenses are \$2,573 (October 31, 2011 - \$3,246) of accrued servicing fees payable to the Manager.

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

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

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

There is no difference in transactional NAV and GAAP NA in this Fund.

## FRONT STREET MONEY MARKET FUND

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

---

#### 9. FINANCIAL INSTRUMENTS

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

	As at April 30, 2012 (Unaudited)	As at October 31, 2011 (Audited)
<b>Assets</b>		
Held for trading	\$ 11,892,183	\$ 13,701,257
Cash	2,151,037	1,435,834
Loans and receivables	<u>11,412</u>	<u>28,003</u>
Total Assets	<u>14,054,632</u>	<u>15,165,094</u>
<b>Liabilities</b>		
Held for trading	-	-
Other financial liabilities at amortized cost	<u>83,603</u>	<u>230,428</u>
Total liabilities	<u>83,603</u>	<u>230,428</u>
Net Assets	<u>\$ 13,971,029</u>	<u>\$ 14,934,666</u>

The Fund's financial instruments consist of investments at fair value, cash, accounts receivable relating to shares issued, amounts receivable relating to accrued income, accounts payable relating to shares redeemed and accrued expenses. It is the Manager's opinion that due to the short term nature of these financial instruments, the Fund is not exposed to significant market price, currency, interest rate, liquidity, cash flow and credit risks arising from these financial instruments except as described below. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

#### Risk Management

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

## FRONT STREET MONEY MARKET FUND

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

---

#### 9. FINANCIAL INSTRUMENTS (Continued...)

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

##### i) Market price risk

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

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

##### ii) Currency risk

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

At April 30, 2012, the Fund had no material exposure to foreign currencies.

## FRONT STREET MONEY MARKET FUND

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

---

#### 9. FINANCIAL INSTRUMENTS (Continued...)

##### iii) Interest rate risk

The Fund may invest in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future. Interest payable on bank overdraft or broker margin account positions will be affected by fluctuations in interest rates. As at April 30, 2012, there were investments in short-term investments representing 85.1% (October 31, 2011 – 91.8%) of the net assets, all maturing in less than 90 days. The remaining portion of the Fund's investments are in cash and its exposure to interest rate changes is minimal.

Financial assets	Floating Rate Financial Assets	Fixed Rate Financial Assets	Non-interest bearing	Total
Held for trading	\$ -	\$ 11,892,183	\$ -	\$ 11,892,183
Other receivables	-	-	11,412	11,412
Cash	<u>2,151,037</u>	<u>-</u>	<u>-</u>	<u>2,151,037</u>
Total	<u>\$ 2,151,037</u>	<u>\$ 11,892,183</u>	<u>\$ 11,412</u>	<u>\$ 14,054,632</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ -	\$ -
Other financial liabilities	<u>-</u>	<u>-</u>	<u>83,603</u>	<u>83,603</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,603</u>	<u>\$ 83,603</u>
GAAP NA				<u>\$13,971,029</u>

## FRONT STREET MONEY MARKET FUND

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

---

#### 9. FINANCIAL INSTRUMENTS (Continued...)

##### iv) Liquidity risk

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

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

	0-12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets						
Held for trading	\$ 11,892,183	\$ -	\$ -	\$ -	\$ -	\$ 11,892,183
Other receivables	11,412	-	-	-	-	11,412
Cash	<u>2,151,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,151,037</u>
Total	<u>\$ 14,054,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,054,632</u>
Financial liabilities						
Held for trading	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other financial liabilities	<u>83,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,603</u>
Total	<u>\$ 83,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,603</u>
GAAP NA						<u>\$ 13,971,029</u>

##### v) Cash flow risk

The risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. In the case of a floating rate debt instrument, for example, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.



## FRONT STREET MONEY MARKET FUND

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

---

#### 9. FINANCIAL INSTRUMENTS (Continued...)

##### vi) Credit risk

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

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

As at April 30, 2012, the Fund invested in debt instruments with the following credit ratings obtained from Standard and Poor's & DBRS:

Debt instruments by credit rating	Percentage of GAAP NA
A+	9.6%
A-	21.9%
BBB+	53.6%

#### 10. CAPITAL MANAGEMENT

Management considers the Fund's capital to consist of the issued ordinary share capital and the net assets attributable to participating shareholders.

The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Fund's prospectus, while maintaining sufficient liquidity to meet participating shareholder redemptions. The Fund's overall strategy for managing capital remains unchanged since October 31, 2011.

The Fund does not have any externally imposed capital requirements.

# FRONT STREET MONEY MARKET FUND

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

---

### 11. FAIR VALUE HIERARCHY

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

	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
Assets at fair value as at April 30, 2012				
Investments, at fair value	<u>\$ -</u>	<u>\$ 11,892,183</u>	<u>\$ -</u>	<u>\$ 11,892,183</u>



**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](http://www.FrontStreetCapital.com)