

Annual Management Report of Fund Performance As at December 31, 2016

Front Street Tactical Bond Fund

This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements for Front Street Tactical Bond Fund (the “Fund”). The annual financials of the Fund are attached behind this report and you can also get a copy of the annual financial statements at your request, and at no cost, by calling 1-800-513-3868, by writing to us at LOGiQ Capital 2016 (formerly, Front Street Capital 2004)(the “Manager”), 77 King Street West, Suite 2110, PO Box 92, TD North Tower, Toronto-Dominion Centre, Toronto, Ontario M5K 1G8 or by visiting our website at www.logiqasset.com or SEDAR at www.sedar.com.

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

Forward Looking Information

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

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

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

Management Discussion of Fund Performance

THE FUND

Front Street Tactical Bond Fund (the "Fund") is an unincorporated open ended mutual fund trust which was created under the laws of the Province of Ontario on July 23, 2015. The Fund is domiciled in Canada, and the address of its registered office is 77 King Street, 21st Floor, Toronto, Ontario, Canada, M5K 1G8.

The Fund has appointed Front Street Capital 2004 to act as investment fund manager of the Fund (the "Manager") and Front Street Investment Management Inc. (the "Investment Advisor") to provide investment advisory and portfolio management services to the Fund. Front Street Capital 2004 assumed the portfolio management and investment advisory services from Front Street Investment Management Inc. on October 16, 2015.

On December 8, 2016, Front Street Capital 2004 ("FSC 2004"), together with Aston Hill Financial Inc. ("Aston Hill") and Tuscarora Capital Inc. ("TCI"), an entity under common control with the Manager, completed a transaction whereby Aston Hill would acquire all of the equity interests in the FSC 2004 and TCI, and the companies would combine their respective operations. As part of the transaction, Aston Hill also changed its name to LOGiQ Asset Management Inc.

At special meetings of securityholders of the funds of Front Street Mutual Fund Limited on November 10, 2016, investors approved the change of manager resulting from the aforementioned transaction. Effective December 20, 2016, the Manager was renamed LOGiQ Capital 2016.

INVESTMENT OBJECTIVES AND STRATEGIES

The investment objective of the Fund is to provide Unitholders with exposure to a diversified portfolio of corporate, government or other bonds, and debt instruments or debt-like securities, of investment grade and non-investment grade North American and/or international issuers. This could include investments in corporate bonds, notes, floating rate notes, convertible bonds, preferred shares, bank loans, government bonds or other income-producing securities.

The fundamental investment objective of the Fund cannot be changed without the approval of its unitholders.

In accordance with its investment objective, the Fund will invest primarily in corporate fixed-income securities, including high-yield securities. The Fund may also invest in government and other sovereign debt. The Fund may invest up to all of its assets in foreign fixed income securities.

RISK

The risks associated with investing in the Fund are discussed in the Fund's simplified prospectus, which is available on SEDAR at www.sedar.com or by visiting our website at www.frontstreetcapital.com. There were no changes over the period to the risks outlined in the simplified prospectus which would materially affect the overall risk of investing in the fund.

RESULTS OF OPERATIONS

The Fund returned 5.7% in 2016, a year in which corporate debt returns were robust. This compared with high yield ETF returns that ranged from 13.8% (XHY – iShares U.S. ETF hedged to Canadian dollars), 13.4% (iShares – HYG) and 14.4% (SPDR Barclays – JNK). Investment grade corporate debt ETF returns were 6.2% for the year (iShares – LQD).

In the post-U.S. election investment world we believe one of the most important investment themes has been the rapid rise in longer term interest rates not just in the U.S. but globally. The Fund is positioned for rising rates with an underweight position in interest-sensitive BB-rated bonds and targeted investments in industries that should benefit from deregulation and infrastructure spending including financial services, engineering & construction.

Since the upset election result in the U.S. long-term interest rates have marched higher with the U.S. 10-year yield reaching its highest level since early-2014, to 2.60% up from a low of 1.36%, and settling back down in the 2.3% area. Our sense is that this is finally the longer term bottoming for bond yields that have been anticipated every year since after the Credit Crisis. Our rationale is that inflation measures are up off the bottom including U.S. PPI, CPI and wage inflation, as well as the inflation rate discounted in inflation-protected bonds. The U.S. economy appears to be at full employment which will likely result in further wage inflation. At the same time there appears to be a sea change in the global preponderance toward fiscal spending and budget deficits (the opposite of austerity) because when interest rates are close to zero it makes sense for governments to borrow. While we are not making a short-term call on long term interest rates we believe that the coming 12-24 month period will mark the end of the secular bull market in long bonds that has been in place since the 1980s.

With rates rising we see opportunity in the high yield debt market overall, because if long-term rates are rising it usually means that corporate credit quality is improving. In historical instances of the U.S. 10-year government yield rising more than 1% the high yield bond market has outperformed investment-grade corporate debt more than 90% of the time.

With respect to corporate credit quality, in the post-election world there has been an uptick in U.S. economic growth expectations which is a positive. Leading indicators such as consumer sentiment (U. of Michigan survey), small business sentiment (NFIB survey) and overall employment have been strong. Purchase mortgage applications, a leading indicator for the housing, repair and renovation sectors, continue to be robust even as 30-year mortgage rates have increased slightly. The rate at which high yield bond issuers default has recently been 3.6% (source: JP Morgan) which is in line with historical averages compared with default rates during an expansionary periods. Excluding energy and metals/mining (coal) defaults however, the overall default rate is 80 basis points. During recessions, default rates can be as high as 10% to the low-teens which was the case in 2000 and post-Credit Crisis. While the current economic expansion has been longer than average do not foresee a recession on the horizon for the next 24 months at least, which is favorable for returns on corporate debt.

RELATED PARTY-TRANSACTIONS

The following are redeemable units held by the classes of Front Street Mutual Funds Limited which are also managed by the Manager:

	2016	2015
Series C units held by Front Street Tactical Bond Class	1,884,540	3,768,387
Percentage of Series C units held by Front Street Tactical Bond Class	46.68%	60.1%
Series C units held by Front Street Global Balanced Income Class	620,051	828,062
Percentage of Series C units held by Front Street Global Balanced Income Class	15.29%	13.2%
Series C units held by Front Street Growth and Income Class	430,868	707,640
Percentage of Series C units held by the Front Street Growth and Income Class	10.63%	11.3%
Series C units held by Front Street Balanced Monthly Income Class	1,119,426	962,885
Percentage of Series C units held by Front Street Balanced Monthly Income Class	27.61%	15.4%

When related parties enter unitholder transactions with the Fund, the exchange amount of consideration is the transactional net asset value available to all other unitholders on the trade date.

FINANCIAL HIGHLIGHTS

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

Series C

The Fund's Net Assets per redeemable Unit ⁽¹⁾	For the period from commencement of operations on July 23, 2015 to	
	December 31, 2016	December 31, 2015
	\$	\$
Net assets, beginning of period	9.83	10.00
Increase (decrease) from operations:		
Total revenue	0.21	0.11
Total expenses	(0.03)	(0.07)
Realized gains (losses) for the period	0.01	(0.17)
Unrealized gains for the period	0.46	-
Total increase (decrease) from operations⁽²⁾	0.65	(0.13)
Distributions to redeemable Unitholders:		
From income (excluding dividends)	(0.69)	(0.11)
From dividends	—	—
From capital gains	—	—
Return of capital	—	—
Total distributions to redeemable Unitholders⁽³⁾	(0.69)	(0.11)
Net assets, end of period	9.79	9.83

- (1) The information for December 31, 2016 and 2015 is derived from the Fund's audited annual financial statements and is prepared in accordance with IFRS.
- (2) Net assets and distributions are based on the actual number of redeemable units outstanding at the relevant time. The increase (decrease) from operations is based on the average number of redeemable units outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional redeemable units of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	\$39,706	\$61,575
Number of redeemable units outstanding ⁽¹⁾	4,054,885	6,266,973
Management expense ratio ⁽²⁾	0.23%	0.36%
Management expense ratio before waivers or absorptions	0.23%	0.36%
Trading expense ratio ⁽³⁾	0.00%	0.00%
Portfolio turnover rate ⁽⁴⁾	29.91%	19.80%
Net asset value per unit ⁽⁵⁾	\$9.79	\$9.83

- (1) This information is provided as at end of period shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.
- (5) The information for December 31, 2016 and 2015 is derived from the Fund's audited annual financial statements and is prepared in accordance with IFRS.

MANAGEMENT FEES

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 unitholders.

The units are only available for sale to Front Street Mutual Funds Limited Funds and there are no management fees and performance fees payable by the Fund.

DEALER COMPENSATION

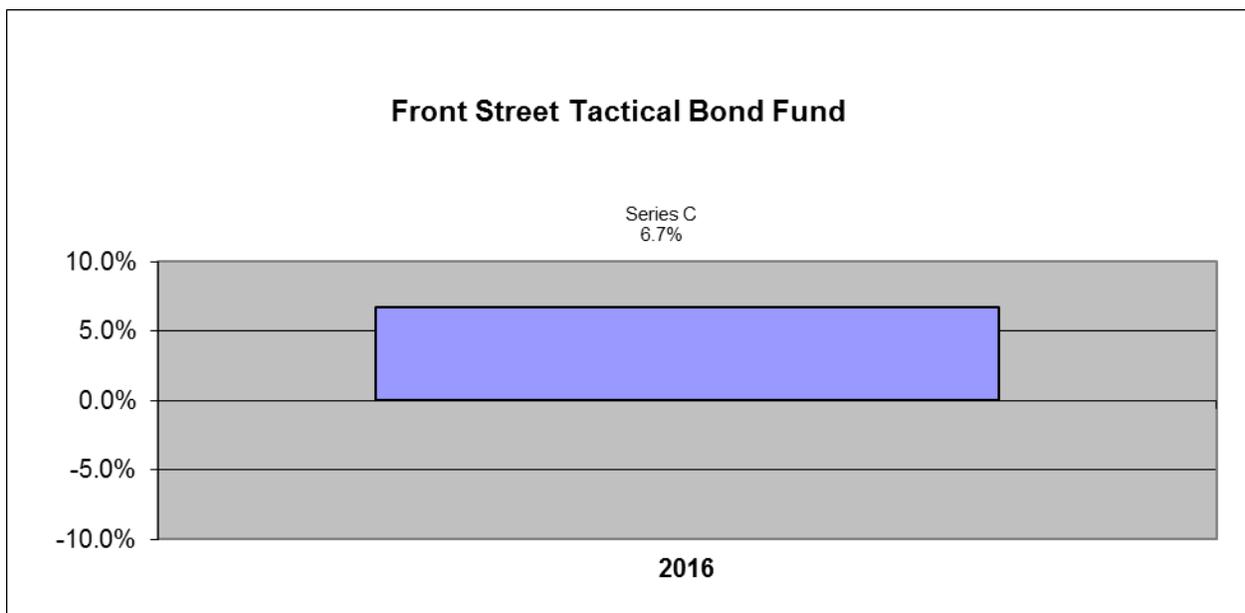
There is no Dealer Compensation for this Fund

PAST PERFORMANCE

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

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

- (a) the returns or performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional shares of the Fund;
- (b) the return or performance information does not take into account sales, redemption, distribution or other optional charges or income taxes payable that would have reduced returns or performance; and
- (c) how the Fund has performed in the past does not necessarily indicate how it will perform in the future.



ANNUAL COMPOUND RETURNS

The following table shows the Fund's historical annual compound total return for the past one financial year period and since inception, as at December 31, 2016 and as compared to the performance of the BofA Merrill Lynch Global Fixed Income Markets Index and BofA Merrill Lynch US High Yield Index.

	Past 1 year	Since Inception July 23, 2015
Front Street Tactical Bond Fund	6.68%	3.97%
BofA Merrill Lynch Global Fixed Income Markets Index	4.35%	6.77%
BofA Merrill Lynch US High Yield Index	14.96%	11.89%

The BofA Merrill Lynch Global Fixed Income Markets Index tracks the performance of developed and emerging market investment grade and sub-investment grade debt publicly issued in the major domestic and eurobond markets, including sovereign, quasi-government, corporate, securitized and collateralized securities.

The BofA Merrill Lynch US High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market.

Summary of Investment Portfolio as at December 31, 2016

Portfolio by Category	Percentage of Net Asset Value
U.S. Corporate Bonds	89.1%
Canadian Corporate Bonds	5.6%
International Corporate Bonds	3.4%
Cash and cash equivalents	2.6%
Other assets less other liabilities	1.3%
Purchased Put Options	0.0%
Foreign Exchange Forward Contracts	(2.0%)
	100.0%

Top 25 Holdings	Interest Rate	Maturity Date	% of Net Asset Value
NOVA Chemicals Corporation	5.250%	August 1, 2023	4.3%
DISH DBS Corporation	5.875%	July 15, 2022	3.6%
Ball Corporation	5.000%	March 15, 2022	3.5%
Olin Corporation	5.500%	August 15, 2022	3.5%
Williams Partners L.P.	4.875%	May 15, 2023	3.4%
NRG Energy Inc.	6.250%	July 15, 2022	3.4%
MasTec, Inc.	4.875%	March 15, 2023	3.3%
Cott Beverages Inc.	5.375%	July 01, 2022	2.1%
Plains All American Pipeline L.P. / PAA Finance Corporation	8.750%	May 1, 2019	1.9%
L Brands Inc.	6.625%	April 1, 2021	1.9%
Energy Transfer Equity L.P.	7.500%	October 15, 2020	1.9%
The ADT Corporation	6.250%	October 15, 2021	1.8%
NCI Building Systems Inc.	8.250%	January 15, 2023	1.8%
Sabine Pass Liquefaction LLC	5.625%	February 1, 2021	1.8%
NCR Corporation	5.875%	December 15, 2021	1.8%
CCO Holdings LLC / CCO Holdings Capital Corporation	5.750%	January 15, 2024	1.8%
Jaguar Land Rover Automotive PLC	5.625%	February 1, 2023	1.8%
Chemtura Corporation	5.750%	July 15, 2021	1.8%
Ashland Inc.	4.750%	August 15, 2022	1.8%
Darling Ingredients Inc.	5.375%	January 15, 2022	1.8%
Dana Holding Corporation	5.375%	September 15, 2021	1.8%
Huntsman International LLC	4.875%	November 15, 2020	1.8%
HCA Inc.	5.250%	June 15, 2026	1.7%
CST Brands, Inc.	5.000%	May 1, 2023	1.7%
Energy Transfer Equity L.P.	5.875%	January 15, 2024	1.7%
			57.7%
TOTAL NET ASSET VALUE (000's)			\$39,706

The information contained in the foregoing list may change due to the ongoing portfolio transactions of the Fund. A quarterly update may be obtained at www.frontstreetcapital.com or www.sedar.com

FRONT STREET TACTICAL BOND FUND

**FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

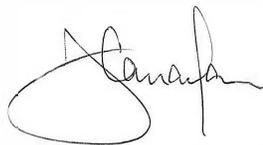
The accompanying financial statements of Front Street Tactical Bond Fund have been prepared by the management of LOGiQ Capital 2016, the Manager of the Fund, and approved by the management committee of the Manager. The Manager is responsible for the information and representations contained in these 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 International Financial Reporting Standards 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 3 to the financial statements.

The management committee of the Manager 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 management committee of the Manager approves the audited financial statements for publication.

Segal LLP are the external auditors of Front Street Tactical Bond Fund. 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 unitholders their opinion on the financial statements. Their report is set out below.

On behalf of Management of LOGiQ Capital 2016,
Manager of the Fund



Joe Canavan
Chief Executive Officer
LOGiQ Capital 2016 (formerly
Front Street Capital 2004)



Mary Anne Palangio
Chief Financial Officer
LOGiQ Capital 2016 (formerly
Front Street Capital 2004)

Toronto, Ontario
March 30, 2017

INDEPENDENT AUDITOR'S REPORT

To the Trustee and the Unitholders of Front Street Tactical Bond Fund (the "Fund")

Report on the Financial Statements

We have audited the accompanying financial statements of Front Street Tactical Bond Fund which comprise the statements of financial position as at December 31, 2016 and 2015, the statements of comprehensive income, statements of changes in net assets attributable to unitholders of redeemable units, and statements of cash flows for the year ended December 31, 2016 and for the period from July 23, 2015 to December 31, 2015, 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 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Independent Auditor's Report
Page 2

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 Tactical Bond Fund as at December 31, 2016 and 2015, and its financial performance and its cash flows for the year ended December 31, 2016 and for the period from July 23, 2015 to December 31, 2015 in accordance with International Financial Reporting Standards.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 30, 2017

FRONT STREET TACTICAL BOND FUND

STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Financial assets at fair value through profit or loss*	\$ 38,972,096	\$ 59,615,453
Cash and cash equivalents	1,027,001	3,483,381
Interest receivable	586,365	858,880
Margin deposits	132	373,915
Foreign exchange forward contracts at fair value through profit or loss*, note 14	<u>58,228</u>	<u>26,695</u>
	<u>\$ 40,643,822</u>	<u>\$ 64,358,324</u>
LIABILITIES		
Foreign exchange forward contracts at fair value through profit or loss*, note 14	\$ 882,964	\$ 2,738,940
Accrued expenses	<u>54,792</u>	<u>44,635</u>
Liabilities before net assets attributable to unitholders of redeemable units	<u>937,756</u>	<u>2,783,575</u>
Net assets attributable to unitholders of redeemable units	<u>\$ 39,706,066</u>	<u>\$ 61,574,749</u>
Net assets attributable to unitholders of redeemable units Series C	<u>\$ 39,706,066</u>	<u>\$ 61,574,749</u>
Number of redeemable units outstanding, note 5 Series C	<u>4,054,885</u>	<u>6,266,973</u>
Net assets attributable to unitholders of redeemable units per unit Series C	<u>\$ 9.79</u>	<u>\$ 9.83</u>

Approved on behalf of LOGiQ Capital 2016, The Manager:



Joe Canavan
Chief Executive Officer
LOGiQ Capital 2016 (formerly
Front Street Capital 2004)



Mary Anne Palangio
Chief Financial Officer
LOGiQ Capital 2016 (formerly
Front Street Capital 2004)

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

See accompanying notes to the financial statements

FRONT STREET TACTICAL BOND FUND

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016 AND FOR THE PERIOD FROM JULY 23, 2015 TO DECEMBER 31, 2015

	2016 (12 months)	2015 (5-1/4 months)
Investment income		
Interest income for distribution purposes and other	\$ 2,860,082	\$ 868,770
Security lending revenue, note 11	1,590	-
Foreign currency gain on cash and cash equivalents and other net assets	613,493	745,891
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss ("FVTPL")		
Net realized gain on financial assets and liabilities at FVTPL	1,377,430	474,829
Derivative loss	(1,736,016)	(483,748)
Net realized loss on foreign exchange forward contracts	(1,987,381)	(1,820,415)
Change in unrealized appreciation (depreciation) on financial assets and liabilities at FVTPL	<u>2,457,345</u>	<u>(36,663)</u>
	<u>3,586,543</u>	<u>(251,336)</u>
Expenses		
Administration fees	47,118	26,857
Custodial fees	42,494	2,000
Withholding taxes	10,628	156,994
Audit fees	15,000	23,000
Legal fees	13,911	4,520
Trustee fees	4,000	1,000
Securityholder reporting cost	1,040	500
Transaction costs, note 7	<u>187</u>	<u>-</u>
	<u>134,378</u>	<u>214,871</u>
Increase (decrease) in net assets attributable to unitholders of redeemable units from operations	<u>\$ 3,452,165</u>	<u>\$ (466,207)</u>
Increase (decrease) in net assets attributable to unitholders of redeemable units from operations		
Series C	<u>\$ 3,452,165</u>	<u>\$ (466,207)</u>
Increase (decrease) in net assets attributable to unitholders of redeemable units from operations per unit		
Series C	<u>\$ 0.65</u>	<u>\$ (0.13)</u>

See accompanying notes to the financial statements

FRONT STREET TACTICAL BOND FUND

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF REDEEMABLE UNITS FOR THE YEAR ENDED DECEMBER 31, 2016 AND FOR THE PERIOD FROM JULY 23, 2015 TO DECEMBER 31, 2015

	2016 (12 months)	2015 (5-1/4 months)
Net assets attributable to unitholders of redeemable units, beginning of period		
Series C	\$ <u>61,574,749</u>	\$ <u>-</u>
Increase (decrease) in net assets attributable to unitholders of redeemable units from operations		
Series C	<u>3,452,165</u>	<u>(466,207)</u>
Redeemable unit transactions		
Proceeds from redeemable units issued		
Series C	<u>2,717,110</u>	<u>71,767,578</u>
Reinvestment of distributions to unitholders of redeemable units		
Series C	<u>2,628,201</u>	<u>671,437</u>
Redemption of redeemable units		
Series C	<u>(28,037,958)</u>	<u>(9,726,622)</u>
Net increase (decrease) from redeemable unit transactions	<u>(22,692,647)</u>	<u>62,712,393</u>
Distributions to unitholders of redeemable units		
Net investment income		
Series C	<u>(2,628,201)</u>	<u>(671,437)</u>
Increase (decrease) in net assets attributable to unitholders of redeemable units	<u>(21,868,683)</u>	<u>61,574,749</u>
Net assets attributable to unitholders of redeemable units, end of period		
Series C	<u>\$ 39,706,066</u>	<u>\$ 61,574,749</u>

See accompanying notes to the financial statements

FRONT STREET TACTICAL BOND FUND

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016 AND FOR THE PERIOD FROM JULY 23, 2015 TO DECEMBER 31, 2015

	2016 (12 months)	2015 (5-1/4 months)
Cash flows from operating activities		
Increase (decrease) in net assets attributable to unitholders of redeemable units from operations	\$ 3,452,165	\$ (466,207)
Adjustments for:		
Foreign currency gain on cash and other net assets	(613,493)	(745,891)
Net realized gain on financial assets and liabilities at FVTPL	(1,377,430)	(474,829)
Net realized loss on foreign exchange forward contracts	1,987,381	1,820,415
Change in unrealized depreciation (appreciation) on financial assets and liabilities at FVTPL	(2,457,345)	36,663
Decrease (increase) in interest and other receivables	272,515	(858,880)
Increase in other payable and accrued liabilities	10,157	44,635
Purchase of financial assets and liabilities at FVTPL	(15,205,251)	(69,523,970)
Proceeds from sales of financial assets and liabilities at FVTPL	37,795,874	11,238,513
Proceeds to settle foreign exchange forward contracts	(1,987,381)	-
Net cash generated (used) by operating activities	<u>21,877,192</u>	<u>(58,929,551)</u>
Cash flows from financing activities		
Proceeds from redeemable units issued	2,717,110	71,767,578
Amounts paid on redemption of redeemable units	(28,037,958)	(9,726,622)
Net cash generated (used) by financing activities	<u>(25,320,848)</u>	<u>62,040,956</u>
Net change in cash and cash equivalents	(3,443,656)	3,111,405
Foreign currency gain on cash and other net assets	613,493	745,891
Cash and cash equivalents, beginning of year/period	<u>3,857,296</u>	<u>-</u>
Cash and cash equivalents, end of year/period	<u>\$ 1,027,133</u>	<u>\$ 3,857,296</u>
Cash and cash equivalents comprise:		
Cash at bank	\$ 1,027,001	\$ 3,483,381
Margin deposits	<u>132</u>	<u>373,915</u>
	<u>\$ 1,027,133</u>	<u>\$ 3,857,296</u>
Interest received (paid), net of withholding tax	<u>\$ 3,121,969</u>	<u>\$ (147,104)</u>

See accompanying notes to the financial statements

FRONT STREET TACTICAL BOND FUND

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2016

	Number of Shares / Units	Cost \$	Fair Value \$
Long Positions (98.1%)			
Corporate Bonds (98.1%)			
American Axle & Manufacturing Inc. Callable 6.625%, October 15, 2022	500,000	\$ 665,041	\$ 692,270
Ashland Inc. Callable 4.750%, August 15, 2022	500,000	634,886	696,500
B&G Foods, Inc. Callable 4.625%, June 1, 2021	500,000	640,630	684,751
Ball Corporation 5.000%, March 15, 2022	1,000,000	1,326,731	1,406,426
Brocade Communications Systems Inc. Callable 4.625%, January 15, 2023	500,000	627,427	664,612
Brunswick Corporation Callable 4.625%, May 15, 2021	500,000	652,588	678,877
CCO Holdings LLC / CCO Holdings Capital Corporation Callable 5.750%, January 15, 2024	500,000	643,590	701,535
Cedar Fair Entertainment Company Callable 5.375%, June 1, 2024	500,000	660,151	691,465
Centene Corporation Callable 4.750%, May 15, 2022	500,000	650,547	678,038
Chemtura Corporation Callable 5.750%, July 15, 2021	500,000	646,609	698,178
Cinemark USA Inc. Callable 4.875 %, June 1, 2023	500,000	645,906	683,073
Consolidated Energy Finance S.A. Callable 6.750%, October 15, 2019	500,000	630,811	671,325
Cott Beverages Inc. Callable 5.375%, July 1, 2022	600,000	765,564	819,688
CST Brands, Inc. Callable 5.000%, May 1, 2023	500,000	651,166	693,143
Dana Holding Corporation Callable 5.375%, September 15, 2021	500,000	656,891	695,661
Darling Ingredients Inc. Callable 5.375%, January 15, 2022	500,000	634,302	696,500
DISH DBS Corporation 5.875%, July 15, 2022	1,000,000	1,229,048	1,413,139
Enable Midstream Partners L.P. Callable 3.900%, May 15, 2024	500,000	533,195	636,785
Energy Transfer Equity L.P. 5.875%, January 15, 2024	500,000	607,407	693,143
Energy Transfer Equity L.P. 7.500%, October 15, 2020	500,000	678,009	748,527
Ferrellgas Partners, L.P. Callable 6.500%, May 1, 2021	500,000	614,120	667,968
HCA Inc. Callable 5.250%, June 15, 2026	500,000	677,153	693,982
Hughes Satellite Systems Corporation 5.250%, August 1, 2026	500,000	662,267	657,898
Huntsman International LLC Callable 4.875%, November 15, 2020	500,000	590,107	695,661
Jaguar Land Rover Automotive PLC Callable 5.625%, February 1, 2023	500,000	637,351	699,856
KLX Inc. Callable 5.875%, December 1, 2022	500,000	645,481	691,465
L Brands Inc. 6.625%, April 1, 2021	500,000	728,787	753,562
M.D.C Holdings Inc. Callable 5.500%, January 15, 2024	500,000	657,700	693,143

See accompanying notes to the financial statements

FRONT STREET TACTICAL BOND FUND

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2016

	Number of Shares / Units	Cost \$	Fair Value \$
Corporate Bonds (98.1%) (Continued...)			
MarkWest Energy Partners, L.P. Callable 4.500%, July 15, 2023	500,000	606,863	681,808
MasTec, Inc. Callable 4.875%, March 15, 2023	1,000,000	1,073,794	1,312,440
NCI Building Systems Inc. Callable 8.250%, January 15, 2023	500,000	704,104	725,031
NCR Corporation Callable 5.875%, December 15, 2021	500,000	636,040	703,213
NOVA Chemicals Corporation Callable 5.250%, August 1, 2023	1,250,000	1,609,627	1,695,096
NRG Energy Inc. Callable 6.250%, July 15, 2022	1,000,000	1,204,572	1,346,007
Olin Corporation 5.500%, August 15, 2022	1,000,000	1,134,482	1,382,929
Penske Automotive Group, Inc. Callable 5.375%, December 1, 2024	500,000	654,257	669,647
Plains All American Pipeline L.P. / PAA Finance Corporation 8.750%, May 01, 2019	500,000	695,409	764,273
Quebecor Media Inc. 6.625%, January 15, 2023	500,000	518,125	525,000
Revlon Products Corporation Callable 5.75%, February 15, 2021	500,000	648,695	674,682
Sabine Pass Liquefaction LLC Callable 5.625%, February 1, 2021	500,000	664,453	718,318
Sealed Air Corporation Callable 4.875%, December 1, 2022	500,000	643,877	689,786
Sunoco L.P. / Sunoco Finance Corporation Callable 5.500%, August 1, 2020	500,000	663,246	684,752
Taylor Morrison Home Corporation Callable 5.250%, April 15, 2021	500,000	650,371	688,108
Tesoro Corporation Callable 5.125%, April 1, 2024	500,000	655,763	686,430
The ADT Corporation 6.250%, October 15, 2021	500,000	687,894	728,388
WESCO Distribution Inc. Callable 5.375%, December 15, 2021	500,000	625,549	693,143
Westlake Chemical Corporation Callable 4.625%, February 15, 2021	489,000	572,011	679,535
Williams Partners L.P. Callable 4.875%, May 15, 2023	1,000,000	1,174,423	1,367,715
Windstream Services LLC Callable 7.500%, June 1, 2022	500,000	<u>500,632</u>	<u>657,899</u>
		<u>\$ 35,717,652</u>	<u>\$ 38,971,371</u>
Purchased Put Options (0.0%)			
PowerShares Senior Loan Portfolio, Put 22, January 20, 2017	72	<u>\$ 9,213</u>	<u>\$ 725</u>

See accompanying notes to the financial statements

FRONT STREET TACTICAL BOND FUND

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2016

	Number of Shares / Units	Cost \$	Fair Value \$
Total Long Positions (98.1%)		\$ 35,726,865	\$ 38,972,096
Foreign exchange forward contracts (-2.0%)			
Net unrealized loss on foreign exchange forward contracts, note 14		-	(824,736)
Transaction costs, note 3		<u>(187)</u>	<u>-</u>
Total Investments (96.1%)		<u>\$ 35,726,678</u>	38,147,360
Cash and cash equivalents (2.6%)			1,027,133
Other assets, less liabilities (1.3%)			<u>531,573</u>
Net assets (100.0%)			<u><u>\$ 39,706,066</u></u>

See accompanying notes to the financial statements

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. THE FUND

Front Street Tactical Bond Fund (the "Fund") is an unincorporated open ended unit trust which was created under the laws of the Province of Ontario on July 23, 2015. The Fund is domiciled in Canada, and the address of its registered office is 77 King Street, 21st Floor, Toronto, Ontario, Canada, M5K 1G8.

The Fund has appointed Front Street Capital 2004 to act as investment fund manager of the Fund (the "Manager") and Front Street Investment Management Inc. (the "Investment Advisor") to provide investment advisory and portfolio management services to the Fund. Front Street Capital 2004 assumed the portfolio management and investment advisory services from Front Street Investment Management Inc. on October 16, 2015.

On December 8, 2016, Front Street Capital 2004 ("FSC 2004"), together with Aston Hill Financial Inc. ("Aston Hill") and Tuscarora Capital Inc. ("TCI"), an entity under common control with the Manager, completed a transaction whereby Aston Hill would acquire all of the equity interests in the FSC 2004 and TCI, and the companies would combine their respective operations. As part of the transaction, Aston Hill also changed its name to LOGiQ Asset Management Inc.

At special meetings of securityholders of the Fund on November 10, 2016, investors approved the change of manager resulting from the aforementioned transaction. Effective December 20, 2016, the Manager was renamed LOGiQ Capital 2016.

Equity Financial Trust Company is the trustee (the "Trustee") of the Fund. Effective November 13, 2015, CIBC Mellon replaced Citibank Canada as the custodian and replaced Citigroup Fund Services Canada, Inc. to provide unitholder recordkeeping services and fund accounting services.

The investment objective is to provide Unitholders with exposure to a diversified portfolio of corporate, government or other bonds, and debt instruments or debt-like securities, of investment grade and non-investment grade North American and/or international issuers. This could include investments in corporate bonds, notes, floating rate notes, convertible bonds, preferred shares, bank loans, government bonds or other income-producing securities.

The fundamental investment objective of the Fund cannot be changed without the approval of its unitholders.

2. BASIS OF PRESENTATION

(a) Statement of compliance

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

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

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

2. **BASIS OF PRESENTATION** (Continued...)

(b) Basis of presentation

These financial statements have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective as at December 31, 2016, the Fund's annual reporting date.

(c) Basis of measurement

These financial statements have been prepared on the historical cost basis, except for financial assets and liabilities at fair value through profit and loss which are measured at fair value.

(d) Functional and presentation currency

The financial statements have been presented in Canadian dollars, which is the Fund's functional currency, and all values are rounded to the nearest dollar except where otherwise indicated.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies described below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

Classification of financial instruments

The Fund classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39, Financial Instruments: Recognition and Measurement:

Financial assets and liabilities at fair value through profit or loss

The category of financial assets and liabilities at fair value through profit or loss is sub-divided into the following two sub-categories.

Financial assets and liabilities held for trading: financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Fund's policy is not to apply hedge accounting.

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(a) Financial instruments (Continued...)

Financial instruments designated as fair value through profit or loss upon initial recognition: these include equities, treasury bills, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund as set out in the Fund's Investment Guidelines.

The Fund recognizes financial instruments at fair value upon initial recognition. Transaction costs include brokerage commissions incurred in the purchase and sale of portfolio investments in which the Fund invests. All such costs are expensed in the period incurred and presented in the statements of comprehensive income. Purchases and sales of financial assets are recognized at their trade date. The Fund's investments and derivative assets and liabilities are measured at fair value through profit or loss (FVTPL), including certain investments in debt securities which have been designated at FVTPL. The Fund's obligation for net assets attributable to unitholders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives, except for warrants classified as level 2 are identical to those used in measuring its net asset value ("NAV") for transactions with unitholders.

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Quantitative information on the impact on the Fund's statements of financial position if all amounts were set off is required.

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(b) Fair value measurement:

The Fund's portfolio investments are classified as fair value through profit or loss ("FVTPL"). Any unrealized gain or loss arising due to changes in fair value during the reporting period is presented separately in the statements of comprehensive income. Portfolio investments cannot be reclassified out of the FVTPL category while they are held.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. The fair value of financial instruments traded in active markets should be measured based on a price within the bid and ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. The Fund has determined the closing sale price to be most reflective of fair value unless this price is outside the bid-ask spread. When the closing sale price of financial instruments traded in active markets is outside the bid and ask spread, such financial instruments are measured based on the bid price for securities owned or held long and on the asking price for securities sold short. The fair value of financial instruments not traded in an active market (including, but not limited to securities in private companies, warrants and restricted securities) are determined using valuation techniques. Depending on the circumstances, the Fund may use several methods and make assumptions based on market conditions existing at each reporting date. Valuation techniques may include, without limitation, the use of comparable recent arm's length transactions, discounted cash flow analysis, option-pricing models and other valuation techniques commonly used by market participants. Estimated fair values for investments in securities not traded in an active market are based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for such investments.

The fair value of financial instruments which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided above less a discount of 2% per month up to four months.

Short-term investments, if any, are valued at the aggregate of cost and accrued interest receivable, which approximates fair value.

For financial statement reporting purposes, under National Instrument 81-106 ("NI 81-106") the Fund is required to disclose the differences between net assets attributable to redeemable units per unit and net asset value per unit, including any differences in valuation principles or practices for the purposes of calculating net asset value versus those required under IFRS. A reconciliation between the net assets attributable to redeemable units per unit for financial reporting purposes and net asset value for investor transactions is presented in note 12 (Reconciliation of Net Asset Value to IFRS Net Assets Attributable to Unitholders of Redeemable Units).

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(c) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments, other than cash collateral provided in respect of derivatives and securities borrowing transactions.

(d) Redeemable units

The Fund classifies redeemable units issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Fund has a contractual obligation to deliver cash upon redemption and therefore, the units do not qualify as equity under IAS 32, Financial Instruments. The redeemable units, which are classified as financial liabilities and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date. The units represent the residual interest in the Fund.

(e) Impairment of financial assets

At the end of each reporting period, the Fund reviews its financial assets that are carried at amortized cost for any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured and recognized as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed.

(f) Investment transactions and income recognition

Investment transactions are accounted for on a trade date basis. Realized gains and losses are calculated on a weighted average cost basis.

Revenue from investments is recognized on the accrual basis. Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis and is recognized through profit or loss. Dividend revenue is recognized on the ex-dividend date.

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(g) Securities lending, repurchase and reverse repurchase transactions

The Fund is permitted to enter into securities lending, repurchase and reverse repurchase transactions as set out in the Simplified Prospectus. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities on a future date. The value of cash or securities held as collateral must at least 102% of the fair value of the securities loaned, sold or purchased. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the statements of comprehensive income under the heading securities lending revenue.

(h) Foreign currency translation

The fair value of investments and derivatives, other assets and liabilities denominated in foreign currencies are translated at the exchange rate between the functional currency and the foreign currency at each of the valuation date. Foreign currency transactions, including purchase and sales of investments, investment income and expenses are translated at the exchange rate between the functional currency and the foreign currency at the date of the transaction.

Realized and unrealized exchange gains and losses on foreign currency cash and cash equivalents and other assets and liabilities are presented as “Foreign currency gain (loss) on cash and cash equivalents and other net assets”. Realized and unrealized exchange gains and losses on investments and derivatives are presented within “Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss”.

(i) Increase (decrease) in net assets attributable to unitholders of redeemable units from operations per unit

Increase (decrease) in net assets attributable to unitholders of redeemable units from operations per unit is calculated by dividing the increase (decrease) in net assets attributable to unitholders of redeemable units from operations of a series by the average number of units outstanding of that series during the period.

(j) Net assets attributable to unitholders of redeemable units per unit

The net assets attributable to unitholders of redeemable units per unit are calculated by dividing the net assets of a series of units by the total number of redeemable units of that series outstanding at the end of the period.

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(k) Transaction costs

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

(l) Provisions

The Fund recognizes a provision, if as a result of a prior event, the Fund has a current obligation requiring the outflow of resources to settle. Provisions are recorded at the Manager's best estimates of the most probable outcome of any future settlement.

(m) Interests in subsidiaries, associates and unconsolidated structured entities

The Fund meets the definition of an investment entity and as such, does not consolidate the entities it controls. Instead, interests in entities subject to control are classified as fair value through profit or loss, and measured at fair value.

The Fund may invest in redeemable units of other investment funds as part of its investment strategy. The nature and purpose of the investee funds generally is to manage assets on behalf of third party investors and generate fees for the investment manager, and are financed through the issue of redeemable units to investors.

The maximum exposure to loss from interests in investee funds is equal to the fair value of the investment in those respective funds, which are included in financial assets at fair value through profit or loss in the statement of financial position.

(n) Income taxes

The Fund presently qualifies as a unit trust under the Income Tax Act (Canada) and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund allocates to its unitholders sufficient net income and net realized capital gains so that it will not be subject to income taxes. Foreign income is subject to foreign withholding taxes.

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(o) Future changes in accounting standards:

IFRS 9 was issued in November 2009 with an implementation date of annual periods beginning on or after January 1, 2018. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The timely preparation of financial statements requires the Fund to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The following summarizes the accounting judgments, estimates and assumptions the Fund considers significant:

(a) Valuation of investments

Portfolio investments are measured and reported at fair value through profit or loss. Portfolio investments may include securities not traded in an active market, the fair value of which is determined using valuation techniques. Such estimates of fair value of portfolio investments not traded in an active market involve assumptions and uncertainties, and may include matters of significant judgment. Therefore, such estimates are subjective and cannot be determined with precision. Changes in assumptions may significantly affect the estimates.

(b) Other judgments, estimates and assumptions

Estimates are also used when determining the amount of impairment of assets and the likelihood of contingencies.

(c) Assessment as investment entity

The Manager has concluded that the Fund meets the characteristics of an investment entity, in that it has more than one investment and is managed in accordance with the Trust Agreement and offering memorandum; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties, and has also concluded that the Fund meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

5. REDEEMABLE UNITS

Net assets attributable to holders of redeemable units consists of amounts paid for units, undistributed income, realized gains and losses and unrealized appreciation (depreciation) of financial assets at FVTPL and represents 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 Trust Agreement, and entitles the unitholder to a proportionate interest in the net assets of the Fund. The Fund has no restrictions or specified capital requirements on subscriptions or redemptions of units.

The authorized capital of the Fund consists of an unlimited number of mutual fund trust units, available in one series.

The following redeemable unit transactions took place during the year/period ended December 31:

	2016 (12 months)	2015 (5-1/4 months)
Redeemable Units outstanding, beginning of the year/period:		
Series C	6,266,973	-
Redeemable Units issued during the year/period:		
Series C	280,596	7,171,139
Distributions reinvested during the year/period:		
Series C	268,398	67,655
Redeemable Units redeemed during the year/period:		
Series C	2,761,082	971,821
Redeemable Units outstanding, end of the year/period:		
Series C	4,054,885	6,266,973

6. FEES AND EXPENSES

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 unitholders.

The Fund units are only available for sales to Front Street Mutual Funds Limited funds and there are no management fees, servicing fees and performance fees payable by the Fund.

7. TRANSACTION COSTS AND SOFT DOLLARS

The total brokerage commissions paid by the Fund with respect to security transactions for the year ended December 31, 2016 was \$187 (2015 - \$Nil).

There were no soft dollar amounts included in brokerage commissions.

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

8. INCOME TAXES AND DISTRIBUTION POLICY

The Fund intends to distribute all of its income for purposes of the Income Tax Act, including sufficient net realized capital gains (less applicable losses), on an annual basis, so that the Fund will not be liable for income tax. Distributions over the life of the Fund will be derived primarily from net realized capital gains and income from the Portfolio.

The Fund has \$1,356,173 in allowable capital losses available to be applied against taxable capital gains of future years. These losses do not expire.

9. INDEMNIFICATION OF THE MANAGER

The Fund, pursuant to the Trust Agreement, will indemnify the Manager, its partners, directors, officers, employees and agents out of the Trust Property from all claims that may arise in connection with the exercise of its duties as Manager if they do not result from the Manager's willful misconduct, bad faith, gross negligence or reckless disregard of its duties, or breach of its obligations as manager under the Trust Agreement.

10. RELATED PARTY TRANSACTIONS

The following are redeemable units held by the classes of Front Street Mutual Funds Limited which are also managed by the Manager:

	2016	2015
Series C units held by Front Street Tactical Bond Class	1,884,540	3,768,387
Percentage of Series C units held by Front Street Tactical Bond Class	46.68%	60.1%
Series C units held by Front Street Global Balanced Income Class	620,051	828,062
Percentage of Series C units held by Front Street Global Balanced Income Class	15.29%	13.2%
Series C units held by Front Street Growth and Income Class	430,868	707,640
Percentage of Series C units held by the Front Street Growth and Income Class	10.63%	11.3%
Series C units held by Front Street Balanced Monthly Income Class	1,119,426	962,885
Percentage of Series C units held by Front Street Balanced Monthly Income Class	27.61%	15.4%

When related parties enter unitholder transactions with the Fund, the exchange amount of consideration is the transactional net asset value available to all other unitholders on the trade date.

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

11. SECURITIES LENDING

The Fund lends portfolio securities from time to time in order to earn additional income. Income is earned from securities lending transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. The Fund has entered into a securities lending program with its custodian, CIBC Mellon. The aggregate fair value of all securities loaned will not exceed 50% of the net assets of the Fund. The Fund receives collateral (in the form of obligations of, or guaranteed by, the Government of Canada, or a province thereof, by the United States government or its agencies and/or cash) or by corporate bonds and equities against the loaned securities. Collateral is maintained in an amount representing at least 102% of the fair value of the loaned securities during the year the loan is outstanding. The fair value of the loaned securities is determined daily at the close of business of the Fund and any additional collateral required is delivered to the Fund on the next business day.

A reconciliation of the gross amount generated from the securities lending transactions to the security lending income to the Fund or the periods ended December 31, 2016 and 2015 is as follows:

Securities lending income

	2016 (12 months)	2015 (5-1/4 months)
Gross securities lending income	\$ 3,182	\$ -
Agent fees - The Bank of New York Mellon Corp.	<u>(1,592)</u>	<u>-</u>
Securities lending income to the Fund before tax reclaims	1,590	-
Tax reclaims (withholding taxes)	<u>-</u>	<u>-</u>
Net securities lending income	<u>\$ 1,590</u>	<u>\$ -</u>

As at December 31, 2016 and 2015, the aggregate fair values of the Fund's securities loaned and the collateral received were \$Nil.

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

12. RECONCILIATION OF NET ASSET VALUE TO IFRS NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF REDEEMABLE UNITS

Investment funds may have two different net asset values: (i) one for financial statements, which is prepared in accordance with IFRS (referred to as "IFRS NA") and (ii) another for all other purposes, including unit pricing for investor transactions (referred to as "net asset value"). For investments that are traded in an active market where quoted prices are readily and regularly available, IFRS requires investments to be valued using the methods and principles described in note 3 (Summary of significant accounting policies – Fair value measurement), wherein the Fund may use closing sale prices for the purpose of determining net asset value. For investments that are not traded in an active market, IFRS requires the use of specific valuation techniques, rather than the use of valuation techniques in general practice in the investment funds industry. National Instrument 81-106 ("NI 81-106") requires that annual financial statements present a reconciliation of Net asset value per unit to IFRS Net Assets Attributable to Unitholders of Redeemable Units.

As at December 31, 2016 and 2015, there is no variance between the IFRS NA per unit to net asset value per unit.

13. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of financial assets and liabilities at FVTPL, cash and cash equivalents, margin deposits, interest receivable 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, credit, and portfolio concentration risks arising from these financial instruments except as described below. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

All securities present a risk of loss of capital. The Manager 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.

The schedule of investment portfolio presents the securities held by the Fund as at December 31, 2016 and groups the securities by asset type, sector and/or market segment. The investment portfolio is comprised of corporate bonds and foreign currency forward contracts. The Manager will maintain a mix of debt instruments, foreign currency forward contracts and cash that represents its view of the most optimal combination of these investments based on economic outlook, market conditions and the relative value of these investments. Significant risks that are relevant to the Fund are discussed below.

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

13. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

The Fund is exposed to financial risks, including market risk, currency risk, interest rate risk, credit risk, liquidity risk, cash flow risk and credit risk. The Fund's overall risk management program seeks to minimize potentially adverse effects of those risks on the Fund's financial performance. The Fund moderates financial risks through the careful selection of portfolio investments and other financial instruments within the parameters of the investment guidelines, strategies and objectives.

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, 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.

Included in the undernoted accounts are the following foreign currency balances:

As at December 31, 2016

Currency	Financial assets at FVTPL	Cash and cash equivalents (bank indebtedness)	Forward currency contracts (note 14)	Net Exposure	Percentage of Net Assets
United States Dollar	<u>\$ 38,447,096</u>	<u>\$ 861,332</u>	<u>\$(39,797,475)</u>	<u>\$ (489,047)</u>	<u>(1.23)%</u>

As at December 31, 2015

Currency	Financial instruments at FVTPL	Cash and cash equivalents (bank indebtedness)	Forward currency contracts (note 14)	Net Exposure	Percentage of Net Assets
United States Dollar	\$ 58,635,453	\$ 2,342,636	\$(60,703,841)	\$ 274,248	0.40 %
Euro	-	(81,005)	-	(81,005)	(0.10)%
	<u>\$ 58,635,453</u>	<u>\$ 2,261,631</u>	<u>\$(60,703,841)</u>	<u>\$ 193,243</u>	<u>0.30 %</u>

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

13. RISKS ASSOCIATED WITH 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 December 31, 2016, there were investments in corporate bonds representing 98.1% (December 31, 2015 - 96.8%) of the investments owned, maturing ranging in 2019 to 2026. The remaining portion of the Fund's investments are substantially non-interest bearing equity investments and its exposure to interest rate changes is minimal.

As at December 31, 2016	Floating Rate Financial Instruments	Fixed Rate Financial Instruments	Non-interest Bearing	Total
Financial assets				
Financial assets at FVTPL	\$ -	\$ 38,971,371	\$ 58,953	\$ 39,030,324
Cash and cash equivalents	1,027,133	-	-	1,027,133
Loans and receivables	-	-	586,365	586,365
Total	<u>\$ 1,027,133</u>	<u>\$ 38,971,371</u>	<u>\$ 645,318</u>	<u>\$ 40,643,822</u>
Financial liabilities				
Financial liabilities at FVTPL	\$ -	\$ -	\$ 882,964	\$ 882,964
Other financial liabilities	-	-	54,792	54,792
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 937,756</u>	<u>\$ 937,756</u>
IFRS NA				<u>\$ 39,706,066</u>
As at December 31, 2015	Floating Rate Financial Instruments	Fixed Rate Financial Instruments	Non-interest Bearing	Total
Financial assets				
Financial assets at FVTPL	\$ -	\$ 59,615,453	\$ 26,695	\$ 59,642,148
Cash and cash equivalents	3,857,296	-	-	3,857,296
Loans and receivables	-	-	858,880	858,880
Total	<u>\$ 3,857,296</u>	<u>\$ 59,615,453</u>	<u>\$ 885,575</u>	<u>\$ 64,358,324</u>
Financial liabilities				
Financial liabilities at FVTPL	\$ -	\$ -	\$ 2,738,940	\$ 2,738,940
Other financial liabilities	-	-	44,635	44,635
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,783,575</u>	<u>\$ 2,783,575</u>
IFRS NA				<u>\$ 61,574,749</u>

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

13. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

iv) Liquidity risk

Liquidity risk is the risk the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Unitholder 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.

As at December 31, 2016

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets at FVTPL	\$ 58,953	\$1,435,598	\$ 11,193,324	\$ 26,342,449	\$ -	\$ 39,030,324
Cash and cash equivalents	1,027,133	-	-	-	-	1,027,133
Loans and receivables	<u>586,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>586,365</u>
Total	<u>\$ 1,672,451</u>	<u>\$1,435,598</u>	<u>\$ 11,193,324</u>	<u>\$ 26,342,449</u>	<u>\$ -</u>	<u>\$ 40,643,822</u>
Financial liabilities						
Financial liabilities at FVTPL	\$ 882,964	\$ -	\$ -	\$ -	\$ -	\$ 882,964
Other financial liabilities	<u>54,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,792</u>
Total	<u>\$ 937,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 937,756</u>
IFRS NA						<u>\$ 39,706,066</u>

As at December 31, 2015

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets at FVTPL	\$ 26,695	\$ 684,932	\$ 5,858,897	\$ 53,071,624	\$ -	\$ 59,642,148
Cash and cash equivalents	3,857,296	-	-	-	-	3,857,296
Loans and receivables	<u>858,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>858,880</u>
Total	<u>\$ 4,742,871</u>	<u>\$ 684,932</u>	<u>\$ 5,858,897</u>	<u>\$ 53,071,624</u>	<u>\$ -</u>	<u>\$ 64,358,324</u>
Financial liabilities						
Financial liabilities at FVTPL	\$ 2,738,940	\$ -	\$ -	\$ -	\$ -	\$ 2,738,940
Other financial liabilities	<u>44,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,635</u>
Total	<u>\$ 2,783,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,783,575</u>
IFRS NA						<u>\$ 61,574,749</u>

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

13. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

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 could result from a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

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 investment in bond and 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 Statements of Financial Position.

As at December 31, 2016, the Fund had \$38,971,371 (December 31, 2015 - \$59,615,453) in debt instruments with the following credit ratings obtained from Standard and Poor's Moody's or DBRS:

Debt instruments by credit rating	Percentage of net assets	
	2016	2015
BBB	15.7 %	7.3 %
BB	63.5 %	72.7 %
B	18.9 %	16.8 %

vii) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The Fund's concentration risk by market segments has been summarized in the schedule of investment portfolio.

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

14. FORWARD FOREIGN CURRENCY CONTRACTS

The Fund has entered into forward foreign currency contracts to protect against fluctuations in the U.S. dollar exchange rates. As at December 31, 2016, the Fund has contracted to sell U.S. dollar currency amounting to Cdn \$43,411,022 (2015 - Cdn \$67,009,993) at forward rates ranging from 1.3111 to 1.3199 (2015 - 1.3297 to 1.3306).

The Fund has contracted to buy U.S. dollar currency amounting to Cdn \$4,438,283 at forward rates ranging from 1.3145 to 1.3342 (2015 - 1.3302 to 1.3926).

These contracts were settled on January 23, 2017.

The net unrealized loss from forward contracts amounted to \$824,736 (2015 - \$2,712,245) as at December 31, 2016 and is presented on the Statements of Financial Positions as follows:

	2016	2015
<u>Assets:</u>		
Foreign exchange forward contracts at fair value through profit or loss	\$ 58,228	\$ 26,695
<u>Liabilities:</u>		
Foreign exchange forward contracts at fair value through profit or loss	<u>(882,964)</u>	<u>(2,738,940)</u>
	<u>\$ (824,736)</u>	<u>\$ (2,712,245)</u>

15. CAPITAL MANAGEMENT

The Fund considers financial instruments in the form of Redeemable units to represent capital. In managing this capital, the objectives of the Fund are:

- to safeguard the Fund's ability to continue as a going concern, be flexible and take advantage of opportunities that might present themselves;
- to provide an appropriate return to unitholders; and
- to use active management strategies intended to enhance the returns of the Fund and concurrently minimize risk and preserve capital, consistent with the investment guidelines, strategies and objectives of the Fund.

The Fund follows, and is in compliance with, the Investment Guidelines described in the Prospectus.

The Fund is not subject to any externally imposed capital requirements.

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

16. FAIR VALUE HIERARCHY

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

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

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

As at December 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ -</u>	<u>\$ 39,030,324</u>	<u>\$ -</u>	<u>\$ 39,030,324</u>
Financial liabilities at FVTPL	<u>\$ -</u>	<u>\$ 882,964</u>	<u>\$ -</u>	<u>\$ -</u>
As at December 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ -</u>	<u>\$ 59,642,148</u>	<u>\$ -</u>	<u>\$ 59,642,148</u>
Financial liabilities at FVTPL	<u>\$ -</u>	<u>\$ 2,738,940</u>	<u>\$ -</u>	<u>\$ 2,738,940</u>

During the year ended December 31, 2016, the Fund did not hold any investments measured at fair value using unobservable inputs (Level 3).

There were no transfers in or out between the fair value hierarchy levels for the financial assets and liabilities at fair value through profit or loss during the year.

Valuation techniques and framework

The Fund's portfolio investments in equity and debt securities are classified as Level 1 when the security is actively traded and a reliable price is observable. The Fund may not be able to trade certain equity securities of publicly listed issuers (primarily warrants and shares for which trading is restricted by a contractual hold period), and therefore observable prices may not be available. In such cases, fair value is determined based on observable market data (e.g., prices for transactions for similar securities of the same issuer) and the fair value is classified as Level 2. However, if the determination of fair value requires significant unobservable data, the measurement of such securities is classified as Level 3.

Valuation techniques are used for equity and debt securities classified as Level 2 and Level 3 (primarily private companies).

FRONT STREET TACTICAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

16. **FAIR VALUE HIERARCHY** (Continued...)

Valuation techniques and framework (Continued...)

The Fund uses widely recognized valuation models for determining the fair value of common and simple financial instruments, such as corporate bonds, warrants and temporarily restricted shares of public companies, which generally use observable market data and require some management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and other simple derivatives. The availability of observable market prices and model inputs may reduce the need for management judgment and estimation and may reduce, but does not eliminate, uncertainty associated with determining fair values. The availability of observable inputs may vary and depends on the nature of the securities being valued and markets, and is subject to change based on specific events and general conditions in the financial markets. Management applies a certain discount to restricted securities in order to determine the fair value of these securities. To determine the fair value of warrants, management uses the Black-Scholes stock option model, which incorporates the volatility of the underlying stock.

The Fund has established a control framework for the measurement of fair value. The valuation process is overseen by management, who is responsible for developing the Fund's valuation processes and procedures, conducting periodic reviews of those policies and evaluating their consistent application. When third party information, such as broker quotes or pricing services or recent transactions, is used to measure value, then management assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes verifying the information provided, and analyzing the information to check for any material inconsistencies.

17. **REPORTING PERIOD**

The Statements of Financial Position are presented as at December 31, 2016 and 2015 and Schedule of Investment Portfolio is presented as at December 31, 2016. The Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Unitholders of Redeemable Units and Statements of Cash Flows are presented for the year ended December 31, 2016 and for the period from July 23, 2015 (the Initial Closing Date and date of commencement of operations) to December 31, 2015, which is a period of approximately five and one-quarter (5.25) months.