

FRONT STREET SELECT EQUITY FUND
(FORMERLY AURION II EQUITY FUND)

Financial Statements

December 31, 2016



March 31, 2017

Independent Auditor's Report

To the Unitholders

Front Street Select Equity Fund (formerly Aurion II Equity Fund) (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2016 and 2015 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and the related notes, which comprise 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 International Financial Reporting Standards, 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 from material misstatement.

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.

PricewaterhouseCoopers LLP

*PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

FRONT STREET SELECT EQUITY FUND (FORMERLY AURION II EQUITY FUND)

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2016 and 2015

	December 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Financial assets at fair value through profit or loss	\$ 26,445,709	\$ 30,307,539
Cash and cash equivalents	3,190,390	4,731,871
Receivable for investments sold	483,017	1,351,143
Dividends receivable	42,864	68,730
Margin deposits	6,268	284,305
	\$ 30,168,248	\$ 36,743,588
LIABILITIES		
Current Liabilities		
Distributions payable	\$ 1,827,861	\$ –
Financial liabilities at fair value through profit or loss	657,360	1,996,380
Payable for investments purchased	198,478	–
Accrued expenses	56,392	38,463
Income taxes payable	43,123	–
Management fees payable	40,808	156,480
Dividends payable	16,010	10,139
Redemptions payable	–	4,814,469
Liabilities before net assets attributable to unitholders of redeemable units	2,840,032	7,015,931
Net assets attributable to unitholders of redeemable units	\$ 27,328,216	\$ 29,727,657
Net assets attributable to unitholders of redeemable units		
Series A	\$ 1,173,106	\$ 2,340,630
Series F	\$ 26,155,110	\$ 27,387,027
Number of redeemable units outstanding		
Series A	116,780	262,625
Series F	2,081,749	2,432,302
Net assets attributable to unitholders of redeemable units per unit		
Series A	\$ 10.05	\$ 8.91
Series F	\$ 12.56	\$ 11.26

Approved on behalf of LOGiQ Capital 2016, The Manager:



Joe Canavan
Chief Executive Officer and Director

See accompanying notes to the financial statements.

FRONT STREET SELECT EQUITY FUND (FORMERLY AURION II EQUITY FUND)

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2016 and 2015

	2016	2015
Investment income		
Dividends	\$ 499,482	\$ 771,501
Interest income for distribution purposes and other	5,888	14,197
Foreign currency gain (loss) on cash and other net assets	23,235	104,281
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss ("FVTPL")		
Net realized gain (loss) on financial assets and liabilities at FVTPL	5,516,644	1,906,540
Net realized gain (loss) on foreign exchange forward contracts	1,302	–
Derivative income (loss)	3,536	(351,656)
Change in unrealized appreciation (depreciation) on financial assets and liabilities at FVTPL	690,489	(1,665,874)
Compensatory dividends	(230,388)	(149,380)
	6,510,188	629,609
Expenses		
Transaction costs (Note 9)	1,099,631	1,146,835
Management fees (Note 10)	487,459	750,148
Administration fees	51,697	81,456
Income taxes	43,123	–
Custodial fees	41,289	12,196
Audit fees	40,207	43,430
Security borrowing fees	34,947	40,343
Legal fees	22,320	848
Securityholder reporting costs	4,065	14,785
Trustee fees	2,751	3,278
Withholding taxes (tax reclaims)	527	(19,635)
	1,828,016	2,073,684
Increase (decrease) in net assets attributable to unitholders of redeemable units from operations	4,682,172	(1,444,075)
Increase (decrease) in net assets attributable to unitholders of redeemable units from operations		
Series A	\$ 257,544	\$ (4,448)
Series F	\$ 4,424,628	\$ (1,439,827)
Increase (decrease) in net assets attributable to unitholders of redeemable units from operations per unit		
Series A	\$ 1.41	\$ (0.01)
Series F	\$ 2.08	\$ (0.47)

See accompanying notes to the financial statements.

FRONT STREET SELECT EQUITY FUND (FORMERLY AURION II EQUITY FUND)

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF REDEEMABLE UNITS

For the years ended December 31, 2016 and 2015

	2016	2015
Net assets attributable to unitholders of redeemable units, beginning of year		
Series A	\$ 2,340,630	\$ 5,607,378
Series F	27,387,027	38,105,762
	<u>29,727,657</u>	<u>43,713,140</u>
Increase (decrease) in net assets attributable to unitholders of redeemable units from operations		
Series A	257,544	(4,448)
Series F	4,424,628	(1,439,827)
	<u>4,682,172</u>	<u>(1,444,275)</u>
Redeemable unit transactions		
Proceeds from redeemable units issued		
Series A	170,000	49,000
Series F	2,028,201	34,714
	<u>2,198,201</u>	<u>83,714</u>
Redemption of redeemable units		
Series A	(1,541,959)	(3,311,300)
Series F	(5,909,994)	(9,313,622)
	<u>(7,451,953)</u>	<u>(12,624,922)</u>
Net increase (decrease) in net assets from redeemable units transactions	<u>(5,253,752)</u>	<u>(12,541,208)</u>
Distributions to unitholders of redeemable units		
Capital gains		
Series A	(53,109)	-
Series F	(1,774,752)	-
	<u>(1,827,861)</u>	<u>-</u>
Net increase (decrease) in net assets attributable to unitholders of redeemable units	<u>(2,399,441)</u>	<u>(13,985,483)</u>
Net assets attributable to unitholders of redeemable units, end of year		
Series A	1,173,106	2,340,630
Series F	26,155,110	27,387,027
	<u>\$ 27,328,216</u>	<u>\$ 29,727,657</u>

See accompanying notes to financial statements.

FRONT STREET SELECT EQUITY FUND (FORMERLY AURION II EQUITY FUND)

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015

2016 2015

Cash flows from (used in) operating activities

Increase (decrease) in net assets attributable to unitholders of redeemable units from operations	\$ 4,682,172	\$ (1,444,276)
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	(23,235)	(104,281)
Net realized (gain) loss on financial assets and liabilities at FVTPL	(5,516,644)	(2,121,229)
Net realized (gain) loss on foreign exchange forward contracts	—	—
Change in unrealized (appreciation) depreciation on financial assets and liabilities at FVTPL	(690,489)	1,955,141
(Increase) decrease in dividends receivable	25,866	(34,822)
Increase (decrease) in dividends payable	5,871	—
Increase (decrease) in other payable and accrued liabilities	(54,620)	(257,683)
Purchases of financial assets and liabilities at FVTPL	(155,955,623)	(283,220,683)
Proceeds from sales of financial assets and liabilities at FVTPL	165,752,170	297,749,195
Net cash from operating activities	8,225,468	12,521,362

Cash flows from (used in) financing activities

Proceeds from redeemable units issued	2,198,201	175,553
Amount paid on redemption of redeemable units	(12,266,422)	(7,941,081)
Net cash used in financing activities	(10,068,221)	(7,765,528)

Foreign currency gain (loss) on cash and other net assets	23,235	104,281
Net increase (decrease) in cash and cash equivalents	(1,842,753)	4,755,834
Cash and cash equivalents, beginning of year	5,016,176	156,061
Cash and cash equivalents, end of year	\$ 3,196,658	5,016,176

Cash and cash equivalents comprise:

Cash at bank	3,190,390	4,731,871
Margin deposits	6,268	284,305
	\$ 3,196,658	\$ 5,016,176

Interest received, net of withholding tax	\$ —	\$ 14,197
Dividends received, net of withholding tax	\$ 524,821	\$ 736,679
Dividends paid	\$ (224,517)	\$ (174,141)
Interest paid	\$ (21,414)	\$ (11,119)

See accompanying notes to the financial statements.

FRONT STREET SELECT EQUITY FUND (FORMERLY AURION II EQUITY FUND)

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016

	Number of Shares/Units	Cost \$	Fair Value \$
Long Positions (96.8%)			
Consumer Discretionary (4.7%)			
Gaming Nation Inc.	290,000	725,000	142,100
NYX Gaming Group, Warrants 26/04/2019	23,875	–	4,059
Park Lawn Corporation	44,500	712,000	699,985
Thunderbird Films Inc., Class C, Preferred Shares*	250,000	500,000	425,000
		<u>1,937,000</u>	<u>1,271,144</u>
Energy (29.7%)			
Bonavista Energy Corporation	200,000	961,249	962,000
Canadian Energy Services & Technology Corporation	50,000	363,040	383,000
Canadian Natural Resources Limited	25,000	1,070,416	1,069,750
Gear Energy Limited	775,000	603,338	914,500
Mullen Group Limited	20,000	363,489	396,600
NexGen Energy Limited	200,000	386,000	466,000
Parex Resources Inc.	25,380	362,586	428,922
Precision Drilling Corporation	115,000	681,039	841,800
Raging River Exploration Inc.	50,000	531,330	528,000
Seven Generations Energy Limited	20,000	586,474	626,200
Spartan Energy Corporation	100,000	300,000	333,000
Tourmaline Oil Corporation	22,500	791,385	807,975
TransCanada Corporation	6,000	351,000	363,240
		<u>7,351,346</u>	<u>8,120,987</u>
Financials (8.0%)			
ECN Capital Corporation	300,000	895,134	990,000
KKR & Co LP	35,000	733,022	723,218
Tricon Capital Group Inc.	50,000	458,500	473,000
		<u>2,086,656</u>	<u>2,186,218</u>
Health Care (2.4%)			
Knight Therapeutics Inc.	60,000	600,000	644,400
Industrials (9.7%)			
Aecon Group Inc.	30,000	435,906	457,500
Brookfield Business Partners LP	20,855	654,908	672,782
Canadian Pacific Railway Limited	5,000	978,723	957,800
WestJet Airlines Limited	25,000	531,732	576,000
		<u>2,601,269</u>	<u>2,664,082</u>
Information Technology (17.6%)			
Baanto International Limited*	74,627	500,000	59,701
D2L Inc., Pref. Series B*	60,308	688,736	753,045
Dealnet Capital Corporation	1,073,500	429,400	622,630
Dealnet Capital Corporation, Warrants 18/02/2017	937,500	–	–
GuestLogix Inc.*	400,000	186,000	–

FRONT STREET SELECT EQUITY FUND (FORMERLY AURION II EQUITY FUND)

SCHEDULE OF INVESTMENT PORTFOLIO (Continued)

As at December 31, 2016

	Number of Shares/Units	Cost \$	Fair Value \$
Kinaxis Inc.	5,000	315,044	312,500
Novan Inc.	10,000	378,443	362,784
Oclaro Inc.	50,000	559,048	600,836
Open Text Corporation	4,000	323,922	331,957
Opsens Inc.	263,300	226,444	426,546
Opsens Inc., Warrants 22/06/2017	284,100	11,150	119,322
Vision Critical Communications Inc., Series 2, Class B, Preferred*	301,700	1,055,950	1,206,800
		<u>4,674,137</u>	<u>4,796,121</u>
Materials (24.7%)			
Arizona Mining Inc.	225,000	686,250	551,250
B2Gold Corporation	200,000	668,876	638,000
Buildirect.com Technologies Inc.*	220,000	1,480,074	855,622
Cathay Forest Products Corporation*	1,050,500	577,365	-
Continental Gold Inc.	100,000	428,493	440,000
Detour Gold Corporation	30,000	560,013	548,700
First Quantum Minerals Limited	35,000	503,057	467,250
Horizonte Minerals PLC	2,186,000	240,460	103,835
Nevsun Resources Limited	100,000	426,660	415,000
Orla Mining Limited	300,000	400,000	375,000
Orla Mining Limited, Warrants 30/06/2021	50,000	-	54,500
PolyMet Mining Corporation	400,000	397,785	398,606
PolyMet Mining Corporation, Warrants 10/25/2017	200,000	-	74,000
Shore Gold Inc.	1,584,550	301,064	285,219
Sphinx Resources Limited	3,125,000	406,250	203,125
Tahoe Resources Inc.	50,000	682,747	632,500
West Fraser Timber Company Limited	15,000	685,767	720,150
		<u>8,444,861</u>	<u>6,762,757</u>
Total Long Positions (96.8%)		<u>27,695,269</u>	<u>26,445,709</u>
Short Positions (-2.4%)			
Financials (-2.4%)			
Canadian Imperial Bank of Commerce	(6,000)	(648,251)	(657,360)
Total Short Positions (-2.4%)		<u>(648,251)</u>	<u>(657,360)</u>
Transaction costs, note 3		<u>(86,803)</u>	-
Total Investments (94.4%)		\$ 26,960,215	25,788,349
Cash and Cash Equivalents (11.7%)			3,196,658
Other assets, less liabilities (-6.1%)			<u>(1,656,791)</u>
Net assets (100.0%)			<u>\$ 27,328,216</u>

*Level 3 Investments

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

1. The Fund

Front Street Select Equity Fund (formerly Aurion II Equity Fund) (the "Fund") is a pooled fund trust created under the laws of the Province of Ontario pursuant to an amended and restated General Trust Agreement ("GTA") dated May 31, 2016, as amended from time to time. The Fund is domiciled in Canada, and the address of its registered office is 77 King Street West, Suite 2110, Toronto, Ontario, Canada, M5K 1G8.

The Fund presented in these financial statements is a unit trust. We also refer to a Unit Trust as a "Fund".

LOGiQ Capital 2016 (formerly Front Street Capital 2004) is the Manager of the Fund (the "Manager"). LOGiQ Capital 2016 provides investment advisory and portfolio management services to the Fund. LOGiQ Capital 2016 assumed the portfolio management and investment advisory services from Aurion Capital Management Inc. (the Prior Manager) on May 31, 2016. CIBC Mellon is the trustee and custodian and provides fund accounting and unitholder record keeping services.

The Fund is not a mutual fund for securities law purposes. As a result, certain of the protections provided to investors in mutual funds under such laws are not available to investors in the units.

These financial statements were authorized for issue by the Manager on March 30, 2017 by the Manager.

The Fund's investment objective is to achieve a superior rate of return relative to the S&P/TSX Composite Total Return Index over a longer-term investment horizon. Besides investing in listed securities, the Fund intends to use short selling strategies to augment its return. The Fund may also invest in U.S. securities, options, forwards and derivatives from time to time.

The commencement date for the Fund is as follows:

Fund	Date
Series A	01-Feb-2007
Series F	01-Feb-2006

The Fund may offer an unlimited number of redeemable units of different series or classes as deemed necessary by the Manager, they are hereinafter referred to as "units". Each series of units of a Fund is intended for different investors. A description of each series of units currently issued is provided below:

Series A: Series A are available to all "accredited investors" who invest at least \$25,000 in such units. Series A are available for purchase through a registered fund dealer. Front Street Capital pays a trailer fee to dealers who sell Series A units of the Fund.

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

Series F: Series F are available to all “accredited investors” who invest at least \$25,000 in such units. Series F are available for purchase through a registered fund dealer. The management fees charged on Series F are lower than Series A as Front Street Capital does not pay a trailer fee to dealers who sell Series F units of the Fund.

2. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

I. Basis of Preparation

These financial statements have been prepared in accordance with IFRS as published by the International Accounting Standards Board (“IASB”).

II. Financial instruments

Classification

The Fund classifies all its investments including derivatives as financial assets or financial liabilities at fair value through profit and loss (FVTPL). This category has two sub categories: financial assets and financial liabilities are either held for trading or designated at fair value through profit or loss at inception.

Financial assets or financial liabilities held for trading are those acquired principally for the purpose of selling or repurchasing in the near future or on initial recognition as part of an identical portfolio of financial instruments that are managed together for which there is evidence of actual short-term profit taking. Derivatives and any short positions are included in this category.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund’s investment strategy. Investments other than derivatives and short positions are designated at fair value through profit or loss.

Recognition and measurement

Regular purchases and sales of investments are recognized on the date on which the Fund commits to purchase or sell its investments at fair value. Transaction costs are expensed as incurred in the statements of comprehensive income. Subsequent to initial recognition, financial assets and liabilities at FVTPL are measured at fair value as presented below. Gains and losses arising from changes in their fair value are included in the statements of comprehensive income for the periods in which they arise.

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

III. Fair value measurement and hierarchy of financial instruments

Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. The Fund uses a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs.

IFRS 13, Fair value measurement, requires the use and disclosure of a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value of financial instruments. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets and the lowest priority to unobservable inputs. The three level hierarchy based on inputs levels are defined as follows:

Level 1: Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Fair value is based on inputs other than unadjusted quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair value is based on at least one significant non-observable input that is not supported by market data for the financial assets or liabilities.

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

Financial Assets (Liabilities) at fair value as at December 31, 2016				
	Level 1	Level 2	Level 3	Total
Equities	\$22,789,825	\$103,835	\$3,300,168	\$26,193,828
Warrants	-	251,881	-	251,881
Equities-Short	(657,360)	-	-	(657,360)
Total	\$22,132,465	\$355,716	\$3,300,168	\$25,788,349

FRONT STREET SELECT EQUITY FUND**(FORMERLY AURION II EQUITY FUND)****Notes to the Financial Statements****December 31, 2016**

	Financial Assets (Liabilities) at fair value as at December 31, 2015			
	Level 1	Level 2	Level 3	Total
Equities	\$ 24,572,491	\$ 468,000	\$ 4,567,164	\$ 29,607,655
Options	29,171	-	-	29,171
Warrants	68,658	602,053	-	670,711
Equities-Short	(1,996,380)	-	-	(1,996,380)
Total	\$ 22,673,940	\$ 1,070,053	\$ 4,567,164	\$ 28,311,157

Changes in valuation methodology may result in transfers in and out of a level. The Fund's policy is to recognize these transfers as at the date of the event or circumstance giving rise to the transfer. During the years ended December 31, 2016 and 2015, there were no significant transfers between levels.

The three level fair value hierarchy, transfers between levels and a reconciliation of level 3 financial instruments are disclosed below for the years ended:

	December 31, 2016	December 31, 2015
Beginning of year	\$ 4,567,164	\$ 3,139,060
Purchases	\$ -	\$ 1,480,074
Sales	\$ -	\$ -
Transfers into Level 3	\$ -	\$ -
Transfers out of Level 3	\$ -	\$ -
Net realized gains (losses)	\$ -	\$ -
Net changes in unrealized gain (loss)*	\$ (1,266,996)	\$ (51,970)
End of year	\$3,300,168	\$4,567,164

* Net change in unrealized gain (loss) for Level 3 financial instruments held as at December 31, 2016 and 2015, was \$1,215,026 and \$446,163, respectively.

During the year ended December 31, 2016, investments of approximately \$nil (December 31, 2015 - \$nil) were transferred between levels.

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

Level 3 valuation techniques

The significant unobservable inputs and valuation techniques used to determine the fair value measurements categorized in Level 3 are indicated below. The table also illustrates the potential impact on the Fund if the significant unobservable inputs used in the valuation techniques had increased or decreased by 10%, with all other variables held constant.

Security type	Valuation technique	Significant unobservable input	Reasonable Possible Shift (+/-)	December 31, 2016	December 31, 2015
Equities	Fundamental model analysis based on financial data	Earnings multiple and discount rate	87,493/(93,527)	\$1,206,800	\$1,161,545
Equities	Fundamental model analysis based on financial data	Earnings multiple and discount rate	55,160/(57,876)	\$753,045	\$955,860
Equities	Fundamental model analysis based on financial data	Financing price	5,970/(5,970)	\$59,701	\$282,837
Equities	Fundamental model analysis based on financial data	Financing price	85,562/(85,562)	\$855,622	\$1,666,922
Equities	Fundamental model analysis based on financial data	Earnings multiple and discount rate	30,813/(32,938)	\$425,000	\$500,000
			\$264,998/(275,873)	\$3,300,168	\$4,567,164

The significant unobservable inputs used in the valuation techniques used to estimate the fair values of level 3 investments can vary considerably over time to time depending on company specific factors and economic or market conditions. A 10% increase or decrease in results of applying these valuation techniques, with all other variables held consistent, would have resulted in an increase or decrease, respectively, in net assets of \$264,998/-\$275,873 (2015 - \$313,906).

The Trustee is responsible for performing the fair value measurements included in the financial statements of the Fund. The Trustee obtains pricing from various third party vendors, which are monitored and reviewed on a daily basis.

Financial instruments are valued at their fair value as summarized below:

- (i) North American equities are valued at the closing market price recorded by the security exchange on which the security is principally traded. Non-North American equities are valued at fair value based on information provided by an independent pricing source.
- (ii) Fixed income securities, including bonds and mortgage-backed securities, are valued using quotation received from independent pricing sources.
- (iii) Short-term debt instruments are carried at amortized cost, which approximates fair value.
- (iv) Investments in underlying funds are valued based on the Net Asset Value per unit provided by the Underlying Fund's manager at the end of each valuation date.
- (v) Unlisted warrants are valued using the Black-Scholes option valuation model. The model factors in the time value of money and the volatility inputs significant to such valuation.

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

(vi) Options contracts are valued at their mid-price as reported by the principal exchange or the over-the-counter market on which the contract is traded.

(vii) Futures contracts are valued at their close prices on each valuation date.

(viii) Open forward currency contracts are valued at the gain or loss that would arise as a result of closing the position on the valuation date, using forward rates in effect at the valuation date.

IV. Net Assets versus Net Asset Value

The Fund's accounting policies for measuring the fair value of their investments and derivatives are identical to those used in measuring their net asset value for transactions with unitholders in accordance with Part 14 of National Instrument 81-106 Investment Funds for Continuous Disclosure ("NI 81-106"), except where the last traded market price for financial assets and liabilities are not within the bid-ask spread. A comparison of the net assets per unit in accordance with IFRS ("Net Assets per unit") and the net assets per unit calculated in accordance with NI 81-106 ("Net Asset Value per unit") are presented below:

As at December 31, 2016:

	Net asset value	IFRS fair value adjustment	IFRS NA	Net asset value per unit	IFRS NA per unit
Series A	\$ 1,171,988	\$ 1,118	\$ 1,173,106	\$ 10.04	\$ 10.05
Series F	26,130,170	24,940	26,155,110	12.55	12.56
Total	\$ 27,302,158	\$ 26,058	\$ 27,328,216		

As at December 31, 2015:

	Net asset value	IFRS fair value adjustment	IFRS NA	Net asset value per unit	IFRS NA per unit
Series A	\$ 2,311,301	\$ 29,329	\$ 2,340,630	\$ 8.80	\$ 8.91
Series F	27,043,858	343,167	27,387,025	11.12	11.26
Total	\$ 29,355,159	\$ 372,496	\$ 29,727,655		

V. Income recognition

Gains and losses arising from changes in fair value of financial instruments are shown in the statements of comprehensive income as "Change in unrealized appreciation (depreciation) on financial assets and liabilities at FVTPL and derivatives" when the positions are open. Gains and losses arising from changes in fair value of spots, forwards and futures are shown in the statements of comprehensive income as "Change in unrealized gain (loss)" of the respective

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

derivative contract and in the statements of financial position as “Unrealized Gain” or “Unrealized Loss” of the derivative contract until the contracts are closed out or expire. Once the contracts are closed out or expired, the resulting realized gains and losses, of forwards and futures are shown in the statements of comprehensive income as “Net Realized gain (loss)” of the respective derivative contract.

The premium received or paid on options purchased or written are included in the cost of the options. Any difference resulting from revaluation at the reporting date is treated as “Change in unrealized appreciation (depreciation) on financial assets and liabilities at FVTPL and derivatives.”

Dividend income and distributions from underlying funds are recognized on the ex-dividend date. Where applicable, interest and dividends on investments sold short are accrued as earned and are reported as a liability in the statements of financial position in “Payable for Interest and dividends on securities sold short” and in the statements of comprehensive income in “Dividend and interest expense on securities sold short”. Distributions received from income trusts are recognized based on the nature of the underlying components such as dividend income, interest income, capital gains, and return of capital by applying previous year characterizations reported by the trust as current year characterizations are not available until the following year.

Interest for distribution purposes represents the coupon interest received by the Fund, recognized on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities. Realized gain or loss on the sale of short-term debt instruments are recorded as an adjustment to interest income.

VI. Functional and presentation currency and foreign exchange translation

The functional and presentation currency of the Fund is the Canadian dollars. Canadian dollars is the currency of primary economic environment in which the Fund operates or where mixed indicators exist in the primary environment, the Canadian dollar is the currency in which it raises capital. Any other currency other than functional currency represents foreign currency to the Fund. Amounts denominated in foreign currencies are converted into the functional currency as follows:

- (i) Fair value of investments, derivative contracts and monetary and non-monetary assets and liabilities at the rates of exchange prevailing as at the valuation date; and
- (ii) Purchase or sale of investments and investment income at the rates of exchange prevailing on the respective dates of such transactions, while purchase or sale of monetary assets at the spot rate agreed upon with the counterparty.

Realized and unrealized gain (loss) incurred in the Fund from monetary assets and liabilities are shown in the statements of comprehensive income as “Foreign currency gain (loss) on cash and cash equivalents and other net assets”. While all other sources of foreign exchange gains and losses are shown in “Net realized gain (loss)” of the respective investment or derivative contract.

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

VI. Investments in unconsolidated structured entities

Mortgage-backed securities or asset-backed securities are considered to be unconsolidated structured entities. Mortgage-backed securities are formed by pooling various types of mortgages while asset-backed securities are formed by pooling assets such as auto loans, credit card receivables or student loans. An interest or claim to this future cash flow (interest and principal) is then sold in the form of debt or equity securities, which could be held by the Fund. As unconsolidated structured entities, the Fund accounts for these investments at fair value as well. As at December 31, 2016 and 2015, the maximum exposure to these securities was \$nil of the net assets of the Fund.

VII. Redeemable units issued by the Fund

The Fund's outstanding redeemable units qualify as "puttable instruments" as required by International Accounting Standard 32: Financial Instruments: Presentation ("IAS 32") which states that units or shares of an entity that include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset should be classified as financial liability. The Fund has a contractual obligation to distribute any taxable income at least annually that allows the unitholders to request cash payment for any distributions or dividends paid. These features violate criteria that are required in order for the redeemable units to be presented as equity under IAS 32. Consequently, the Fund's outstanding redeemable units are classified as financial liabilities in these financial statements.

IX. Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position only if there is a legal right to offset the amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss. As at December 31, 2016 and 2015, Financial assets and liabilities that are subject to master netting or comparable agreements and the related potential effect of offsetting was \$nil.

X. Other financial assets and liabilities

Other financial assets and liabilities other than investment securities are valued at cost or amortized cost. These balances are short-term in nature; therefore, their carrying values approximate fair values.

XI. Increase (decrease) in net assets attributable to unitholders of redeemable units per unit

Increase (decrease) in net assets attributable to unitholders of redeemable units per unit" is disclosed in the statements of comprehensive income and represents, for each series of redeemable units, the increase or decrease in net assets attributable to unitholders of redeemable units from operations for the year attributable to each series divided by the weighted average number of redeemable units outstanding for the corresponding series during the year.

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

XII. Short Selling

If a Fund sells a security short, it will borrow that security from a broker to complete the sale. The Fund will incur a loss as a result of a short sale if the price of the borrowed security increases between the date of the short sale and the date on which the Fund closes out its short position by buying that security. There can be no assurance that a Fund will be able to close out a short position at an acceptable time or price. Until the Fund replaces a borrowed security, it will maintain a margin account with the broker containing cash and liquid securities such that the amount deposited as margin will be more than the current market value of the security sold short. The cash held on margin in respect of short sale activity is noted in the statements of financial position in "Margin deposits", if applicable.

The Fund has an arrangement with CIBC Mellon for the securities borrowed. The aggregate market value of the collateral delivered in respect of this program shall equal at a minimum 140% of the market value of the short positions.

XIII. Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposit, bank overdrafts and short-term debt instruments, as applicable.

XIV. Accounting standards issued but not yet effective

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9.

XV. Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation.

3. Significant accounting judgments and estimates

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. These estimates are made based on information available as at the date of issuance of the interim financial statements.

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

Actual results could materially differ from those estimates. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Investment Entities

In accordance with IFRS 10: *Consolidated Financial Statements*, the Manager has determined that the Fund meets the definition of an Investment Entity which requires that the Fund obtains funds from one or more investors for the purpose of providing investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and measures and evaluates the performance of its investments on a fair value basis. Consequently, the Fund does not consolidate any interests in subsidiaries, but instead measure these at FVTPL, as required by the accounting standard. The Fund has also designated investments in associates and joint arrangements, if any, at FVTPL.

Subsidiaries are entities or investments in other funds over which the Fund has control in all aspects of decision making and therefore are able to affect any decisions that benefit the Fund. Joint arrangements and associates are investments over which the Fund could have joint control or significant control. Structured entities on the other hand are entities which are not governed by voting rights or any other similar rights held by the Fund or other investors, but through contractual agreements or offering documents. The Manager has determined that the Fund has no subsidiaries.

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39: *Financial Instruments -- Recognition and Measurement*. The most significant judgments made include the determination that certain financial instruments are held-for-trading and that the fair value option can be applied to those which are not.

Fair value measurement of derivatives and securities not quoted in an active market

Key areas of estimation, where the Manager has made complex or subjective judgments, include the determination of fair values of financial instruments and derivatives that are not quoted in an active market. The use of valuation techniques for financial instruments and derivatives that are not quoted in an active market requires the Manager to make assumptions that are based on market conditions existing as at the date of the annual financial statements. Changes in these assumptions as a result of changes in market conditions could affect the reported fair value of financial instruments and derivatives.

4. Discussion of Financial Instrument Risk

The Fund's investment activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk, and other price risk), credit risk and liquidity risk. The Fund's investment practices include portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor each Fund's securities and financial market developments. The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Fund from reasonably possible changes in the relevant risk variables.

The Manager maintains a risk management practice that includes monitoring compliance with investment restrictions to ensure that the Fund is being managed in accordance with the Fund's stated investment objectives, strategies and securities regulations.

(a) Market risk

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or the fair values of interest-bearing financial instruments. The Fund's exposure to interest rate risk is concentrated in its investments in debt securities (such as bonds and debentures) and interest rate derivative instruments, if any. Short-term investments and other assets and liabilities are short-term in nature and/or non-interest bearing and are not subject to a significant amount of interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The majority of the Fund's financial assets and liabilities were non-interest bearing as at December 31, 2016 and 2015. Accordingly, the Fund is not exposed to significant risk due to fluctuations in the prevailing levels of market interest rates.

(ii) Currency risk

The Fund may invest in monetary and non-monetary assets denominated in currencies other than their functional currency. Currency risk is the risk that the value of foreign investments will fluctuate due to changes in the foreign exchange rates of those currencies in relation to the Fund's functional currency. Other financial assets (including dividends and interest receivable and receivable for investments sold) and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk. The Fund may enter into foreign exchange forward contracts or currency futures contracts for hedging purposes to reduce their foreign currency risk exposure.

The tables below indicate the currency to which the Fund had significant exposure, net of the impact of currency forward contracts and currency spot contracts, if any, based on the monetary and non-monetary assets and liabilities of the Fund. The tables also illustrate the potential impact on the Fund if the functional currency of the Fund had strengthened or weakened by 10% in relation to each of the other currencies, with all other variables held constant.

FRONT STREET SELECT EQUITY FUND**(FORMERLY AURION II EQUITY FUND)****Notes to the Financial Statements****December 31, 2016**

	December 31, 2016			
	Net currency exposure	Percentage of net assets	Impact on the Fund	Percentage of net assets
Currency	(\$000s)	(%)	(\$000s)	(%)
US Dollar	\$4,322	15.82%	\$432	1.58%

	December 31, 2015			
	Net currency exposure	Percentage of net assets	Impact on the Fund	Percentage of net assets
Currency	(\$000s)	(%)	(\$000s)	(%)
US Dollar	\$3,494	11.75%	\$349	1.18%

(iii) Price risk

Price risk is the risk that the fair value of a Fund's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to other price risk is mainly in equities and derivatives. The maximum risk resulting from these financial instruments is equivalent to their fair value, except for written options, short sales and futures contracts sold, where possible losses can be unlimited.

As at December 31, 2016, approximately 94.38% of the Fund's net assets was exposed to price risk (December 31, 2015 – 95.24%). If prices of these investments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased by approximately \$2,578,835 (December 31, 2015 - \$2,790,949). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(b) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. A Fund's investment in debt instruments represents the main concentration of credit risk. The fair value of debt instruments includes consideration of the creditworthiness of the issuer, and accordingly, represents the maximum credit risk exposure to the Fund. Credit risk may also exist in relation to counterparties to derivatives. All the transactions in listed securities are settled or paid upon delivery using approved brokers. The risk of default with the counterparty is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is only made on a purchase once the securities have been received by the broker.

The credit ratings reported for counterparties to debt instruments are DBRS credit rating or DBRSs equivalent for credit ratings from other approved rating agencies. In addition, custody and derivative transactions are carried out by counterparties that have a DBRS credit rating of R1-Mid or higher.

The Fund can also be exposed to credit risk to the extent that the Fund's custodian may not be able to settle trades for cash. Canadian securities regulations require that the Fund employs a

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

custodian that meets certain capital requirements. These regulations state that, among other things, a fund's custodian be either a bank listed in Schedule I, II, or III of the Bank Act (Canada), or a company incorporated in Canada affiliated with a bank with shareholders' equity of not less than \$10,000,000. The Fund's custodian, CIBC Mellon (2015 - RBC), meets all Canadian Securities Administrators' requirements to act as custodian.

As of December 31, 2016 and 2015, the Fund had no significant investments or derivatives that were exposed to credit risk. In addition, all investment transactions are executed by brokers with an approved credit rating. As such the risk of default on transactions with counterparties and brokers related to purchase and sale of securities is considered minimal. In instances where the credit ratings were to fall below the approved rating, the Manager would take appropriate action.

(c) Liquidity risk

The Fund's exposure to liquidity risk arises primarily from the monthly cash redemption of redeemable units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed of. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market and may be illiquid. Illiquid securities are identified in the Fund's schedule of investment portfolio.

As at December 31, 2016 and 2015, the Fund's investments are considered readily realizable and highly liquid, therefore the Fund's liquidity risk is considered minimal.

(d) Concentration risk

Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The table below is a summary of the Fund's concentration risk:

Sector	December 31, 2016 % of NAV	December 31, 2015 % of NAV
Energy	29.7%	15.4%
Materials	24.7%	20.3%
Information Technology	17.6%	10.6%
Cash and cash equivalents	11.7%	15.9%
Industrials	9.7%	- %
Financials	8.0%	38.3%
Consumer Discretionary	4.7%	12.7%
Health Care	2.4%	1.9%
Telecommunication Services	- %	2.7%
Purchased Options	- %	0.1%

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

Information Technology	- %	(1.9)%
Materials	- %	- %
Consumer Discretionary	- %	(1.6)%
Energy	- %	(1.7)%
Financials	(2.4)%	(1.5)%
Other assets less liabilities	(6.1)%	(11.2)%
	<hr/>	<hr/>
Total	<u>100.00%</u>	<u>100.00%</u>

(e) Short selling risk

Short selling risk is the risk of loss related to short selling transactions. The Fund will profit from a short sale transaction if the value of the borrowed security declines in value from the time the Fund sells the stock to the time the Fund closes out its short position. There is no certainty that the security price will decline, and unlike long positions, where the risk of loss is limited to the amount of the initial investment, short positions are exposed to an unlimited risk of loss as they may be closed out at a price that would result in a significant loss for the Fund. The Fund's discretion may be limited in an open sale transaction. For example, the lender may recall the security unexpectedly, or go bankrupt thereby jeopardizing the recoverability of collateral. As well, the Fund may encounter difficulty repurchasing the security should that security's liquidity become compromised in the marketplace. The Fund mitigates such risk by shorting only liquid securities, and by depositing the appropriate collateral against the short positions.

5. Management Fees

The Fund pays a Manager a management fee in consideration for all making decision relating to the Fund. This includes making or arranging for investment advice, portfolio management services, fund administration services, distribution of the Fund, and any other day-to-day operational needs for the Fund.

The management fee for Series A and Series F is an annualized rate based on the net asset value of each series of the Fund. The Fund's management fees are calculated and payable monthly.

The Manager is entitled to a maximum annual management fee, exclusive of sales taxes, as follows:

Series	Management Fees	Trailer Fees
Series A	1.50%	1.00%
Series F	1.50%	-

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

6. Operating Expenses

The Fund incurs certain operating expenses (the "Operating Expenses"). The Operating Expenses include, but are not limited to, audit fees, fund accounting costs, transfer agency and recordkeeping costs, custodian costs, administration costs and trustee services relating to registered tax plans, costs of printing and disseminating offering memorandum, annual information forms, legal fees, bank charges and investor communication costs.

The Manager may absorb certain expenses associated with some of the Fund. The absorbed amounts (if applicable) are shown in the statements of comprehensive income. Such absorption, where applicable, is calculated in accordance with the GTA or in certain circumstances, may be terminated by the Manager at any time without notice.

7. Redeemable Units

Units issued and outstanding represent the capital of the Fund. The Fund may issue an unlimited number of redeemable units. Each unit is redeemable at the option of the unitholder in accordance with the GTA. Unitholders are entitled to distributions when declared. Distributions on units of a Fund are reinvested in additional redeemable units of the Fund or at the option of the unitholder, paid in cash. The Fund's capital is managed in accordance with each of the Fund's investment objectives, policies and restrictions, as outlined in the Fund's GTA. The Fund has no specific restrictions or specific capital requirements on the subscriptions or redemptions of redeemable units, other than minimum subscription requirements.

The redeemable units of each series of the Fund are issued and redeemed at their Net Asset Value per unit of each series which is determined as of the close of business on each day that the Toronto Stock Exchange is open for trading. The Net Asset Value per unit is calculated by dividing the Net Asset Value per Series by the total number of outstanding redeemable units of each series.

For the years ended December 31, 2016 and 2015, the following number of redeemable units were issued, reinvested and redeemed:

	2016		2015	
	Series A	Series F	Series A	Series F
Redeemable units - Beginning of year	262,625	2,432,302	601,660	3,229,135
Redeemable units issued	16,853	171,223	4,804	2,747
Redeemable units redeemed	(162,698)	(521,776)	(343,839)	(799,580)
Redeemable units - End of year	116,780	2,081,749	262,625	2,432,302

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

8. Income Taxes

Unit Trusts

The Fund is a unit trust under the Income Tax Act (Canada). The Fund is subject to tax on their income, including net realized capital gains that are not paid or payable to their unitholders. The Fund distributes sufficient amounts of its net investment income, including net realized capital gains, less the amount retained to enable the Fund to utilize any available tax losses or tax credit attributable to redemptions during the year by its unitholders such that no income tax will be paid or payable by the Fund. Such net investment income, including net realized capital gains are taxable in the hands of the unitholders.

In certain circumstances, the Fund may distribute a return of capital. A return of capital is not taxable to unitholders but will reduce the adjusted cost base of the redeemable units held.

Losses Carried Forward

The Fund can accumulate capital and non-capital losses. Capital losses can be carried forward indefinitely to reduce future net realized capital gains. Non-capital losses for income tax purposes may be carried forward up to twenty years and applied against all sources of income. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses have not been reflected in the statements of financial position as a deferred income tax asset.

The Fund had losses available to carry forward as indicated in the table below:

	December 31, 2016	December 31, 2015
Capital Losses	-	\$ 1,383,627
Non-Capital Losses	\$ 266,171	\$ 266,171

Withholding Taxes

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statements of comprehensive income.

Uncertain Income Taxes

The Fund invests in securities issued by entities which are domiciled in countries other than Canada. Many of these foreign countries have tax laws that indicate that capital gains taxes may be applicable to non-residents, such as the Fund. Typically, these capital gains taxes are determined on a self-assessment basis; therefore, such taxes may not be deducted by the Fund's broker on a "withholding" basis.

As at December 31, 2016 and 2015, the Fund had measured uncertain tax liabilities and related interest and penalties with respect to foreign capital gains taxes at \$nil. While this represents the management's best estimate, the estimated value could differ significantly from the amount ultimately payable.

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

9. Client Brokerage Commissions

Client brokerage commissions are arrangements pursuant to which products or services, other than the execution of portfolio securities transactions, are obtained by a portfolio adviser from or through a broker-dealer in exchange for directing client securities transactions to the broker-dealer. The ascertainable soft dollar arrangements in connection with investment portfolio transactions for the years ended December 31, 2016 and 2015 were set out below.

	2016	2015
Client Brokerage Commissions	\$ Nil	\$ 14,248

10. Related Party Transactions

The Manager is a related party to the Fund. In addition, Tuscarora Capital Inc. ("TCI"), a brokerage company under common control of the Manager is a related party to the Fund. All transactions between the Fund and related parties are in the normal course of business and are carried out at arm's length terms.

- a) The Manager earns fees for acting as manager of the Fund as detailed in note 5 respectively. The management fees are disclosed in a separate line in the Statements of Comprehensive Income and Statements of Financial Position.
- b) Decisions about the purchase and sale of the Fund's portfolio securities are made by appointed Portfolio Manager of the Fund. Provided that the pricing, service and other terms are comparable to those offered by other dealers, a portion of the portfolio transactions may be executed for the Fund, by TCI. In such cases, TCI will receive commissions from the Fund. Brokerage fees paid for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
	<i>(Prior Manager)</i>	<i>(Prior Manager)</i>
Brokerage Fees	\$6,402	\$37,404

FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

Notes to the Financial Statements

December 31, 2016

11. Performance Fees

The Fund also pays a performance fee to the Manager. Performance fees, if any, are paid on a per series basis. Series A and F may pay performance fees to the Manager. The performance fee is estimated and accrued monthly, calculated at calendar year end using such average month-end net asset values and is paid within thirty days after calendar year end.

Front Street Capital will be paid an annual performance fee by the Fund equal to 20% of the increase in the NAV of each Class of this Fund in a year which exceeds the change in the S&P/TSX Composite Total Return Index during the year, provided the increase in the NAV of the Class (before considering any performance fee accruals and any trailer fees) during the year is positive and greater than the change in the S&P/TSX Composite Return Index during the year plus two percent (the "Equity Fund Benchmark"). No performance fee will be paid by a Class of the Fund during a year if the change in the NAV of a Class of the Fund (before considering any performance fee accruals and any trailer fees) in the year is negative or is at or below the Equity Fund Benchmark during the year.

As at December 31, 2016 and 2015, the Fund did not incur performance fees.

12. Filing Disclosure

In accordance with section 2.11 (c) of National Instrument 81-106 ("NI 81-106"), Front Street Capital, as investment manager to the Fund, has provided notice to the securities regulatory authority that it is relying on the exemption granted by section 2.11 of NI 81-106 whereby Front Street Capital will not be filing the annual financial statements for the Fund.

13. Securities Lending

The Fund may enter into securities lending transactions under a securities lending program with their custodian, CIBC Mellon. These transactions involve the temporary exchange of securities for collateral with a commitment to return the same securities to the Fund on a future date. The income earned from these securities lending transactions is recorded in the statements of comprehensive income. The fair value of the securities lent and collateral held is determined on a daily basis. The securities lending arrangement can be terminated by the borrower, the securities lending agent or the Fund at any time. The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the Net Assets of the Fund.

The Fund receives collateral of 102% of the value of the securities on loan. Collateral is received in the form of debt obligations of the Government of Canada, a Canadian provincial government, the government of the United States of America, certain financial institutions or other qualified securities, and is not included in the Schedule of Investment Portfolio. The aggregate market value of the securities on loan and the collateral received by the Fund as at December 31, 2016 and 2015 are \$nil.