

FRONT STREET MONEY MARKET CLASS
(Formerly Front Street Money Market Fund)

FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of Front Street Money Market Class (formerly Front Street Money Market Fund) of Front Street Mutual Funds Limited have been prepared by the management of Front Street Capital 2004, the Manager of the Fund, and approved by the Board of Directors of Front Street Mutual Funds Limited. The Manager is responsible for the information and representations contained in these financial statements.

The Manager maintains processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies, which the Manager believes are appropriate for the Fund, are described in note 2 to the financial statements.

The Board of Directors of Front Street Mutual Funds Limited is responsible for reviewing the financial statements, the adequacy of internal controls, the audit process and financial reporting with the Manager and the external auditors. The Board of Directors approves the audited financial statements for publication.

Segal LLP are the external auditors of Front Street Money Market Class. They are appointed by the Manager of the Fund. The external auditors have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out below.

On behalf of Management of Front Street Capital 2004,
Manager of the Fund



Gary P. Selke
Management Committee Member
Front Street Capital 2004



Normand G. Lamarche
Management Committee Member
Front Street Capital 2004

January 18, 2013
Toronto, Ontario

SEGAL LLP
2005 Sheppard Ave E, No. 500
Toronto, Ontario M2J 5B4

Phone. 416 391 4499
Fax. 416 391 3280
Toll Free. 1 800 206 7307
info@segalllp.com

A MEMBER OF DFK INTERNATIONAL

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
Front Street Money Market Class (formerly Front Street Money Market
Fund) (the "Fund") of Front Street Mutual Funds Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of Front Street Money Market Class which comprise the statements of net assets as at October 31, 2012 and 2011, the statements of operations and the statements of changes in net assets for the years then ended, the statement of investment portfolio as at October 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



Assurance.
Business Advisory.
Financial Recovery.
Tax Solutions.

Independent Auditor's Report
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Front Street Money Market Class as at October 31, 2012 and 2011 and its operations and changes in net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Segal LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
January 18, 2013

FRONT STREET MONEY MARKET CLASS
(Formerly Front Street Money Market Fund)

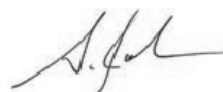
STATEMENTS OF NET ASSETS
AS AT OCTOBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Investments, at fair value (cost - \$14,084,269; 2011 - \$13,701,257)	\$ 14,084,269	\$ 13,701,257
Cash	907,959	1,435,834
Amounts receivable relating to accrued income	9,300	11,515
Accounts receivable relating to shares issued	<u>3,171</u>	<u>16,488</u>
	<u>\$ 15,004,699</u>	<u>\$ 15,165,094</u>
LIABILITIES		
Accounts payable relating to shares redeemed	\$ 46,869	\$ 212,796
Accrued expenses, note 7	<u>18,510</u>	<u>17,632</u>
	<u>65,379</u>	<u>230,428</u>
Net assets representing shareholders' equity	<u>\$ 14,939,320</u>	<u>\$ 14,934,666</u>
Net assets applicable to outstanding shares allocated as follows:		
Net assets, Series A	\$ 5,956,233	\$ 6,258,556
Shares outstanding, Series A, note 3	572,273	606,215
Net assets per share, Series A	<u>\$ 10.41</u>	<u>\$ 10.32</u>
Net assets, Series B	\$ 4,949,338	\$ 4,858,956
Shares outstanding, Series B, note 3	475,399	470,512
Net assets per share, Series B	<u>\$ 10.41</u>	<u>\$ 10.33</u>
Net assets, Series F	\$ 2,800,003	\$ 223,653
Shares outstanding, Series F, note 3	267,410	21,588
Net assets per share, Series F	<u>\$ 10.47</u>	<u>\$ 10.36</u>
Net assets, Series X	\$ 1,233,746	\$ 3,593,501
Shares outstanding, Series X, note 3	118,560	348,129
Net assets per share, Series X	<u>\$ 10.41</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

See accompanying notes to the financial statements

FRONT STREET MONEY MARKET CLASS
(Formerly Front Street Money Market Fund)

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED OCTOBER 31, 2012 AND 2011

	2012	2011
Investment income		
Interest	\$ 163,531	\$ 83,184
Expenses		
Management fees, notes 4 and 7	169,913	92,490
Administration fees	84,989	71,043
Servicing fees, notes 4 and 7	34,883	20,550
Legal fees	22,287	6,715
Audit fees	13,480	29,782
Securityholder reporting costs	3,703	4,985
Independent review committee	701	297
Operating costs, notes 4 and 7	<u>-</u>	<u>16,809</u>
	329,956	242,671
Expenses waived or absorbed by Manager, notes 4 and 7	<u>(295,074)</u>	<u>(222,124)</u>
	<u>34,882</u>	<u>20,547</u>
Net increase in net assets from operations for the year	<u>\$ 128,649</u>	<u>\$ 62,637</u>
Increase in net assets from operations applicable to outstanding shares allocated as follows:		
Increase in net assets from operations, Series A	\$ 50,424	\$ 20,810
Increase in net assets from operations per share, Series A	<u>\$ 0.08</u>	<u>\$ 0.08</u>
Increase in net assets from operations, Series B	\$ 43,767	\$ 27,899
Increase in net assets from operations per share, Series B	<u>\$ 0.08</u>	<u>\$ 0.08</u>
Increase in net assets from operations, Series F	\$ 17,187	\$ 3,154
Increase in net assets from operations per share, Series F	<u>\$ 0.11</u>	<u>\$ 0.10</u>
Increase in net assets from operations, Series X	\$ 17,271	\$ 10,774
Increase in net assets from operations per share, Series X	<u>\$ 0.08</u>	<u>\$ 0.08</u>

See accompanying notes to the financial statements

FRONT STREET MONEY MARKET CLASS
(Formerly Front Street Money Market Fund)

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED OCTOBER 31, 2012 AND 2011

	2012	2011
Series A		
Net assets, beginning of year	\$ 6,258,556	\$ 1,842,157
Net increase in net assets from operations	<u>50,424</u>	<u>20,810</u>
Shareholder transactions		
Proceeds from the issuance of shares	3,663,179	7,244,671
Aggregate amounts paid on redemption of shares	<u>(4,015,926)</u>	<u>(2,849,082)</u>
	<u>(352,747)</u>	<u>4,395,589</u>
Net increase (decrease) in net assets for the year	<u>(302,323)</u>	<u>4,416,399</u>
Net assets, end of year	<u>\$ 5,956,233</u>	<u>\$ 6,258,556</u>
Series B		
Net assets, beginning of year	\$ 4,858,956	\$ 3,477,030
Net increase in net assets from operations	<u>43,767</u>	<u>27,899</u>
Shareholder transactions		
Proceeds from the issuance of shares	5,238,142	8,457,887
Aggregate amounts paid on the redemption of shares	<u>(5,191,527)</u>	<u>(7,103,860)</u>
	<u>46,615</u>	<u>1,354,027</u>
Net increase in net assets for the year	<u>90,382</u>	<u>1,381,926</u>
Net assets, end of year	<u>\$ 4,949,338</u>	<u>\$ 4,858,956</u>

See accompanying notes to the financial statements

FRONT STREET MONEY MARKET CLASS
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STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED OCTOBER 31, 2012 AND 2011

	2012	2011
Series F		
Net assets, beginning of year	\$ 223,653	\$ 230,523
Net increase in net assets from operations	17,187	3,154
Shareholder transactions		
Proceeds from the issuance of shares	3,043,873	734,395
Aggregate amounts paid on the redemption of shares	(484,710)	(744,419)
	2,559,163	(10,024)
Net increase (decrease) in net assets for the year	2,576,350	(6,870)
Net assets, end of year	\$ 2,800,003	\$ 223,653
Series X		
Net assets, beginning of year	\$ 3,593,501	\$ 841,197
Net increase in net assets from operations	17,271	10,774
Shareholder transactions		
Proceeds from the issuance of shares	1,072,863	4,879,905
Aggregate amounts paid on the redemption of shares	(3,449,889)	(2,138,375)
	(2,377,026)	2,741,530
Net increase (decrease) in net assets for the year	(2,359,755)	2,752,304
Net assets, end of year	\$ 1,233,746	\$ 3,593,501
Total		
Net assets, beginning of year	\$ 14,934,666	\$ 6,390,907
Net increase in net assets from operations	128,649	62,637
Shareholder transactions		
Proceeds from the issuance of shares	13,018,057	21,316,858
Aggregate amounts paid on the redemption of shares	(13,142,052)	(12,835,736)
	(123,995)	8,481,122
Net increase in net assets for the year	4,654	8,543,759
Net assets, end of year	\$ 14,939,320	\$ 14,934,666

See accompanying notes to the financial statements

FRONT STREET MONEY MARKET CLASS
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STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2012

	Face Value	Average Cost \$	Fair Value \$
Treasury Bills (4.0%)			
Province of Nova Scotia, 1.04%, Nov 9, 2012	600,000	\$ 599,166	\$ 599,166
Bankers Acceptance (20.7%)			
Bank of Nova Scotia, 1.11%, Dec 12, 2012	300,000	\$ 299,607	\$ 299,607
National Bank, 1.10%, Nov 9, 2012	1,400,000	1,398,824	1,398,824
Toronto Dominion Bank, 1.07%, Dec 5, 2012	1,400,000	1,398,530	1,398,530
		<u>\$ 3,096,961</u>	<u>\$ 3,096,961</u>
Commercial Paper (69.6%)			
Enbridge Inc., 1.11%, Nov 23, 2012	500,000	\$ 499,545	\$ 499,545
Enbridge Inc., 1.11%, Nov 6, 2012	900,000	899,262	899,262
General Electric Capital, 1.10%, Dec 7, 2012	1,400,000	1,398,068	1,398,068
Imperial Oil Ltd., 1.10%, Nov 1, 2012	1,400,000	1,398,824	1,398,824
Inter Pipeline Fund, 1.17%, Nov 13, 2012	900,000	899,280	899,280
Inter Pipeline Fund, 1.25%, Dec 17, 2012	100,000	99,693	99,693
Shoppers Drug Mart Corporation, 1.15%, Nov 16, 2012	1,400,000	1,398,768	1,398,768
Telus Corp., 1.14%, Nov 5, 2012	500,000	499,500	499,500
Telus Corp., 1.15%, Nov 28, 2012	600,000	598,980	598,980
Telus Corp., 1.17%, Nov 5, 2012	300,000	299,568	299,568
Transcanada Pipeline, 1.12%, Nov 20, 2012	1,000,000	998,990	998,990
Vancity Shared Growth, 1.17%, Nov 6, 2012	600,000	599,520	599,520
Vancity Shared Growth, 1.23%, Nov 6, 2012	800,000	798,144	798,144
		<u>\$ 10,388,142</u>	<u>\$ 10,388,142</u>
Total Investments (94.3%)		<u>\$ 14,084,269</u>	14,084,269
Cash (6.1%)			907,959
Other assets less other liabilities (-0.4%)			<u>(52,908)</u>
Net assets (100.0%)			<u>\$ 14,939,320</u>

See accompanying notes to the financial statements

FRONT STREET MONEY MARKET CLASS
(Formerly Front Street Money Market Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

1. THE FUND

Front Street Money Market Class (formerly Front Street Money Market Fund) (the "Fund") is a class of shares of Front Street Mutual Funds Limited (the "Corporation"), a mutual fund corporation incorporated under the Canada Business Corporations Act on April 11, 2006, and is authorized to issue an unlimited number of classes of shares in multiple series. Pursuant to the notice of change in legal structure, the name of the Fund was changed to Front Street Money Market Class on June 27, 2012. 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 October 31, 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 CLASS
(Formerly Front Street Money Market Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

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. Accounts receivable relating to accrued income and amounts receivable relating to shares issued 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 one year.

FRONT STREET MONEY MARKET CLASS
(Formerly Front Street Money Market Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

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.

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 CLASS
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

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, includes 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 CLASS
(Formerly Front Street Money Market Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

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.

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 CLASS
(Formerly Front Street Money Market Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

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 CLASS
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

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 year.

The following share transactions took place during the year:

	2012	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	353,844	703,184
Series B	505,857	821,651
Series F	292,479	71,103
Series X	103,625	473,896
Shares redeemed during the year:		
Series A	387,786	276,751
Series B	500,970	690,382
Series F	46,657	71,992
Series X	333,194	207,880
Shares outstanding, end of the year:		
Series A	572,273	606,215
Series B	475,399	470,512
Series F	267,410	21,588
Series X	118,560	348,129

FRONT STREET MONEY MARKET CLASS
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

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 CLASS
(Formerly Front Street Money Market Fund)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012 AND 2011

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.

6. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to security transactions for the year ended October 31, 2012 was \$Nil (October 31, 2011 - \$Nil).

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7. RELATED PARTY TRANSACTIONS

During the years ended October 31, 2012 and 2011, fees paid to (waived or absorbed by) the Manager were as follows:

	2012	2011
Management fees, note 4	\$ 169,913	\$ 92,490
Servicing fees, note 4	34,883	20,550
Operating costs, note 4	-	16,809
Expenses waived or absorbed by the Manager, note 4	<u>(295,074)</u>	<u>(222,124)</u>
	<u>\$ (90,278)</u>	<u>\$ (92,275)</u>

Included in accrued expenses are amounts payable to the Manager as follows:

	2012	2011
Servicing fees payable	<u>\$ 2,691</u>	<u>\$ 3,246</u>

The following shares are held by the related parties of the Fund:

	2012	2011
Series F shares held by Partners of the Manager	227,941.00	-
Percentage of Series F held by Partners of the Manager	85.24%	-

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.

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9. **FINANCIAL INSTRUMENTS**

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

As at October 31,

	2012	2011
Assets		
Held for trading	\$ 14,084,269	\$ 13,701,257
Cash	907,959	1,435,834
Loans and receivables	<u>12,471</u>	<u>28,003</u>
Total Assets	<u>\$ 15,004,699</u>	<u>\$ 15,165,094</u>
Liabilities		
Held for trading	\$ -	\$ -
Other financial liabilities at amortized cost	<u>65,379</u>	<u>230,428</u>
Total liabilities	<u>\$ 65,379</u>	<u>\$ 230,428</u>
Net Assets	<u>\$ 14,939,320</u>	<u>\$ 14,934,666</u>

The Fund's financial instruments consist of investments at fair value, cash, amounts receivable relating to accrued income, accounts receivable relating to shares issued, 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.

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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 October 31, 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 October 31, 2012, the Fund had no material exposure to foreign currencies.

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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 October 31, 2012, there were investments in short-term investments representing 94.3% (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	\$ -	\$ 14,084,269	\$ -	\$ 14,084,269
Other receivables	-	-	12,471	12,471
Cash	<u>907,959</u>	<u>-</u>	<u>-</u>	<u>907,959</u>
Total	<u>\$ 907,959</u>	<u>\$ 14,084,269</u>	<u>\$ 12,471</u>	<u>\$ 15,004,699</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ -	\$ -
Other financial liabilities	<u>-</u>	<u>-</u>	<u>65,379</u>	<u>65,379</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,379</u>	<u>\$ 65,379</u>
GAAP NA				<u>\$ 14,939,320</u>

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NOTES TO THE FINANCIAL STATEMENTS
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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	\$ 14,084,269	\$ -	\$ -	\$ -	\$ -	\$ 14,084,269
Other receivables	12,471	-	-	-	-	12,471
Cash	<u>907,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>907,959</u>
Total	<u>\$ 15,004,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,004,699</u>
Financial liabilities						
Held for trading	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other financial liabilities	<u>65,379</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,379</u>
Total	<u>\$ 65,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,379</u>
GAAP NA						<u>\$ 14,939,320</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.

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NOTES TO THE FINANCIAL STATEMENTS
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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 October 31, 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
AAA	9.4%
AA-	11.4%
A+	4.0%
A	9.4%
A-	16.1%
BBB+	25.4%
Not available or not rated	18.7%

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.

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NOTES TO THE FINANCIAL STATEMENTS
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11. **FAIR VALUE HIERARCHY**

The following is a summary of the inputs used as of October 31, 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 October 31, 2012				
Investments, at fair value	<u>\$ -</u>	<u>\$ 14,084,269</u>	<u>\$ -</u>	<u>\$ 14,084,269</u>